Ticker: 2385

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Chicony Electronics CO., Ltd.

2018

Annual Report

May 15, 2019

Spokesperson

Ms. Molly Lin, Chief Financial Officer

Deputy Spokesperson

Ms. Ting Yang, Director, Investor Relations

Contact: public@chicony.com

Company Info

Address: No. 69, Sec.2, Guanfu Rd., Sanchong Dist., New Taipei City
Tel: 886-2-6626-6788
Website: http://www.chicony.com.tw/

Independent Accountants

Chin-Chang, Chen
Shih-Jung, Weng
PricewaterhouseCoopers, Taiwan
Address: 27F, No. 333, Sec. 1, Keelung Rd., Xinyi Dist., Taipei
Tel: 886-2-2729-6666
Website: http://www.pwc.tw/

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I. Letter to Shareholders

Dear Shareholders:

1. 2018 Performance

(1) 2018 Operational Result

The 2018 Consolidated Revenue reached $87,260,406, which was an increase of 12% compared to 2017. Our Operating Profit amounted to $4,649,536, while the Net Profit amounted to $3,590,711, an increase of 2% and a decrease of 11% respectively compared to 2017.

(2) Financial Highlights and Profitability Analysis

1. Financial Highlight

Units: NTD thousands

Item	2018	2017	Increase (decrease)
Operating Profit	4,649,536	4,569,330	1.76%
Net Profit	3,590,711	4,021,529	(10.71%)
Average Total Assets	68,193,144	65,876,078	3.52%
Average Shareholder Equity	23,935,896	23,976,322	(0.17%)

2. Profitability

Item	2018	2017
Return on Average Assets (%)	5.27	6.10
Return on Average Shareholder Equity (%)	15.00	16.77
Operating Profit on End-of-Period Shareholder Equity (%)	63.66	63.41
Net Profit Margin (%)	4.11	5.15
Earnings per Share (EPS) in NTD (Note)	$5.22	$5.92

Note: Earnings per share is the amount of employee remuneration that is not distributed based on earnings and the number of new shares issued through capitalization of earnings before retroactive adjustment.

(3) Research and development

In 2018, the Company and its subsidiaries spent approximately $2,515,632 thousands on product development, automation production equipment, and process improvement. Solid R&D ability is Chicony's crucial competitiveness to face fast-changing industry environment. To cultivate and attract more and more excellent R&D talents, Chicony has cooperated with National Taipei University of Technology by providing "Chicony R&D scholarship" and has created a "C&T laboratory" and jointly held creative thinking competitions, as well as participating in the first P-TECH industry-academy cooperation partnership held by the Ministry of Education for potential R&D candidates. Aiming to innovative technology trend, Chicony will continuously develop cutting edge products including keyboards, images (camera module, sports DV, IP CAM, dashboard camera), power supply, IoT-wearable device, smart building solutions, and other smart life products. Thanks to our new coming customers, Chicony has obtained quite a few business opportunities.

2. 2019 Business Project Summary

(1) 2019 Business Target and Business Outlook

The tension caused by the trade war between China and the United States results in the credit crunch in all major markets and has impact on the trading activities. The level of

USD appreciation and interest rate increase exceeds expectations, which results in the volatile fluctuation in financial markets of emerging markets that issue USD bonds and fund withdrawal from such markets. Under the impact of heating trade protectionism and the turmoil of emerging markets, IMF predicts that the global economic growth in 2019 will be at 3.5%. The United States further sets high trade barriers against China and impose tariff on China's Car Industry, which will decrease the U.S. long-term economic growth by 1%. The economic growth for the United States in 2019 is forecast at 2.5%. China is the second largest economy in the world. China's economy is transforming from high-growth to high-quality. In addition, the trade disputes between China and the United States have strong impact on its economic growth. Furthermore, the financial stability in China is affected by the escalated non-financial liabilities, high housing price and the close down of P2P lending platforms. The economic growth for China is forecasted at 6.2%. With Brexit entering a deadlock, the United States withdrawing from the Iran nuclear deal and resuming economic sanctions against Iran's economy and oil export, the tension in the region has raised again. The uncertainty of U.S. trade policy, deterioration of financial situation in emerging markets, economic declines in China, and the risks of geopolitics have put the world in the extremely unstable situation where the financial environment may have sudden and violent depreciation.

After many years of declines in PC market, the decline level of shipping of PC in 2018, although still declined by 1.3% compared to 2017, decreased compared to the past 3 years. The major growth came from the replacement of PCs in large companies with Windows 10 operating system. The shipping increase in corporate market offsets the consumer market that has been influenced smart phones. In recent years, AI, IOT, business intelligence, blockchain, and big data have become standard equipment for corporations, which push corporations to accelerate the replacement of PC equipment that is used for processing data and analysis. The momentum of the growth in PC mainly came from high-end business computers and gaming computers that have higher gross profit, which is beneficial for the whole PC supply chain.

After the decline in the global Notebook market caused by tablets and smart phones, the NB market became stable in 2018, thanks to the market saturation of smart phones and decline of tablet sales. With the introduction of affordable Apple products, Modern PC from Microsoft, and budget gaming NBs, the compound growth rate for global NB shipping between 2019 and 2023 will be at 0.6%, and the shipping scale may be at least 0.15 billion NBs by 2023.

The global smart phone market has entered growth plateau period. The life cycle of smart phones extends ss the new smart phones are lack of killer applications and dramatic upgrades. Smart phones should maintain single digit growths between 2019 and 2022 with the compound growth rate at 2.4%. Functional phones with affordable prices earn favor in India and African markets, and the growth momentum is maintained at a certain level. Smart phone companies have focused on the specification of cell phone lens and performance. As the dual lens has become the standard equipment of new phones, the market has focused on trio lens in 2018. The number of lenses increases as the cell phone specification upgrades, including multiple lenses, 3D sensor, AR, AI applications. In the future, each smart phone may contain 5 or 6 lenses, which is beneficial for the cell phone camera module products.

As consumers have higher and higher acceptance towards smart home, the global smart home devices (including smart sound system, smart door bell, smart light bulbs, smart door locks, internet-connected smoke detectors, and etc.) will reach 0.83 billion devices in 2018, a dramatic growth of 25% compared to 2017. With the factors of more companies entering the market, declining device price, improving user experiences, and rapid technology development, the number of global smart home devices is estimated at 1.94 billion by 2023, higher than the estimated number of global smart phones of 1.86 billion back then. Among all, the smart sound device enjoys the most rapid growth, with the growth of 109% in 2018 compared to 2017, which is higher than the growth of AR, VR and even wearable devices.

As corporations enter the period of renewing server equipment and continue to invest in new generation of IT infrastructures and mega data center firms continue to expand, the demand in servers continue to increase. Furthermore, the price increase for DRAM, adoption of new processor platforms and better equipment boost the increase of ASP for servers, which leads to the growth in all types of servers and in the market scale in all regions. From the perspective of product type, the market scale of entry-level server increases by 42% annually, 63% for intermediate server market, and 30% for high-end server market. The market scale in all regions reaches double digit growth, among which Chinese market and Asia-Pacific region excluding Japan have the highest growth of 70% and 55% respectively. The dramatic growth in server market scale is a great benefit for the subsidiary Chicony Power Technology that produce power supply of servers.

Chicony's keyboard, images (camera module, sports DV, IP CAM, dashboard camera), and power supply products steadily grew well. For keyboards, we continue our strategy in keyboards with high unit price, such as gaming, 2 in 1 and LED backlight keyboards. In gaming market, gaming is recognized as a sport competition, thanks to the policy in all regions. To meet the market demand, key components of gaming products have been improved and refined, which triggers the replacement trend of gaming products. For image products, the Company possesses the R&D capacity of integrating Wi-Fi and image technologies and has excellent competitive advantages in entering IoT application products. In the face of continuous growth in the market of smart technology products and the popularization of smart life, the Company's products, such as Wi-Fi camera, smart door bell image system, pet feeding machines, embrace the strong demand in the market of consumer electronic products. For power supply products, in addition to the continuous growth in gaming power supply and the market penetration in gaming power supply, the Company also enters in the supply chain of smart speaker mega corporations.

In 2019, the management team of the Company will remain highly confident to actively face the rapid changes in the industry and external challenges and to integrate resources of the group. In addition to the research, development and sales of niche products like original keyboards, digital image, and power supply, non-PC products, such as gaming, server, game console, smart home and IoT, are able to enter markets with potential and application areas with high value-added as these products have stable growth. With the support of these high value-added products, the revenues and profits of the Company also shares a stable growth simultaneously. In addition to the market analysis made by the aforementioned major research institutions, the Company also takes production planning and the operating performance in the past into consideration based on the estimated demands of customers. It is estimated that the number of product sale for PC peripheral devices, digital image, consumer electronic products, and other electronic products of the Company will be 192.6 million, and the number of PC peripheral devices, game consoles, and network communication and other electronic products of subsidiaries Chicony Power Technology and XAVi Technologies Corporation is 163.9 million and 7.1 million respectively.

(2) Business strategies

The Company will continue to uphold the faith of sustainable and integrity operation and the principle of "No Quality, No Sales," provide customers with satisfying services, and continue to fulfill the growth in Company revenues and profits in order to give back to our shareholders, employees and society. The operating strategies for products, production, marketing, research and development, human resources, and finance perspectives are described as follows:

1. Products:
   (1) Keep cultivating keyboard, digital image, power supply, and other high gross-profit and differentiated products.
   (2) Integrate unique technology advantages including image, Wi-Fi, power control, and software to develop higher value-added products.
   (3) Escalate Non-PC products revenue proportion including cloud computing and gaming power supply products, smart home products and smart building solution applications, and IOT-wearable devices.
2. Production:
   (1) Expand economics of scale in keyboard, image, and power supply products, escalate efficiency of productivity, and strictly control the quality of products.
   (2) Enhance the VMI (Vendor Managed Inventory) system with the information provided by EDI and ERP to react customer needs in time, so as to reduce storage cost and improve flexibility and efficiency of delivery and production.
   (3) Enhance bargain power by integrating Chicony group procurement resources and integrating common materials of the Group.
   (4) Purchase key components directly from the original suppliers to reduce raw material costs.
   (5) Keep finding more appropriate suppliers of key components, to create strategic vertical integration to enhance complement and expand economics of scale.
   (6) Cultivate deeper relationship with suppliers in China to localize procurement process. Response currency market to reduce the material cost and to enlarge the CRP amount by adopting the most beneficial currency.
   (7) Accelerate the establishment of production base in Southeast Asia other than China and continue to escalate the automation ratio and development new production process to efficiently improve production efficiency.
3. Marketing:
   (1) Provide customer "ONE STOP SHOPPING" menu by integrating Chicony group product lines so as to meet the product demands of customers and to create the greatest profits by the most efficient marketing resources.
   (2) Continue to extend the customer base and market share of keyboard, digital image (DV, IPC CAM and lens module) and power supply products.
   (3) Expand new products including smart home, IP CAM, IOT-wearable devices, and drones.
   (4) Create CFT (Customer Focus Team) so as to integrate Chicony group marketing resources and deeply cultivate crucial customers.
4. Research and Development:
   (1) Collaborate with crucial international hardware/software customers and suppliers so as to control key technologies and create valuable new products together.
   (2) Create technology advantages by I.P. Know-How so as to set entry barriers.
   (3) Keep developing VA/VE (value analysis/value engineering) and improve product design to increase productivity efficiency and reduce production cost.

(4) Provide “Chicony R&D scholarship” to encourage more excellent R&D talents for developing greater R&D ability and efficiency.

(5) New Product Business Division keeps developing new product opportunities so as to create more blue-ocean market for Chicony.

(6) Establish Intellectual Property Center to obtain and protect patents belongs to Chicony group as well as manage cross-licensing of patents.

5. Human Resources:

(1) Keep providing profession and management training courses to cultivate employees’ professional technique and self-development.

(2) Help employees develop stable self-career plan with position rotation and job deputy, and, there through, the work capacity and position experience can be continuously applied and inherited for eternal operation purpose.

(3) Promote corporate social responsibility activities and allocate certain ratio of the company’s profits to help disadvantaged minorities in the education and medical perspectives. Cooperate with known colleges to cultivate young talents for potential manpower cultivation to present the solid result of corporate social responsibility of the Company.

(4) Keep pace with HR development and policy trend globally and react in time to maintain mutual benefits for both employer and employee.

(5) Concern for our employees thoroughly to inspire and keep excellent manpower with a profound retaining system and employee housing plans.

6. Finance

(1) Supervise budget control and carefully manage accounts receivable, inventory, and cash turnover.

(2) Strictly manage the tax-preserving materials and ensure the conduct of tax-preserving materials follow the legal regulation in other countries to make sure the company can benefit from the custom tax.

(3) Keep improve debt ratio, stock and finance affairs, and corporate governance.

(4) Adequately hedge against fluctuations in exchange rates and raw material costs.

(5) Conduct the most appropriate tax planning for the entire Chicony Group by thorough study of relevant tax laws and regulations in related countries.

(6) Minimize the interest cost and plan the middle and long term fund facility according to the trend of interest rate.

(7) Keep seeking companies with growth potential or complementary strengths as for investment object or future strategic alliance.

(3) Important production and marketing policies

1. Focus on the top 10 global brands of manufacturers in personal computers, notebooks, image products, and smartphone. By increasing our business shares among these growing companies, we are able to expand our global market shares and strengthen our position.
2. Integrate our competitive advantages of multiple product lines, cross-selling, and collaborate material procurement resources.
3. Establish in-time warehouses logistic system to shorten product delivery time and gain advantages compare to our competitors.
4. Review and adjust production process to the optimum status. Adopt automatic production to increase productivity efficiency.
5. Establish VMI (Vendor Managed Inventory) system to enhance material delivery efficiency and reduce stocks of inventory.

6. Enhance current ERP system and provide management index information. Establish Business Policy Making room with timely information for decision making.
7. Extend the establishment of production base in Southeast Asia other than China to satisfy customer demands and diversify risks.

3. Company development strategy and impact from external competition, laws and regulations, and the overall operating environment in the future:

   These subjects are covered in the 2019 Business Plan summary. In addition, the operation of the Company is handled in accordance with laws and regulations. The Company operation has not been affected by the amendments of laws and regulations.

We wish our shareholders

Health and Good Luck

Chairman: Kent Hsu

General Manager: Roger Lu

Chief Accounting Officer: Molly Lin

II. Company Profile

I. Date of Incorporation: February 22, 1983

II. Company history and development

1983
- The Company was found by Mr. Yi Jen Li, the former Vice Chairman and Mr. Wei Nan Lu, the former Deputy General Manager, initiated the Company with registered capital of NT$ 2,000,000 and engaged in the trade of computer peripheral products.

1985
- Mr. Kun Tai Hsu, the current Chairman, joined the Company and began to produce compatible product keyboards for APPLE and IBM.
- In order to add equipment, the Company issued new shares to raise capital of NT$14,000,000.
- In 1985, the revenue reached NT$39,000,000.

1986
- In 1986, the revenue reached NT$293,000,000, which was about 7.5 times compared to 1985.

1987
- The Company established the portable PC computer project.
- In order to add equipment, the Company issued new shares to raise capital of NT$47,000,000.
- The Company established the business unit (including the portable product and keyboard business unit).
- The Company made a contract and purchased a HP-3000 computer to conduct computerization.
- In 1987, revenue reached NT$585,000,000, which was doubled compared to 1986.

1988
- The Company was selected as one of the five major manufacturers of computer keyboards in the world by PC CLONES MAGAZINE.
- The Company got formal approval to invest in Chicony Electronics (Thailand) by the Department of International Cooperation, Ministry of Economic Affairs.
- The Company made new shares to raise capital in cash and capitalization of retained earnings amounting to NT$57,000,000.
- The laptop computer LT3400 officially began mass production.
- In 1988, the revenue reached $801,000,000, which was an increase of 37% compared to 1987.

1989
- Keyboard KB-5581 (KEYBOARD WITH TRACKING BALL) was awarded the Good Design Award.
- The factory of Thailand officially began to produce, and we created the first overseas products of the business unit.
- The Company bought the Nankan Factory in Lujhu Township of Taoyuan City (Taoyuan Factory) that covers an area of 4,500 acres.
- In response to the rapid growth of revenue, the Company issued new shares to raise capital of NT$78,000,000 with the subsequent capitalization of NT$198,000,000 for the demand for working capital.
- The Company establish the MotherBoard Business Unit.
- In 1989, the revenue reached NT$1,585,470,000, which was doubled compared to 1988.

- The Ministry of Economic Affairs approved the Company to establish Chicony Overseas Inc. (COI), which operates PC products and peripheral equipment to strengthen foreign sales networks and customer services.

1990
- The Company established Hipro Electronics (TAIWAN) CO., LTD, which operate the Power Supply Unit.
- Ranked among the Top 100 Taiwan Enterprises by the excellent performance of imports and exports.
- Awarded with the Minister of the Ministry of Economic Affairs Prize of the Executive Yuan as a Company using the private brand of the trademark in overseas sales.
- The Company established the completed overseas market sales network and production base through formally investing in Chicony Overseas Inc. (COI), holding 100% of its equity, and reinvested separately in the Company's distributors in the US and Europe, Chicony America Inc. (CAI), Chicony Electronics. GmbH (CEG) and Thailand's production base Chicony Electronics (Thailand) Co., Ltd. (CET).
- The Nankan Factory in Lujhu Township of Taoyuan City began official operation.
- Approved by the Securities and Futures Management Committee of the Ministry of Finance, the Company issued new shares to raise capital of NT$802,000,000 with subsequent capitalization of NT$1,000,000,000 and supplemental public issuance.

1991
- Mr. I Jen Li, the General Manager, was awarded the 45th National Outstanding Excellent Merchant of the Gold Merchant Awards of the Republic of China.
- Mr. Mao Kuei Lin, Senior Deputy General Manager, was awarded the 9th Outstanding Production Manager of the Republic of China.
- Office building groundbreaking in the Wugu industrial area began.
- The Company made capitalization of retained earnings amounting to NT$120,000,000.

1992
- The Company planned a MotherBoard factory in Thailand.
- Keyboard KB-5591 was awarded The National Product Image Award.

1993
- The head office was completed and opened in Wugu.

1994
- The keyboard factory officially opened and began mass production in China.

1995
- Approved by the Securities and Futures Management Committee of the Ministry of Finance, the Company issued new shares to raise capital of NT$380,000,000 with subsequent capitalization of NT$1,500,000,000.

1996
- The Company ended the MotherBoard Business Unit.
- The Company reduced capital and raised capital in cash, NT$300,000,000 each.
- Indirect investment in Chicony Electronics (UK) Ltd. through Chicony Overseas Inc. to operate keyboard sales.

1997
- Hipro Electronics (TAIWAN) CO., LTD. listed stocks in Thailand.
- Keyboard KWD-601 was awarded The Best Product Award by the German version of Chip Magazine.
- Mr. Yi Jen Li was elected as the Vice Chairman by the Board of Directors, and Mr. Mao Kuei Lin was promoted to General Manager from Executive Deputy General Manager.

1998	– The monthly sales volume of keyboards reached 2.5 million units, and the performance jumped to number one in the world.
	– Indirect investment in Chicony Electronic (Dongguan) Co., Ltd. through Chicony Overseas, Inc. to operate keyboard production and sales.
	– Approved by the Securities and Futures Management Committee of the Ministry of Finance, the Company handled the capitalization of additional paid-in capital into new shares (including employee bonuses) and additional paid-in capital amounting to NT$324,804,270 with subsequent capitalization of NT$1,824,804,270.
1999	– On January 5, 1999, the stock was officially listed on the Taiwan Stock Exchange Corporation.
	– Approved by the Securities and Futures Management Committee of the Ministry of Finance, the Company handled capitalization of retained earnings (including employee bonuses) and additional paid-in capital amounting to NT$397,395,730 with subsequent capitalization of NT$2,222,200,000.
2000	– The Company applied for Hipro Electronics (TAIWAN) CO., LTD stock to be delisted in Thailand, and the shareholding ratio increased from 32.29% to 75.33% through buyback by Chicony Overseas, Inc.
	– The Company established the Digital Image Business Unit.
	– The Company ended the Notebook Computer Business Unit.
2001	– Indirect investment in Chicony Electronic (SuChou) Co., Ltd. through Chicony Overseas, Inc. to operate computer keyboard production and sales and computer keyboard domestic sales in China.
2002	– The Company raised shares of stock to 99.8% for Hipro Electronics (TAIWAN) CO., LTD.
	– Approved by the Securities and Futures Management Committee of the Ministry of Finance, the Company handled capitalization of retained earnings (including employee bonuses) amounting to NT$273,250,000 with subsequent capitalization of NT$2,495,450,000.
	– In order to expand to the European market, the Company established Chicony Electronics CEZ s.r.o.
2003	– Mr. Yi Jen Li resigned as the Vice Chairman, and Mr. Mao Kuei Lin was elected as the Vice Chairman and General Manager by the Board of Directors.
	– Approved by the Securities and Futures Management Committee of the Ministry of Finance, the Company handled capitalization of retained earnings (including employee bonuses) amounting to NT$492,320,000 with subsequent capitalization of NT$2,987,770,000.
2004	– Approved by the Securities and Futures Management Committee of the Ministry of Finance, the Company handled capitalization of retained earnings (including employee bonuses) amounting to NT$747,230,000 with subsequent capitalization of NT$3,735,000,000.
	– Yokang Electronics Co., Ltd, which indirectly invested in the production and sales of optical instruments through Newmax Technology Co., LTD, has an original shareholding of 28.31%.
2005	– Monthly production of keyboards of notebook computers exceeded 1 million units.
	– Approved by the Securities and Futures Management Committee of the Ministry of Finance, the Company handled capitalization of retained earnings (including employee bonuses) amounting to NT$415,000,000 with

subsequent capitalization of NT$4,150,000,000.

2006
- Built-in camera modules and computer cameras performance jumped to the top in the world.
- Monthly production of computer cameras exceeded 1 million units.
- Approved by the Securities and Futures Management Committee of the Ministry of Finance, the Company handled capitalization of retained earnings (including employee bonuses) amounting to NT$275,500,000 with subsequent capitalization of NT$4,425,500,000.

2007
- Monthly production of notebook computers exceeded 3 million units.
- Approved by the Securities and Futures Management Committee of the Ministry of Finance, the Company handled capitalization of retained earnings (including employee bonuses) amounting to NT$583,500,000 with subsequent capitalization of NT$5,009,000,000.
- Indirect investment in Chicony Electronics (UK) Ltd went out of business.

2008
- Ranked 73th among the Top 100 in Global Technology selected by Business Week Magazine.
- Approved by the Securities and Futures Management Committee of the Ministry of Finance, the Company handled capitalization of retained earnings (including employee bonuses) amounting to NT$561,000,000 with subsequent capitalization of NT$5,570,000,000.

2009
- The Company stock was selected into the MSCI Taiwan Index.
- In order to restructure of the organization, according to the Business Mergers and Acquisitions Act, HIPRO ELECTRONICS (TAIWAN) CO., LTD. that invests 100% in the Company transferred related business (including assets and liabilities) of the power supply business to Chicony Power Technology Co., Ltd. and simultaneously increased capital by NT$2,081 billion so that the Company's direct and indirect shareholding reached 70.39%.
- Approved by the Securities and Futures Management Committee of the Ministry of Finance, the Company handled capitalization of retained earnings (including employee bonuses) amounting to NT$342,778,320 with subsequent capitalization of NT$5,912,778,320.

2010
- After approval of the change of registration by the Department of Commerce of the Ministry of Economic Affairs, the remaining treasury shares of stock swap of the 1st issue of domestic unsecured corporate bonds have been completed write-off and the reduction of capital of NT$10,008,820 with subsequent capitalization of NT$5,912,669,500.
- Approved by the Securities and Futures Management Committee of the Ministry of Finance, the Company handled capitalization of retained earnings (including employee bonuses) amounting to NT$343,474,480 with subsequent capitalization of NT$6,256,143,980.
- Chicony Power Technology Co., Ltd. of the reinvestment company, which was recognized by the equity method, established the LED Business Unit.
- Newmax Technology Co., LTD. of the indirect reinvestment company, which was recognized by the equity method, listed stock at the over-the-counter market.

2011
- Indirect investment in Chicony Electronics (Chongqing) Co., Ltd. through Chicony Overseas, Inc. to operate keyboard and digital imaging products production and sales.
- Indirect investment in Chicony Electronics (Chongqing) Co., Ltd. through

Chicony Power Technology Co., Ltd. to operate power supply and LED lamps production and sales.

– After approval of the change of registration by the Department of Commerce of the Ministry of Economic Affairs, the treasury shares completed write-off by the 8th buyback of 10,000 thousand and the reduction of capital of NT$100,000,000 with subsequent capitalization of NT$6,156,143,980.

– Approved by the Securities and Futures Management Committee of the Ministry of Finance, the Company handled capitalization of retained earnings (including employee bonuses) amounting to NT$288,291,920 with subsequent capitalization of NT$6,444,435,900.

2012 – Approved by the Securities and Futures Management Committee of the Ministry of Finance, the Company handled capitalization of retained earnings (including employee bonuses) amounting to NT$313,346,190 with subsequent capitalization of NT$6,757,782,090.

2013 – Chicony Power Technology Co., Ltd. of the reinvestment company, which was recognized by the equity method, listed stocks on the emerging stock market on January 3rd and was listed on November 8th.

Approved by the Securities and Futures Management Committee of the Ministry of Finance, the Company handled capitalization of retained earnings (including employee bonuses) amounting to NT$109,434,050 with subsequent capitalization of NT$6,867,216,140.

2014 – Approved by the Securities and Futures Management Committee of the Ministry of Finance, the Company handled capitalization of retained earnings (including employee bonuses) amounting to NT$81,437,990 with subsequent capitalization of NT$6,948,654,130.

The Company was listed as component stocks on the "TWSE RAFIR Taiwan High Compensation 100 Index" by the Taiwan Stock Exchange.

The Company established the research and development center of National Taipei University of Technology with National Taipei University of Technology.

2015 – Approved by the Securities and Futures Management Committee of the Ministry of Finance, the Company handled capitalization of retained earnings (including employee bonuses) amounting to NT$89,447,010 with subsequent capitalization of NT$7,038,101,140.

The Company was listed in the top 20% of the first corporate governance evaluation score by the Taiwan Stock Exchange.

The Company was listed as component stocks on the "TWSE Corporate Governance 100 Index" by the Taiwan Stock Exchange.

The industrial category of the Company was adjusted from "computer and peripheral equipment industry" to "electronic components industry" by the Taiwan Stock Exchange on July 1st.

2016 – Approved by the Securities and Futures Management Committee of the Ministry of Finance, the Company handled capitalization of retained earnings (including employee bonuses) amounting to NT$82,719,020 with subsequent capitalization of NT$7,120,820,160.

The Company was listed in the top 20% of the second corporate governance evaluation score by the Taiwan Stock Exchange.

The headquarters building of Chicony Group was awarded the Diamond Green Building Mark by the Ministry of the Interior.

The Company was relocated to the headquarters building of Chicony Group, Sanchung District, New Taipei City.

2017 – Approved by the Securities and Futures Management Committee of the Ministry of Finance, the Company handled capitalization of retained earnings (including employee bonuses) amounting to NT$85,230,960 with subsequent capitalization of NT$7,206,051,120.

“Chicony Smart and Green Building” won the Platinum Award of Taiwan's Intelligent Green Building and the Diamond Award of Environmental Impact Assessment issued by the New Taipei City Government.

2018 – Approved by the Securities and Futures Management Committee of the Ministry of Finance, the Company handled capitalization of retained earnings (including employee bonuses) amounting to NT$97,747,620 with subsequent capitalization of NT$7,303,798,740.

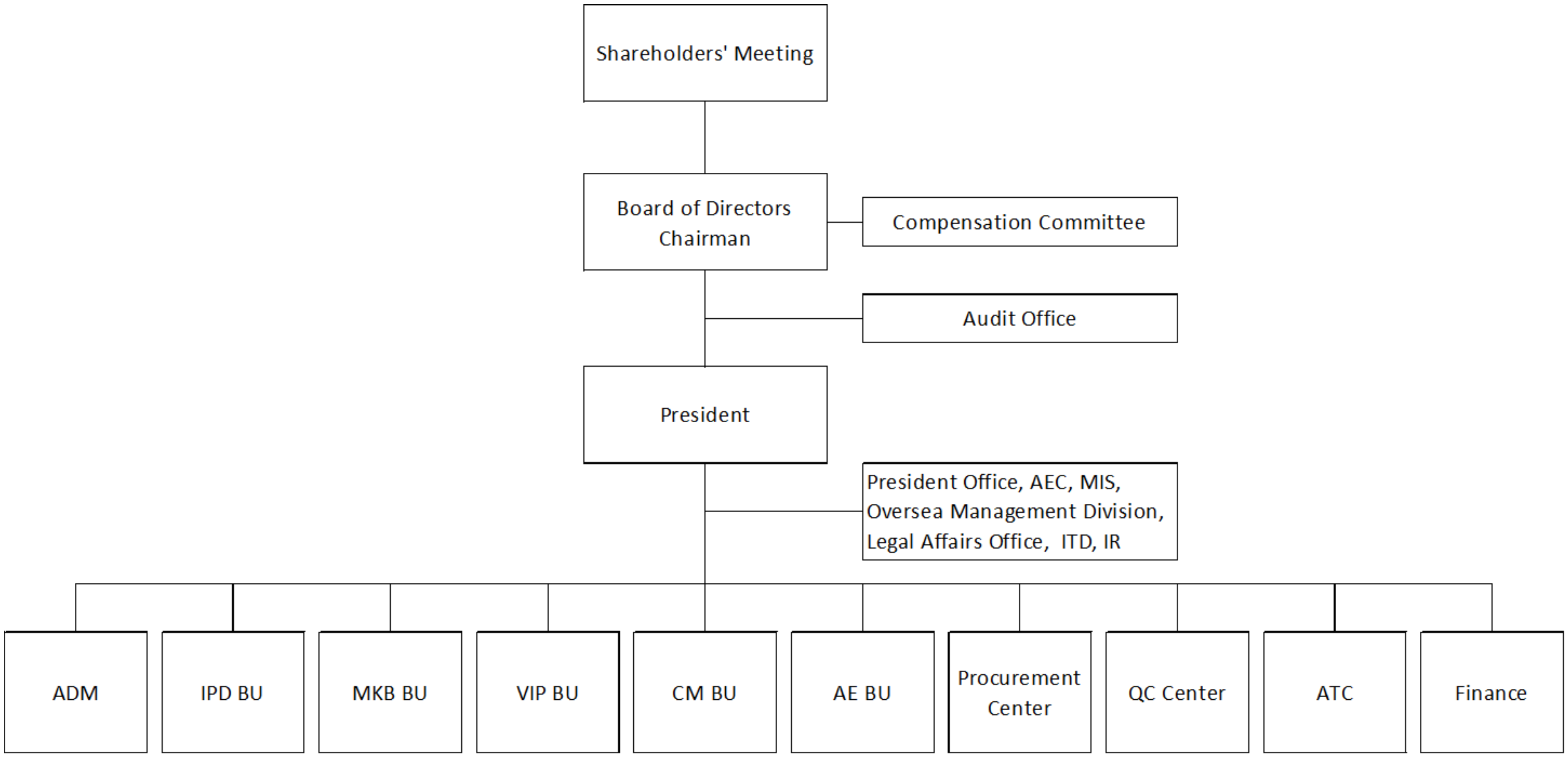
“Chicony Smart and Green Building” won the “Platinum Award”, the highest honor in the “Second APIGBA Awards ”.

The company's stock was listed as a constituent of the “Taiwan Sustainability Index” to praise the Company's performance of sustainable development responsibilities.

III. Corporate Governance Report

1. Organization system

(1) Organizational Structure of the Company



(2) Job Functions of Major Departments

Department	Primary Functions
Input Device Department	The Department handles materials procurement, production management, marketing, business management, post-sales service, etc. of input device products and wearable products of the head office and subsidiaries.
Portable Keyboard Business Unit	The Department handles materials procurement, production management, marketing, business management, research and development, post-sales service, etc. of portable keyboard products of the head office and subsidiaries.
Video Image Business Unit	The Department handles production management, marketing, business management, and post-sales services of video image products of the head office and subsidiaries.
Image Module Business Unit	The Department handles production management, marketing, business management, and post-sales services of digital image module products of the head office and subsidiaries.
Automotive Electronics Business Unit	The Department handles production management, marketing, business management, and post-sales services of automotive electronics products of the head office and subsidiaries.
Unified Purchasing Center	The Department handles materials procurement of information peripheral products and digital image products of the head office and subsidiaries.
Quality Control Center	The Department handles post-sales services of quality control of the head office and subsidiaries.
Financial and Administrative Department	The Department handles financial, accounting, stock affairs, customs affairs, and import and export business of the head office, manages the financial and accounting business of the subsidiaries.
Administration Department	The Department handles human resources, general affairs, and corporate social responsibility business of the head office and assists the subsidiary's human resources, industrial safety, and health business.
Auditing Office	Audits and evaluates the internal control system and audits the implementation of various rules and regulations

	of the head office and subsidiaries.
Investors Relations	Develop Company operation strategies and manage investors and media relationships.
New Product Development Center	The Center handles the development and research of new products and imports technological transfer to various business units of the head office and subsidiaries.
Intellectual Property Rights Center	The Center handles patent application, patent infringement, patent retrieval, and designing around and assists in handling patent litigation of the head office and subsidiaries.
Computer Center	The Center handles information business of the head office and assists in the planning of subsidiary information services.
Legal Affairs Division	The Division handles contract review, drafting, litigation and dispute cases, and other legal matters of the head office and affiliated enterprises.
Automation Engineering Center	The Center integrates and utilizes the Group's automation technology resources, and develops automation projects for each department, implements mass production by technology transfer to various business units, promotes business units to develop production automation, and has developed and accumulated automated production technology for a long time.

2. Profiles of the Directors, Supervisors, General Manager, Vice Presidents, Assistant Vice Presidents, Function Heads, and Branch Heads:

(1) Information on the Directors and Supervisors:

1. Information on the Directors and Supervisors (1):

4/7/2019Units: share

Occupational Title	Nationality or Place of Registration	Name	Gender	Date of Election to Office	Tenure	Date of Election to Office for the First Time	Quantity of Shareholding at the Time of Election to Office		Quantity of Shareholding at Present		Shareholding at present by spouse and/or children who are minors		Shares Held in the Name of a Third Party		The Person and the Spouses of Retained Discretion Over Use of Trust Shares		Major Experience (education)	Holding Other Positions of the Company and Other Companies	Other Executives, Directors, or Supervisors who are a Spouse or Kindred Within the 2nd Tier Under the Civil Code.		
							Quantity of Shares	Proportion of Shareholding (note)	Quantity of Shares	Proportion of Shareholding (note)	Quantity of Shares	Proportion of Shareholding (note)	Quantity of Shares	Proportion of Shareholding (note)	Quantity of Shares	Proportion of Shareholding (note)			Occupational Title	Name	Relation
Chairman	Republic of China	Hsu, Kun-Tai	Male	June 8, 2016	3 years	3.4.1985	80,403,688	11.42%	81,615,782	11.11%	4,021,401	0.55%	-	-	-	-	Provincial Taipei Institute of Technology Honorary Doctorate of National Taipei University of Technology Chairman of Clevo Co.	Chairman of Clevo Co., Ching Yuan, Hua Tai, Dong Ling, Hunghui Co., Ltd, Shanghai Hunghui, Changchun Hunghui Chairman (Legal Representative) of Hipro Electronics CO., Kuang Sheng Investment CO., Chun Ching Power Technology Co., Ltd. Chairman of Chicony Tungwan, Suchou, Chongqing, XAVi Technologies Corporation and Subsidiaries Director of Chicony Overseas Inc., Chicony Global Inc., America, Czech Republic, Thailand, Chicony America Group Inc., HIPRO Overseas, XAVi Technologies Corporation, XAVi Overseas, Xavi Su Chou, Directmax, Systemax and Subsidiaries Director and General Manager of Morex Director of Legal Representative of Yokang Electronics Co., Ltd.	-	-	-

Occupational Title	Nationality or Place of Registration	Name	Gender	Date of Election to Office	Tenure	Date of Election to Office for the First Time	Quantity of Shareholding at the Time of Election to Office		Quantity of Shareholding at Present		Shareholding at present by spouse and/or children who are minors		Shares Held in the Name of a Third Party		The Person and the Spouses of Retained Discretion Over Use of Trust Shares		Major Experience (education)	Holding Other Positions of the Company and Other Companies	Other Executives, Directors, or Supervisors who are a Spouse or Kindred Within the 2nd Tier Under the Civil Code.		
							Quantity of Shares	Proportion of Shareholding (note)	Quantity of Shares	Proportion of Shareholding (note)	Quantity of Shares	Proportion of Shareholding (note)	Quantity of Shares	Proportion of Shareholding (note)	Quantity of Shares	Proportion of Shareholding (note)			Occupational Title	Name	Relation
Director	Republic of China	Lu, Chin-Chung	Male	June 8, 2016	3 years	5.18.2004	2,483,248	0.35%	2,432,971	0.33%	1,592,628	0.22%	-	-	144,300	0.02%	Department of Business Administration and MBA Program, National Chengchi University Chicony Electronic Co., Ltd. Business Supervisor, Manager, Director, Assistant General Manager, Deputy General Manager	General Manager of the Company Chairman of Legal Representative of Chicony Power Technology Co., Ltd., XAVi Technologies Corporation, Yokang Electronics Co., Ltd. Director of Legal Representative of Hipro Electronics CO., Kuang Sheng Investment CO., Chun Ching Power Technology Co., Ltd. Director of Chicony Overseas, Czech Republic, Japan, Su Chou, Thailand, HIPRO Overseas, Jui Yang, Mao Feng, Kuang Hsin, Mau Chiun, Guang Mau, Chicony America Group Inc., Chicony Power Technology Hong Kong, Su Chou, Chung Ching, Dongguan, Chicony Power America Holding, International, Tungwan Trading Company, Chicony Energy Shanghai, Guang Sheng Electronics Nan Chang and Subsidiaries Director and Secretary of Chicony America Director and General Manager of Chicony Tungwan Director and Supervisor of Mao Rui Supervisor of Chicony Chongqing Director of Legal Representative of Shun On Electronics CO., LTD. and Newmax Technology Co., LTD.	-	-	-

Occupational Title	Nationality or Place of Registration	Name	Gender	Date of Election to Office	Tenure	Date of Election to Office for the First Time	Quantity of Shareholding at the Time of Election to Office		Quantity of Shareholding at Present		Shareholding at present by spouse and/or children who are minors		Shares Held in the Name of a Third Party		The Person and the Spouses of Retained Discretion Over Use of Trust Shares		Major Experience (education)	Holding Other Positions of the Company and Other Companies	Other Executives, Directors, or Supervisors who are a Spouse or Kindred Within the 2nd Tier Under the Civil Code.		
							Quantity of Shares	Proportion of Shareholding (note)	Quantity of Shares	Proportion of Shareholding (note)	Quantity of Shares	Proportion of Shareholding (note)	Quantity of Shares	Proportion of Shareholding (note)	Quantity of Shares	Proportion of Shareholding (note)			Occupational Title	Name	Relation
Director	Republic of China	Wei, Chuan-Pin	Male	June 8, 2016	3 years	5.18.2004	1,093,513	0.16%	826,740	0.11%	-	-	-	-	-	-	Graduated from Department of Engineering Science, National Cheng Kung University MBA Master of Business Management, Da-Yeh University Shihlin Electric Manufacturing Manager Deputy General Manager and General Manager of the VIP Business Department of Chicony Electronic Corporate	Director of Kuang Hsin Supervisor of Mau Chiun and XAVi Suchou of Subsidiaries Supervisor of XAVi Technologies Corporation	Supervisor of the Legal Representative	Chang, Su-Tien	Couples
Director	Republic of China	Tsai, Ming-Hsien	Male	June 8, 2016	3 years	5.30.2001	28,920	-	29,355	-	59,175	0.01%	-	-	-	-	Provincial Taipei Institute of Technology MBA program, National Chengchi University General Manager of Clevo Co.	Vice Chairman and General Manager of Clevo Co.	-	-	-
Director	Republic of China	Liu, Chia-Sheng	Male	June 8, 2016	3 years	5.30.2001	581,496	0.08%	590,261	0.08%	-	-	-	-	-	-	Provincial Taipei Institute of Technology Director of Kuo Fong Motors	Nil	-	-	-
Independent Director	Republic of China	Lee, Yen-Sung	Male	June 8, 2016	3 years	June 8, 2016	-	-	-	-	-	-	-	-	-	-	Master's degree, Department of Accounting, Soochow University Director, Accounting Research and Development Foundation	Independent Director of FamilyMart Co., LTD., Charoen Pokphand Enterprise Co., LTD., Co., LTD., Sincere Navigation Co., LTD.	-	-	-
Independent Director	Republic of China	Lin, Ming-Ji	Male	June 8, 2016	3 years	June 8, 2016	21,116	-	21,433	-	-	-	-	-	-	-	Doctorate in Business Administration, National Chengchi University Department Chairman of Business Administration, National Central University	Independent Director and Remuneration Committee Member of GMI Co., LTD. and CSUN Co., LTD. Corporate Supervisor of Unitech Co., LTD.	-	-	-
Supervisor	Republic of China	Huang, Chin-Hsuan	Female	June 8, 2016	3 years	5.18.2004	652,593	0.09%	662,429	0.09%	-	-	-	-	-	-	National Taipei University of Business Assistant Financial Manager of Ya Peng Company	Nil	-	-	-

Occupational Title	Nationality or Place of Registration	Name	Gender	Date of Election to Office	Tenure	Date of Election to Office for the First Time	Quantity of Shareholding at the Time of Election to Office		Quantity of Shareholding at Present		Shareholding at present by spouse and/or children who are minors		Shares Held in the Name of a Third Party		The Person and the Spouses of Retained Discretion Over Use of Trust Shares		Major Experience (education)	Holding Other Positions of the Company and Other Companies	Other Executives, Directors, or Supervisors who are a Spouse or Kindred Within the 2nd Tier Under the Civil Code.		
							Quantity of Shares	Proportion of Shareholding (note)	Quantity of Shares	Proportion of Shareholding (note)	Quantity of Shares	Proportion of Shareholding (note)	Quantity of Shares	Proportion of Shareholding (note)	Quantity of Shares	Proportion of Shareholding (note)			Occupational Title	Name	Relation
Supervisor	Republic of China	Huang, Chen-Chih	Male	June 8, 2016	3 years	June 8, 2016	-	-	-	-	-	-	-	-	-	-	Graduated from National Taipei University of Technology Director of Tashee Golf Co., Ltd.	Director of Modena Motori Co., Ltd.	-	-	-
Supervisor	Republic of China	Tong Ling Investment Co., Ltd.	Legal Person	June 8, 2016	3 years	5.18.2004	11,005,422	1.56%	11,171,329	1.52%	-	-	-	-	-	-	-	-	-	-	-
	Republic of China	Legal Representative: Chang, Su-Tien	Female	June 8, 2016	3 years	5.18.2004	-	-	-	-	-	-	-	-	826,740	0.11%	Graduated from Commercial Vocational High School Finance Department of Shihlin Electrics	Nil	Director	Wei, Chuan-Pin	Couples

Note: The shareholding ratio is equal to the number of holding shares/the total number of issued shares.

1. Information on the Directors and Supervisors (2):

Condition / Name	Do they have more than 5 years of work experience and met the professional qualifications specified below?			Conform to the status of independence（note）.										Number of public companies that the Independent Director also holds the position as independent director in.
	In the capacity of a tutor or above in a public or private school of higher education in the disciplines of commerce, law, finance, accounting, or any other areas of specialization required for the business operation of the Company.	A professional or technician who has passed the national examination for professionals like court judge, prosecutor, lawyer, certified public accountant, or any other expertise required for the business operation of the Company with the issuance of a certificate of completion.	Work experience in commerce, law, finance, accounting, or a specialization required by the business operation of the Company.	1	2	3	4	5	6	7	8	9	10	
Chairman: Hsu, Kun-Tai			✓				✓			✓	✓	✓	✓	
Director and General Manager: Lu, Chin-Tsung			✓			✓	✓			✓	✓	✓	✓	
Director: Wei, Chuan-Pin			✓	✓		✓	✓	✓		✓		✓	✓	
Director: Tsai, Min-Hsien			✓			✓	✓	✓		✓	✓	✓	✓	
Director: Liu, Jia-Sheng			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Independent Director: Li, Yan-Song	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3
Independent Director: Lin, Ming-Chieh	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
Huang, Chin Shun			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Huang, Chen-Chih			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Supervisor: Dong Ling Investment Co., Ltd. Legal Representative: Chang, Su-Tien			✓	✓	✓	✓		✓	✓	✓		✓		

Note: If the Directors and Supervisors met the following conditions in the period of 2 years prior to the assumption of office and within the term of office, put a "✓" in the appropriate box representing the specific condition.

1. Not an employee of the Company or its affiliates.
2. Not a Director or a Supervisor of an affiliate of the Company (except for an Independent

Director of the Company or the parent company, subsidiaries which seat was established in accordance of this law or applicable laws of relevant host countries).

3. Not holding 1% or more of the outstanding shares issued by the Company by the person and its spouse, and children who are minors, or in the name of a third party, or, a shareholder among the top 10 shareholders and who is a natural person.
4. Not a spouse, kindred within the 2nd tier under the Civil Code, or kindred by sanguinity within the 3rd tier under the Civil Code as mentioned in the preceding 3 paragraphs.
5. Not a Director, Supervisor, or employee of an institutional shareholder directly or indirectly holding more than 5% of the outstanding shares issued by the Company, or a Director, Supervisor, or employee of an institutional shareholder of the top 5 institutional shareholders of the Company.
6. Not a Director, Supervisor, manager, or a shareholder holding more than 5% of the shares of designated companies or institutions with which the Company has financial or business transactions.
7. Not the owner, partner, Director, Supervisor, manager, or the spouse to the owner, partner, Director, Supervisor, manager of the professional, sole proprietor, partnership, company, or institution that provided commercial, legal, financial, and accounting service and consultation to the Company or its affiliates. Except members of the Remuneration Committee who perform their duties pursuant to Article VII of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded over the Counter".
8. Not the spouse or kindred within the 2nd tier under the Civil Code to another Director.
9. Falling beyond the scope of particulars inscribed in Article 30 of the Company Act.
10. Not elected to office as the representative of the government, institutions, or their representative as specified in Article 27 of the Company Act.

2. Directors and supervisors are corporate shareholder representatives of the legal person and the major shareholders of legal person corporate shareholders. April 7, 2019

Name of Institutional Shareholder	Dominant Shareholders (list the names and the shareholding ratio of the institutional shareholders among the top 10 by shareholding ratio)
Tong Ling Investment Co., Ltd.	Kun Tai Hsu (82%), Min Chen Kang (10.2%), Hongwell Co., Ltd. (2.72%), Yueh Sen Hsu (2.68%), Feng Chu Lin (1.8%), Wen Hsin Hsu (0.6%)

3. Directors and supervisors are corporate shareholder representatives of the legal person and the major shareholders of legal person corporate shareholders:

Name of Institutional Shareholder	Dominant Shareholders (list the names and the shareholding ratio of the institutional shareholders among the top 10 by shareholding ratio)
Hongwell Co., Ltd.	Kun Tai Hsu (68.9%), Min Chen Kang (10.67%), Ching Yuan Investment Co., Ltd. (7.11%), Hua Tai Investment Co., Ltd. (6.67%), Wen Shin Hsu (2.44%), Li Hsin Hsu (2.34%), Cheng Hsin Hsu (0.8%), Yung Lung Cheng (0.49%), Feng Chu Lin (0.22%), Wen Pin Yeh (0.15%)

(2) Manager Information

4/7/2019Units: share

Occupational Title	Nationality	Name	Gender	Inauguration Date	Shareholding number		Shareholding at present by spouse and/or children who are minors		Shares Held in the Name of a Third Party		The Person and the Spouse' of Retained Discretion Over Use of Trust Shares		Major Experience (education)	Positions in Other Companies at Present	Spouse or Kindred Within the 2nd Tier Under the Civil Code who is a Manager		
					Quantity of Shares	Proportion of Shareholding (note)	Quantity of Shares	Proportion of Shareholding (note)	Quantity of Shares	Proportion of Shareholding (note)	Quantity of Shares	Proportion of Shareholding (note)			Occupational Title	Name	Relation
General Manager	Republic of China	Lu, Chin-Chung	Male	12.1.2016	2,432,971	0.33%	1,592,628	0.22%	-	-	144,300	0.02%	Department of Business Administration and MBA Program, National Chengchi University Business Supervisor, Manager, Director, Assistant General Manager, Deputy General Manager of Chicony Electronic Corporate	General Manager of the Company Chairman of the Legal Representative of Chicony Power Technology Co., Ltd., XAVi Technologies Corporation, Yokang Electronics Co., Ltd. Director of the Legal Representative of Hipro Electronics CO., Kuang Sheng Investment CO., Chun Ching Power Technology Co., Ltd. Director of Chicony Overseas, Czech Republic, Japan, Su Chou, Thailand, Hipro Overseas, Jui Yang, Mao Feng, Kuang Hsin, Mau Chiun, Guang Mau, Chicony America Group Inc., Chicony Power Technology Hong Kong, Su chou, Chongqing, Tungwan, Chicony Power America, Holding, International, Dongguan Trading Company, Chicony Energy Shanghai, Guang Sheng Electronics Nan Chang and Subsidiaries Director and Secretary of Chicony America Director and General Manager of Chicony Dongguan Director and Supervisor of Mao Rui Supervisor of Chicony Chongqing Director of the Legal Representative of Shun On Electronics CO., LTD. and Newmax Technology Co., LTD.	-	-	-
Chicony America Company General Manager	Republic of China	Chang , Yao-Ching	Male	10.17.1993	506,791	0.07%	-	-	-	-	22,800	-	Graduated from the Department of Law, National Chung Hsing University Chicony Electronic Corporate Business Director, Assistant General Manager, Deputy General Manager	Director and CFO of Chicony America Director and Secretary of Chicony America Director of Chicony Power America Co., Ltd.	-	-	-
Special Assistant	Republic of China	Chen, Shao-Lung	Male	6.1.2011	1,573,331	0.21%	32,432	-	-	-	18,000	-	Graduated from the Department of Applied Mathematics, National Chiao Tung University Head of the Planning Department and Head of the Marketing Planning Department of LiteOn Co., Ltd. Business Manager, Purchasing Director of Chicony Co., Ltd. and General Manager of Chicony Thailand Co., Ltd. and Chicony Germany Co., Ltd.	Nil	-	-	-
General Manager of the IPD Business Unit	Republic of China	Huang, Chien-Yu	Male	10.2.2011	827,676	0.11%	178,288	0.02%	-	-	598,100	0.08%	Graduated from the Department of Electrical Engineering, Fu Jen Catholic University Deputy General Manager of the IPD Development Division of Chicony Electronic Co., Ltd., General Manager of Chicony Dongguan Company, Acting General Manager of the Business unit	Chairman of Suchou Chunyang, Suchou Maochun, Mao Jui Director of the Subsidiaries of Chicony Japan, Chicony Chongqing, Jui Yang Supervisor of Chicony Suchou	-	-	-

Occupational Title	Nationality	Name	Gender	Inauguration Date	Shareholding number		Shareholding at present by spouse and/or children who are minors		Shares Held in the Name of a Third Party		The Person and the Spouse' of Retained Discretion Over Use of Trust Shares		Major Experience (education)	Positions in Other Companies at Present	Spouse or Kindred Within the 2nd Tier Under the Civil Code who is a Manager		
					Quantity of Shares	Proportion of Shareholding (note)	Quantity of Shares	Proportion of Shareholding (note)	Quantity of Shares	Proportion of Shareholding (note)	Quantity of Shares	Proportion of Shareholding (note)			Occupational Title	Name	Relation
General Manager of the CM Business Unit	Republic of China	Dung , Yan-Liang	Male	8.1.2013	171,125	0.02%	-	-	-	-	28,200	-	Graduated from the Department of Electronics, Hsin-pu Industrial and Technological Junior College Company Special Assistant of XAVi Technologies Corporation Senior Assistant General Manager of Hon Hai Precision Industry Co., Ltd.	Nil	-	-	-
General Manager of the AE Business Unit	Republic of China	Cheng, Wei-Hao	Male	3.1.2018	101,495	0.01%	-	--	-	-	-	-	Graduated from the MBA Program, National Cheng Kung University General Manager of the Business Unit of Chicony Power Technology Co., Ltd.	Director and General Manager of Chicony Energy Shanghai Co., Ltd.	-	-	-
General Manager of the Business Unit of Subsidiary Companies	Republic of China	Chou, Yung-Chang	Male	12.1.2016	270,091	0.04%	-	-	-	-	58,500	0.01%	National Taipei University of Business MBA Master's, California State University Business Manager of Super Company Business Manager, Director, Deputy General Manager of the CM Business Division of Chicony Electronic Co., Ltd.	Nil	-	-	-
Acting General Manager of the MKB Business Unit	Republic of China	Tsai, Chin-Cheng	Male	12.1.2016	208,918	0.03%	-	-	-	-	46,500	0.01%	MBA Master of Business Management, Da-Yeh University Assistant General Manager of the MKB Development Division of Chicony Electronics Co., Ltd.	Director of Chicony Suchou Supervisor of Suchou Chunyang Director and General Manager of Chicony Chongqing	-	-	-
Acting General Manager of the MKB Business Unit	Republic of China	Hsu, Chieh-Hsiang	Male	2.1.2019	98,301	0.01%	-	-	-	-	33,000	-	Department of Bio-Industrial Mechatronics Engineering, National Taiwan University Department of Mechanical and Electro-Mechanical Engineering, Tamkang University Deputy General Manager of the MKB Business Unit of Chicony Electronic Co., Ltd.	Nil	-	-	-
Acting General Manager of VIPs	Republic of China	Tsai, Mei-I	Female	4.1.2010	329,933	0.04%	-	-	-	-	44,700	0.01%	Graduated from the EMBA Program, Department of International Business, National Taiwan University Executive Deputy General Manager of Ho Hsun Digital Co., Ltd. and Assistant General Manager of the VIP Development Division of Chicony Electronics Co., Ltd.	Nil	-	-	-
Acting Chief Purchasing Officer	Republic of China	Chang, Chao-Hsien	Male	8.1.2013	104,273	0.01%	-	-	-	-	54,300	0.01%	Graduated from the Department of Electrical Engineering, Ming Chi Industrial and Technological Junior College Deputy General Manager of Compal Electronics, Inc. and Assistant General Manager of Taiwan Lu Pa Co., Ltd.	Nil	-	-	-

Occupational Title	Nationality	Name	Gender	Inauguration Date	Shareholding number		Shareholding at present by spouse and/or children who are minors		Shares Held in the Name of a Third Party		The Person and the Spouse' of Retained Discretion Over Use of Trust Shares		Major Experience (education)	Positions in Other Companies at Present	Spouse or Kindred Within the 2nd Tier Under the Civil Code who is a Manager		
					Quantity of Shares	Proportion of Shareholding (note)	Quantity of Shares	Proportion of Shareholding (note)	Quantity of Shares	Proportion of Shareholding (note)	Quantity of Shares	Proportion of Shareholding (note)			Occupational Title	Name	Relation
Special Assistant	Republic of China	Huang, Wei-Cheng	Male	02.01.2006	206,404	0.03%	-	-	-	-	17,400	-	Graduated from the Department of Electrical Engineering, National Tsing Hua University Graduated from the Institute of Electrical Engineering, National Taiwan University of Science and Technology Assistant General Manager of Mustek Co., Ltd. Manager of the Far East Region, Logitech Corporation Assistant General Manager of the VIP Development Division of Chicony Electronics Co., Ltd.	Director of Chicony Tungwan	-	-	-
Special Assistant	Republic of China	Hsu, Jen-Fu	Male	9.5.2017	83,707	0.01%	-	-	-	-	39,000	0.01%	Provincial Taipei Institute of Technology Deputy General Manager of the FII Business Unit	Nil	-	-	-
Deputy General Manager of the CM Business Division	Republic of China	Li, Pei-Jan	Male	7.1.2011	519,188	0.07%	10,000	-	-	-	30,000	-	Graduated from the Department of Shipping and Transportation Management, National Taiwan Ocean University Assistant General Manager of the Business Division of Chicony Electronics Co., Ltd.	Nil	-	-	-
Deputy General Manager of the MKB Development Division	Republic of China	Yang, Ming-Cheng	Male	5.17.2010	169,953	0.02%	-	-	-	-	30,900	-	Graduated from the Department of Electrical and Control Engineering, National Chiao Tung University Deputy General Manager of Sunplus Innovation Technology, Inc.	Nil	-	-	-
Deputy General Manager of the New Product Development Center	Republic of China	Huang, Kuang-Yu	Male	11.1.2006	1,095,242	0.15%	-	-	-	-	34,500	-	Graduated from the Department of Business Mathematics, Soochow University Manager and Director of the IPD Development Division of Chicony Electronics Co., Ltd.	Nil	-	-	-
Deputy General Manager of the Financial and Administrative Department	Republic of China	Lin, Yu-Ling	Female	12.1.2016	416,394	0.06%	-	-	-	-	80,400	0.01%	Graduated from the Department of Finance, National Taiwan University Master of Accounting, George Washington University CPA of Chiun Ye Accountancy Firm Accounting Manager and Director of Chicony Electronic Co., Ltd.	Director of Chicony Czech Republic Supervisor of Chicony Japan Director of the Legal Representative of WK Technology Fund Co., Ltd, Mai Shish Erh Hao Fund Co., Ltd., Laster Tech Co., Ltd., Alcor Micro Co., Ltd., Cheng Ting Fund Co., Ltd., Pei Ke Chih Hsing Fund Co., Ltd. Legal Representative Supervisor of Top Taiwan Venture Capital Co., Ltd.	-	-	-
Deputy General Manager of the Automation Engineering Center	Republic of China	Tseng, Chin-Cheng	Male	4.1.2010	189,260	0.03%	-	-	-	-	25,200	-	Graduated from the Institute of Mechanical Engineering, National Taiwan University Manager of Hao Shih Technology Co., Ltd. Assistant General Manager of ASKEY Computer CO., Ltd.	Nil	-	-	-

Occupational Title	Nationality	Name	Gender	Inauguration Date	Shareholding number		Shareholding at present by spouse and/or children who are minors		Shares Held in the Name of a Third Party		The Person and the Spouse' of Retained Discretion Over Use of Trust Shares		Major Experience (education)	Positions in Other Companies at Present	Spouse or Kindred Within the 2nd Tier Under the Civil Code who is a Manager		
					Quantity of Shares	Proportion of Shareholding (note)	Quantity of Shares	Proportion of Shareholding (note)	Quantity of Shares	Proportion of Shareholding (note)	Quantity of Shares	Proportion of Shareholding (note)			Occupational Title	Name	Relation
Deputy General Manager of the IPD Business Division	Republic of China	Tu, Ku-Chin	Male	08.06.2013	279,340	0.04%	-	-	-	-	35,400	-	Graduated from the Department of Engineering Economics Management, University of Oxford, UK Director of the Business Division of Chicony Electronic Co., Ltd.	Nil	-	-	-
Assistant General Manager of the Overseas Business Management Division	Republic of China	Chuang, Ting-Shan	Male	02.01.2006	22,003	-	-	-	-	-	20,700	-	Graduated from the Department of Business Administration, Feng Chia University Director of the Overseas Business Management Division of Chicony Electronic Co., Ltd.	Nil	-	-	-
Assistant General Manager of the MKB Development Department	Republic of China	Chen, Tsung-Ming	Male	08.06.2013	174,685	0.02%	232,050	0.03%	-	-	26,100	-	Graduated from the Department of Machinery, National Chiayi Institute of Agriculture Director of the Development Division of Chicony Electronics Co., Ltd.	Nil	-	-	-
Assistant General Manager of MKBPM	Republic of China	Yang, Ching-Wu	Male	07.04.2014	195,496	0.03%	10,417	-	-	-	6,900	-	Graduated from the Department of Electronics and Information, Tamsui Industrial and Technological Junior College Deputy General Manager of Sysgration Co., Ltd.	Nil	-	-	-
Chief Information Officer	Republic of China	Chang, Yu-Yun	Male	12.1.2014	104,841	0.01%	-	-	-	-	30,300	-	Graduated from Pittsburgh University Deputy General Manager of Inventec Co., Ltd.	Nil	-	-	-
Chief Human Resources Officer	Republic of China	Hsiao, Huan-Wen	Male	12.1.2016	117,356	0.02%	2,030	-	-	-	31,200	-	Graduated from Newport International University Assistant General Manager of the Human Resources Division of Chicony Electronics Co., Ltd	Nil	-	-	-
Special Assistant	Republic of China	Chen, Chiu-Mei	Female	September 9, 2017	155,497	0.02%	-	-	-	-	45,600	0.01%	Graduated from the University of Pennsylvania Training Manager of Hung Chang Information Company	Nil	-	-	-
Assistant General Manager of the Subsidiary Company	Republic of China	Juan, Yun-Chu	Female	October 17, 2018	110,183	0.02%	-	-	-	-	21,600	-	Masters of Industrial Engineering and Management, National Chiao Tung University Director of the Unified Purchasing Division of Chicony Electronic Co., Ltd.	Nil	-	-	-
Chief Auditing Officer of the Audit Division	Republic of China	Wang, Tzu-Jun	Male	12.1.2015	23,121	-	263	-	-	-	21,600	-	Graduated from National Chiao Tung University Supervisor of TXC Corporation Factory Manager of the Ching Hsi Factory of Chicony Electronics Co., Ltd.	Nil	-	-	-

Note: The shareholding ratio is equal to the number of holding shares/the total number of issued shares.

(3) Remuneration to the Directors, Supervisors, General Manager, and Vice Presidents

1. Remuneration Paid to Directors (Including Independent Directors) in 2018

Units: NTD Thousands

Occupational Title	Name	Remuneration of Directors								Percent of A, B, C, and D to Net Profit After Tax		Relevant Remuneration of Part-time Personnel								Percent of A, B, C, D, E, F, and G to Net Profit After Tax		Any remuneration from other direct investments other than the subsidiaries
		Remuneration (A)		Severance Payment and Pension (B)		Remuneration to Directors Note 1 (C)		Business Subsidy (D)				Salaries, Bonuses, and Special Accounts Note 2 (E)		Severance Payment and Pension (F)		Remuneration to Employees Note 1 (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		The Company	All Companies Included in the Financial Statements	
																Amount in Cash	Amount in Stock	Amount in Cash	Amount in Stock			
Chairman	Hsu, Kun-Tai	5,274	5,274	-	-	25,701	30,688	-	-	0.86	1	72,447	95,976	177	177	-	12,856	37,022	12,856	3.24	5.07	47
Vice Chairman	Lin, Mao Kuei (Note 3)																					
Director	Lu, Chin-Chung																					
Director	Wei, Chuan-Pin																					
Director	Liu, Song Pin (Note 4)																					
Director	Liu, Chia-Sheng																					
Director	Tsai, Ming-Hsien																					
Independent Director	Lee, Yen-Sung																					
Independent Director	Lin, Ming-Ji																					
* Further to the disclosure in the above Table, the remuneration received by the Director who performed service to all companies included in the financial statements in the most recent year (such as a consultant): Nil.																						

Note 1: Remuneration of Directors, employees, and any remuneration from other invested businesses apart from subsidiaries proposed for distribution this year.

Note 2: Remuneration should be disclosed by accrual basis.

Note 3: Resigned on September 13, 2018.

Note 4: Resigned on August 24, 2018.

Table of Salary Scale

Bracket of Payment to Each Director of the Company	Names of Directors			
	Total amount of remuneration of the sum of these 4 items (A+B+C+D).		The total amount of remuneration of the sum of these 7 items (A+B+C+D+E+F+G).	
	The Company	All Companies Included in the Financial Statements	The Company	All Companies Included in the Financial Statements
Less than NT$2,000,000	Tsai, Ming-Hsien/Liu, Chia-Sheng/Lee, Yen-Sung/Lin, Ming-Ji	Tsai, Ming-Hsien/Liu, Chia-Sheng/Lee, Yen-Sung/Lin, Ming-Ji	Tsai, Ming-Hsien/Liu, Chia-Sheng/Lee, Yen-Sung/Lin, Ming-Ji	Tsai, Ming-Hsien/Liu, Chia-Sheng/Lee, Yen-Sung/Lin, Ming-Ji
NT$2,000,000 - NT$5,000,000 (exclusive)	Lin, Mao-Kuei/ Lu, Chun-Chung/Liu, Song Pin/Wei, Chuan-Pin	Wei, Chuan Pin/Liu, Song Pin	Wei, Chuan Pin/Liu, Song Pin	Wei, Chuan Pin/Liu, Song Pin
NT$5,000,000 - NT$10,000,000 (exclusive)	-	Lin, Mao Kuei/ Lu, Chin Chung	Lu, Chin Chung	-
NT$10,000,000 - NT$15,000,000 (exclusive)	Hsu, Kun-Tai	Hsu, Kun-Tai	Hsu, Kun-Tai	Hsu, Kun-Tai/Lu, Chin Chung
NT$15,000,000- NT$30,000,000 (exclusive)	-	-	-	-
NT$30,000,000- NT$50,000,000 (exclusive)	-	-	-	-
NT$50,000,000 - NT$100,000,000 (exclusive)	-	-	Lin, Mao-Kuei	Lin, Mao-Kuei
More than NT$ 100,000,000	-	-	-	-
Total	9	9	9	9

Note: Remuneration to employees used the proposed distribution for this year to estimate the amount that has not been paid yet, therefore the Bracket of Remuneration did not include the Remuneration to Employees.

2.Remuneration Paid to Supervisors in 2018 Units: NTD Thousands

Occupational Title	Name	Remuneration to Supervisors						The sum of A, B, and C in proportion to net income%.		Any remuneration from other direct investments other than the subsidiaries.
		Remuneration (A)		Remuneration (Note) (B)		Business Subsidy (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	Huang, Chin-Hsuan	-	-	5,551	5,551	-	-	0.15	0.15	-
Supervisor	Huang, Chen-Chih									
Supervisor	Tong Ling Investment Co., Ltd. Representative of the Legal Entity: Chang, Su-Tien									

Note: Remuneration to the Supervisors proposed for distribution this year.

Table of Salary Scale

Bracket of Payment to Each Supervisor of the Company	Supervisors' Name	
	Total amount of remuneration of the sum of these 3 items (A+B+C)	
	The Company	All Companies Included in the Financial Statements
Less than NT$2,000,000	Huang, Chin-Hsuan/ Huang, Chen Chih/ Legal Representative of Tong Ling Investment Co., Ltd.: Chang, Su Tien	Huang, Chin-Hsuan/ Huang, Chen Chih/ Legal Representative of Tong Ling Investment Co., Ltd.: Chang, Su Tien
NT$2,000,000 - NT$5,000,000 (exclusive)	-	-
NT$5,000,000 - NT$10,000,000 (exclusive)	-	-
NT$10,000,000 - NT$15,000,000 (exclusive)	-	-
NT$15,000,000- NT$30,000,000 (exclusive)	-	-
NT$30,000,000- NT$50,000,000 (exclusive)	-	-
NT$50,000,000 - NT$100,000,000 (exclusive)	-	-
More than NT$ 100,000,000	-	-
Total	3	3

3. Remuneration Paid to the General Manager and Deputy General Manager in 2018

Units: NTD Thousands

Occupational Title	Name	Salary (Note 2) (A)		Severance Payment and Pension (B)		Bonus and Special Account (Note 3) (C)		Amount of Remuneration to Employees (Note 1) (D)				The sum of A, B, C, and D in proportion to net income (%).		Any remuneration from other direct investments other than the subsidiaries.
								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 in Cash	Amount in Stock	Amount in Cash	Amount in Stock	The Company	All Companies Included in the Financial Statements	
Vice Chairman and Chief Executive Officer	Lin, Mao Kuei (Note 3)	40,451	65,119	2,119	2,691	83,644	108,154	-	55,526	37,022	55,526	5.06	7.48	1,317
General Manager	Lu, Chin-Chung													
Special Assistant to the General Management Division and General Manager of the DCD Business Unit	Wei, Chuan-Pin (Note 4)													
Senior Deputy General Manager and General Manager of the Automotive Electronics Business Unit	Liu, Sung-Pin (Note 5)													
Subsidiary General Manager	Chang, Yao-Ching													
Special Assistant	Chen, Shao-Lung													
Special Assistant	Wei, Shun-Te (Note 6)													
Senior Deputy General Manager	Wu, Ju-Fang (Note 6)													
General Manager of the VIP Business Unit	Huang, Wei-Cheng													
General Manager of the IPD Business Unit	Huang, Chien-Yu													
General Manager of the CM Business Unit	Hsu, Jen-Fu													
General Manager of the AE Business Unit	Lu, Ming-Chuan (Note 6)													
General Manager of the AE Business Unit	Cheng, Wei-Hao													
General Manager of the Business Unit of the Subsidiary Company	Chou, Yung-Chang													
Acting General Manager of the MKB Business Unit	Tsai, Chin-Cheng													

Acting General Manager of the CM Business Unit	Tung, Yen-Liang												
Acting Chief Purchasing Officer	Chang, Chao-Hsien												
Deputy General Manager	Tsai, Mei-I												
Deputy General Manager	Li, Pei-Jan												
Deputy General Manager	Huang, Kuang-Yu												
Deputy General Manager	Yang, Ming-Cheng												
Deputy General Manager	Lin, Yu-Ling												

Note 1: Remuneration of Directors, employees, and any remuneration from other invested businesses apart from subsidiaries proposed for distribution this year.

Note 2: Remuneration should be disclosed by accrual basis.

Note 3: Resigned on September 13, 2018.

Note 4: Resigned on September 30, 2018.

Note 5: Resigned on February 28, 2018.

Note 6: Resigned on December 31, 2018.

Table of Salary Scale

Bracket of Payment to Each General Manager and Vice President of the Company	Names of the General Manager and Vice Presidents	
	The Company	All Companies Included in the Financial Statements
Less than NT$2,000,000	Huang, Chien-Yu/Wei, Chuan-Pin/Tsai, Chin-Cheng/Li, Pei-Jan Li/Hsu, Jen-Fu/Lin, Yu-Ling/Liu, Song-Pin/Chen, Wei-Hao	Wei, Chuan Pin/Liu, Song-Pin
NT$2,000,000 - NT$5,000,000 (exclusive)	Lu, Chin Chung/Chang, Yao-Ching/Chen, Shao-Lung/Wu, Ju-Fang/Huang, Wei-Cheng/ Chou,Yung-Chang/Huang, Kuang-Yu/Tsai, Mei-I/ Yang, Ming-Cheng/Chang, Chao-Hsien/Tung,Yen-Liang	Chen, Shao-Lung/Huang, Wei-Cheng/ Huang, Chien-Yu/Hsu, Jen-Fu/ Chou,Yung- Chang/Li, Pei-Jan/Huang, Kuang-Yu/Tsai, Chin-Cheng/Tsai, Mei-I/ Yang, Ming-Cheng/Chang, Chao-Hsien/ Tung, Yen-Liang/Lin, Yu-Ling/ Cheng, Wei-Hao
NT$5,000,000 - NT$10,000,000 (exclusive)	Lu, Ming-Chuan Lu/Wei, Shun-Te	Lu, Chin-Chung/Lu, Ming-Chuan/ Wei, Shun-Te/Wu, Ju-Fang
NT$10,000,000 - NT$15,000,000 (exclusive)	-	Chang, Yao-Ching
NT$15,000,000- NT$30,000,000 (exclusive)	-	-
NT$30,000,000- NT$50,000,000 (exclusive)	-	-
NT$50,000,000 - NT$100,000,000 (exclusive)	Lin, Mao-Kuei	Lin, Mao-Kuei
More than NT$ 100,000,000	-	-
Total	22	22

Note: Remuneration to employees used the proposed for distribution this year to estimate the amount that has not been paid yet, therefore the Bracket of Remuneration did not include the Remuneration to Employees.

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4. Names of Managers and the Distribution of Remuneration to Employees in 2018

December 31 2018Unit: NTD 1,000

	Occupational Title	Name	Amount in Stock	Amount in Cash	Total	Total Amount in Proportion the Net Income
Manager	General Manager	Lu, Chin-Chung	74,735	-	74,735	2.08%
	General Manager of Chicony America Corporation	Chang, Yao-Ching				
	Special Assistant	Chen, Shao-Lung				
	General Manager of the VIP Business Unit	Huang, Wei-Cheng				
	General Manager of the IPD Business Unit	Huang, Chien-Yu				
	General Manager of the CM Business Unit	Hsu, Jen-Fu				
	General Manager of the AE Business Unit	Cheng, Wei-Hao				
	General Manager of the Business Unit of the Subsidiary Company	Chou, Yung-Chang				
	Acting General Manager of the MKB Business Unit	Tsai, Chin-Cheng				
	Acting General Manager of the CM Business Unit	Tung, Yen-Liang				
	Acting Chief Purchasing Officer	Chang, Chao-Hsien				
	Deputy General Manager of the VIP Development Division	Tsai, Mei-I				
	Deputy General Manager of the CM Business Department	Li, Pei-Jan				
	Deputy General Manager of the MKB Development Division	Yang, Ming-Cheng				
	Deputy General Manager of the New Product Development Division	Huang, Kuang-Yu				
	Deputy General Manager of the Financial and Administrative Department	Lin, Yu-Ling				
	Acting Deputy General Manager of the Automation Engineering Center	Tseng, Chin-Cheng				
	Acting Deputy General Manager of the IPD Business Division	Tu, Ku-Chin				
	Assistant General Manager of the Overseas Business Management Division	Chuang, Ting-Shan				
	Assistant General Manager of the MKB Development Division	Chen, Tsung-Min				
	Assistant General Manager of the MKB Development Division	Yang, Ching-Wu				
	Chief Information Officer	Chang, Yu-Yun				
	Chief Human Resources Officer	Hsiao, Huan-Wen				
	Special Assistant	Chen, Chiu-Mei				
	Assistant General Manager of the Subsidiary Company	Juan, Yun-Chu				
	Chief Auditing Officer	Wang, Tzu-Jun				

Note: According to the amendment, employees can allocate amounts to the proposed remuneration of employees.

(4) The Company and all companies included in the Consolidated Financial Statements to the Directors, Supervisors, General Manager, and Deputy General Manager in proportion to the net income of the Separate Financial Statements in the last two years, with analysis of the remuneration policy, standard and combination, procedure for setting the remuneration, the association with operation performance, and risks in the future:

1. The following table is of remuneration paid to directors, supervisors, general managers, and deputy general managers in proportion to the net income of 2018 and 2017 Financial Statements.

Unit: NT$ 1,000

	Total Amount of Remuneration				Total Amount in Proportion to the Net Income			
	2018		2017		2018		2017	
	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
Remuneration to Directors	25,701	30,688	36,408	43,031	0.86	1.00	0.91	1.07
Remuneration to the Supervisor	5,551	5,551	6,286	6,286	0.15	0.15	0.16	0.16
Remuneration to the General Manager and the Vice Presidents	181,740	268,512	196,856	355,004	5.06	7.48	4.90	8.83

2. The remuneration policy, standard and combination, and the procedure for setting the remuneration:

(1) The remuneration of directors and supervisors of the Company, including compensation and distribution of income remuneration to directors. In the compensation part, it is reported to the Board of Directors after discussion by the Remuneration Committee; in respect of the remuneration of the distribution of income to directors, before the Board of Directors decides to pay the amount, the Remuneration Committee complies with the provisions of Article 18 of the Articles of Incorporation of the Company, within the limit of not more than 1% of the annual profit, and considers the value of the degree and contribution of the directors and supervisors to the operation of the Company, and discusses the suggestion of remuneration of the Board of Directors and the principle of payment.

(2) The remuneration paid to general managers and deputy general managers are salaries, bonuses, staff compensation, and retirement pension according to regulations. The salary and bonus portion shall be considered by the Remuneration Committee to take into account annual revenue, profit performance, and the status of manager’s performance target. After reviewing the peers performance and salary level, then decisions are made through the Board of Directors; the portion of remuneration to employees is subject to the provisions of the Articles of Incorporation of the Company and takes into account annual revenue, profit performance, and the performance target of the Manager, and the amount is proposed by the Remuneration Committee, and then the Board of Directors should make a corresponding resolution and pay it.

If the Company is appointed as a Legal Representative Director or supervisor of the direct investment company, and the Company will pay the directors, supervisors, and managers of the directors by salary way that received from the direct investment company.

3. And association with the operation performance, and risks in the future:

(1) The revenue and profitability of the Company were maintained, so the relative risk is low.

(2) For the performance assessment of directors and managers, in addition to the reference to the peers level of salary payment, considering the operating results and their contribution to the Company, comprehensive consideration of the remuneration, payment method, and the future risks matters of the Company that were highly correlated with the Company's operational responsibilities and overall performance were considered.

3. Corporate Governance in action

(1) Status on Implementation of Board of Directors

The Board convened 6 times (A) in 2018. The attendance of the Directors is specified below:

Occupational Title	Name (Legal persons should disclose the name of the shareholder and its representative)	Actual Number of Attendances B	Attendances by Proxy	Actual Attendance Rate [B/A (number of meetings during the period of employment)]	Remarks (Date of Departure, Formerly or Newly Elected to Office, or Reelected to Office, and Date of Election)
Chairman	Hsu, Kun-Tai	7	0	100%	Former
Director	Lin, Mao-Kuei	4	0	100%	Death on September 13, 2018, should have attended four times.
Director	Lu, Chin-Chung	7	0	100%	Former
Director	Wei, Chuan-Pin	7	0	100%	Former
Director	Liu, Song-Pin	4	0	100%	Dismissal on September 10, 2018, should have attended four times.
Director	Tsai, Ming-Hsien	5	0	71%	Former
Director	Liu, Chia-Sheng	7	0	100%	Former
Independent Director	Lee, Yen-Sung	6	1	86%	Former
Independent Director	Lin, Ming-Ji	7	0	100%	Former

Additional Information:

I. If any of the following occurs to the operation of the Board, specify the date, the session, the content of the motion, the opinions of the Independent Directors, and the response of the Company to the opinions of the Independent Directors:

(I) The particulars exhibited in Article 14-3 of the Securities and Exchange Act:

1. Board Meeting's Date, Session, Proposal Contents: Please refer to the important resolutions made by the Shareholders' Meeting and Board of Directors by the end of 2018 and up to March 31, 2019 of the Annual Report.
2. All Independent Directors' Opinions: No Independent Directors have expressed opposition or qualified opinions.
3. Company Dealing With the Opinions of independent Directors: None.

(II) Further to the aforementioned matters, any adverse opinion or qualified opinion of the Independent Directors against the resolutions of the Board: Nil.

(III) Communication Between Independent Directors, Head of Internal Audit, and CPA: Please refer to our website.

II. The recusal of the Directors from motions involving the interest of the names of the Directors concerned, the content of the motions, the reason for recusal for the avoidance of conflict of interest, and the participation in voting:

The directors avoided involvement in discussion of the approved lifting of non-competition restrictions for directors and the enforcement of treasury shares transfer to employees.

III. The objective of the Board in fortifying its function in the recent and present year (such as the establishment of the Auditing Committee, and enhancement of transparency) and assessment of the attainment:

1. In 2018 and up to March 31, 2019, the content and procedure of the Board of Directors and the self-discipline of the directors implemented in accordance with the procedures of the Board of Directors.
2. In 2018, in order to strengthen the functions of the Board of Directors, the Company completed the performance evaluation report of the Board of Directors and submitted it to the Board of Directors on March 7, 2019.

The attendance of independent directors of each Board of Directors Meeting in 2018 was specified below:

◎ Actual Attendance, ☆ Attended by Proxy, ＊ Non-attendance

Date / Name	3/9	5/8	6/5	8/8	9/13	10/30	12/26
Lee, Yen-Sung	◎	◎	◎	◎	◎	◎	☆
Lin, Ming-Ji	◎	◎	◎	◎	◎	◎	◎

(2) Status on Operation of Audit Committee or Participation of Supervisors in the Operation of the Board of Directors

The participation of the Supervisors in the operation of the Board

The Board convened seven times (A) in 2018. The attendance of the Directors is specified below:

Occupational Title	Name (Legal persons should disclose the name of the shareholder and its representative)	Actual Attendance (B)	Actual Attendance Rate [B/A (Number of meetings during the period of employment)]	Remarks (Date of Departure, Former or Newly Elected to Office, or Reelected to Office, and Date of Election)
Supervisor	Huang, Chin-Hsuan	6	86%	Former
Supervisor	Huang, Chen-Chih	3	43%	Former
Supervisor	Tong Ling Investment Co., Ltd. Legal Representative: Chang, Su-Tien	6	86%	Former

Additional Information:

I. The Organization and Function of the Supervisor:

(I) Communication Between Supervisors and the Company's Employees and Shareholders (for example, communication channels, methods, etc.):

The Administration Department, Financial and Administrative Department, and the Audit Division were responsible for collecting relevant information and submitting it to the supervisor. The supervisor judges independently and communicates directly or indirectly with employees and shareholders if necessary.

(II) Communication Between Supervisors and Internal Audit Director and CPA: (For example, matters, methods, and results for communicating with the Company's financial and business conditions.):

The internal audit supervisor of the Company collects the audit report for financial, business, production, and personnel based on the Company's internal control system, and submits them to the supervisors on a regular basis. If any material abnormalities such as finance and business are found, in addition to written reports. they will also inform the supervisors through oral report; if any supervisors have any need to understand or recommend the Company's financial, business, production, personnel, or internal control system, they will also invite the internal audit supervisor to perform an audit or request improvement from all units again.

When the CPA of the Company audits the implementation of the Company's internal control system, they will also submit the problems that should be improved or suggestions to the supervisors, and notify the supervisors of material abnormalities of the audit of the financial report.

The Board of Directors sent the Business Report, Consolidated Financial Report, the Separate Financial Report, and the Distribution of Earnings Form to each of the supervisors; the Financial Report should be submitted to the supervisors after the Board of Directors has appointed the PwC Taiwan Accounting Firm, and will issue the Audit Report. The supervisors will receive the Audit Report and audit it. After the audit is completed, if it is considered that there is no disagreement, then an Audit Report is issued according to law.

II. If Supervisors participating in Board Meetings have expressed opinions, state the date and session of the Board Meeting, proposal content, resolution of the meeting, and the response of the Company regarding the Supervisor's opinion: None.

(3) The difference Between the Corporate Governance Implementation and the Corporate Governance Best Practice Principles for TWSE/GTSM-Listed Companies and Reasons

Items for Evaluation	State of Implementation (Give the summary description in the field provided irrespective of choosing either "Yes" or "No" in the answer.)			Variation from the Corporate Governance Best Practice Principles for TWSE/TPEx-listed Companies and the reason.
	Yes	No	Summary Description	
I. Has the Company instituted its own corporate governance best practice principles in accordance with the "Corporate Governance Best Practice Principles for TWSE/TPEx-listed Companies" and made disclosure?	✓		The Company has set a Corporate Governance Code of Practice and Audit Committee and refers to the Taiwanese Certificate of Governance Letter of No. 10700240891 amended to the "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies". The 12th Session of the 17th Board of Directors passed amendments to the Corporate Governance Code of Practice. The current practice is based on the Corporate Governance Code of Practice and is disclosed in the Market Observation Post System and the Company's website (investor relations ➔ corporate governance).	No Difference
II. The Equity Structure and Shareholders Equity of the Company (I) Has the Company established its internal operation procedure for responding to the suggestions, queries, disputes, and legal actions of the shareholders in accordance with the procedure? (II) Has the Company kept the list of the dominant shareholders that exercise de facto control of the Company and the parties that exercise ultimate control of these dominant shareholders under control?	✓ ✓		(I) In accordance with the "Management Measures for Stock Operations" of the Company, and appointed the CTBC Stock Agency to handle related operations, the Company also has a spokesperson, acting spokespersons, and investor relations department to deal with shareholder suggestions or doubts. (II) The majority of the Company's major shareholders are the management team and long-term shareholders. The Company's directors and supervisors, managers, and shareholders holding more than 10% of the shares are required to report their shareholding changes to the Company on a monthly basis. During the two days after the day after the ex-rights (dividends) book close date, the Company's stock agency will be able to obtain the	(1) No Difference (2) No Difference

Items for Evaluation	State of Implementation (Give the summary description in the field provided irrespective of choosing either "Yes" or "No" in the answer.)			Variation from the Corporate Governance Best Practice Principles for TWSE/TPEx-listed Companies and the reason.
	Yes	No	Summary Description	
			stock transfer books from the Company through the Taiwan Depository and Clearing Corporation, and provide the shareholding information of the major shareholders to the senior management.	
(III) Has the Company established and exercised risk control and firewall mechanisms with its affiliates?	✓		(III) The Company and its affiliated enterprise are independent in production, sales, research and development, personnel, and finance. The relationships with the Company are handled in accordance with the "Regulations on the Operation of Financial Businesses Related to Enterprises" set by the competent authority and the Company; In accordance with the "Endorsement Guarantee Measures" of the Company, the enterprises can only provide endorsement and guarantee for subsidiaries that have invested more than 50% of their shares.	(3) No Difference
(IV) Has the Company instituted internal rules and regulations prohibiting insiders from using undisclosed information in the market for the trading of securities?	✓		(IV) The "Internal Material Information Processing Operations and Regulations Governing the Prohibition of Insider Trading" has been established, and cooperate with the Company to set up an Audit Committee and approve the "Internal Material Information Processing Operations and Regulations Governing the Prohibition of Internal Transactions" by the 12th Session of the 17th Board of Directors. The Company prohibits insiders of the Company from making use of undisclosed information in the market for the trading of securities, and to disclose it on the Company's website (investor relations ➔ corporate governance ➔ important internal rules).	(4) No Difference

Items for Evaluation	State of Implementation (Give the summary description in the field provided irrespective of choosing either "Yes" or "No" in the answer.)			Variation from the Corporate Governance Best Practice Principles for TWSE/TPEx-listed Companies and the reason.
	Yes	No	Summary Description	
III. The Organization and Function of the Board (I) Has the Board developed its policies in diversity relevant to the composition of the members and has it properly pursued these policies? (II) Has the Company voluntarily established other functional committees further to the establishment of a remuneration committee and auditing committee? (III) Has the Company established the	✓ ✓ ✓ ✓		(I) According to Article 20 of "the Corporate Governance Code of Practice", members of the Board of Directors of the Company must have the knowledge, ability, and competency to perform their duties, in addition to the basic conditions of gender, age, nationality, and culture. 1. To set up Board Members, the Company will consider the diversity of Board Members in many aspects. At present, the 12th Board of Directors of the Company has a total of seven members (including two independent directors), and all of them fulfill the third condition of Article 20 of the Corporate Governance Code of Practice as shown in Table 1. 2. According to the list of the 13th director candidates newly nominated by the Company in 2019, one female director has been nominated. 12% of the new directors have employee status, 37% are independent directors, and 12% are female directors. (II) It is expected that the relevant units will be completed in a timely manner in accordance with the actual needs of the Company. (III) According to the Company's performance evaluation method of the Board of Directors, in 2018, the Board of Directors will evaluate based on various specific indicators, and complete the 2018 Annual Performance Evaluation Report of the Board of Directors, and report to the Board of Directors at the 12th Session	(1) No Difference (2) No Difference (3) No Difference

Items for Evaluation	State of Implementation (Give the summary description in the field provided irrespective of choosing either "Yes" or "No" in the answer.)			Variation from the Corporate Governance Best Practice Principles for TWSE/TPEx-listed Companies and the reason.
	Yes	No	Summary Description	
rules and regulations and the methods for the evaluation of Board performance, and has it conducted performance evaluation at regular intervals of each year? (IV) Has the Company assessed the independence status of the CPAs at regular intervals?			of the 17th Board of Directors on March 7, 2019. The results of the assessment are disclosed on the Company's website or Market Observation Post System. (IV) The Company completed the 2018 annual assessment of the independence of the CPA through the 12th Session of the 17th Board of Directors. 1. PwC Taiwan CPA firm has issued a "Communication Letter with the Governance Body": Engagement Partner and Responsibilities Statement, and Statement of Independence of the CPA. 2. The Company regularly assesses the independence of the CPA through the stock unit and confirms that the CPA does not hold any shareholding and any position in the Company and completed the "the Board of Directors is to assess the CPA and the accounting firm of independent checklist".	(4)No Difference
IV. Has the company been listed on the TWSE/TPEx established designated a full-time (part-time) body or appointed such personnel for administering corporate governance (including but not limited to the supply of information for the Directors and Supervisors in performing their duties, holding of meetings for the Board and the Shareholders Meeting and handling related matters, administering company	✓		The 12th Session of the 17th Board of Directors amended articles 3,1 of the "Corporate Governance Code of Practices" of the Company in accordance with Letter No. 10700240891 of the Taiwanese Certificate of Governance. The amended provisions are as follows: The Company's Financial and Administrative Department is responsible for corporate governance-related matters. Corporate governance-related matters include the following: I. Deal with related affairs according to the regulations of the Board of Directors and the Shareholders Meeting. (A total of seven meetings for the Board of Directors were held in	No Difference

Items for Evaluation	State of Implementation (Give the summary description in the field provided irrespective of choosing either "Yes" or "No" in the answer.)			Variation from the Corporate Governance Best Practice Principles for TWSE/TPEx-listed Companies and the reason.
	Yes	No	Summary Description	
registration and relevant changes, and compilation of the minutes of meetings of the Board and Shareholders Meeting on record)?			2018.) II. Compilation of the minutes of Meetings of the Board and Shareholders Meeting on record. (A total of the minutes of seven meetings for the Board of Directors and one Shareholders Meeting were completed in 2018.) III. Assisting the directors to engage in their job and continue to learn. (On October 30, 2018, the Company arranged a six-hour course for the directors at the Taiwan Corporate Governance Association. IV. Providing the information required by the directors to perform their business. V. Assisting directors to comply with the related laws. (In response to the amendments to the Company Act and related acts in 2018, the Company's relevant measures were quickly revised and a reference table was provided to the directors.) VI. Other items are established in accordance with the Articles of Incorporation of the Company or contract. The Company's Financial and Administrative Department has three qualification employees for obtaining CPA licenses from the US and five employees for obtaining CPA accountants licenses from the Republic of China, which meet the qualifications required by corporate governance personnel.	
V. Has the Company established channels for the communications with the stakeholders (including but not limited to the shareholders, employees,	✓		The Company's Chinese and English websites have been established, and the link is http://www.chicony.com.tw/. The Corporate Social Responsibilities webpage contains Company policies, stakeholders, supplier management, employee care, employee benefits, and an	No Difference

Items for Evaluation	State of Implementation (Give the summary description in the field provided irrespective of choosing either "Yes" or "No" in the answer.)			Variation from the Corporate Governance Best Practice Principles for TWSE/TPEx-listed Companies and the reason.
	Yes	No	Summary Description	
customers, and suppliers), and the section for the shareholders on the official website of the Company to respond to all concerns of the stakeholders on corporate social responsibility?			investor relationship zone, which includes Company-related news and activities, corporate governance (including the Company's corporate social responsibilities code of practice), financial/stock and Company contact information, and the Company Spokesperson is responsible for answering relevant questions.	
VI. Has the Company appointed a professional share registration and investors service agent for handling matters pertaining to the Shareholders Meeting?	✓		The Company's Stock Operation Department is handled by the professional stock agency - the agency department of CTBC bank, and they are responsible for the Company's affairs of Shareholders' Meetings.	No Difference
VII. Disclosure of Information (I) Has the Company installed a website for the disclosure of information on financial position and operation, as well as corporate governance?	✓		(I) The Company's Chinese and English websites have been established, and the website is http://www.chicony.com.tw/: And set up an investor relationship zone, which includes: 1. Investor Information: Quarterly Report, Material Information, Stock Price Information, Dividend Distribution Calendar, Dividend Policy 2. Shareholders' Column: Shareholder Service, Notice of Meeting, Proposal Manual, Annual Report of Shareholders' Meeting, every cases Result, Proceedings 3. Financial Information: Financial Statements, Monthly Consolidated Revenue 4. Corporate Governance: Board of Directors, Important Internal Rules 5. Investor Contact Window.	(1) No Difference
(II) Has the Company adopted other means for disclosure (such as the installation of a website in the English language, appointment of designated persons for the collection and disclosure of information on the	✓		(II) In addition to the establishment of the Spokesperson and acting spokesperson system, the Company has set up an Investor Relations Department to appoint personnel to be responsible for the collection and disclosure of Company information. It also	(2) No Difference

Items for Evaluation	State of Implementation (Give the summary description in the field provided irrespective of choosing either “Yes” or “No” in the answer.)			Variation from the Corporate Governance Best Practice Principles for TWSE/TPEx-listed Companies and the reason.
	Yes	No	Summary Description	
Company, the implementation of ae spokesman system, and videotaping institutional investor conferences)?			provides financial and business information of the Company to investors by the Market Observation Post System, institutional investors conference, the Company's website, and newspapers and magazines.	
VIII. Is there any other essential information that would help us to understand the pursuit of corporate governance (including but not limited to employee rights, employee care, investor relations, supplier relations, stakeholder rights, the continuing education of the Directors and Supervisors, the pursuit of a risk management policy and standard of risk assessment, the pursuit of a customer policy, and professional liability insurance coverage for the Directors and Supervisors)?	✓		(I) The Company pays attention to the health of colleagues. In addition to setting up a medical office, it hires professional doctors and nurses to conduct various health consultations, regular blood pressure tracking, and regular staff health ,examination, and the brand new “Chicony Smart Green Building” has moved to the district of Sanchong District, New Taipei City in 2016. In addition to providing a better workplace, the Smart Green Building of the group also provides a swimming pool, fitness center, and other facilities to enable employees to have more convenient sports and leisure spaces. It also responds to government policies, promotes work-life balance projects, takes the initiative to pay attention to the work situation of colleagues, sets up a multi-type society, and regularly organizes the baseball games of the Chicony Cup on holidays, encouraging employees to maintain their health and working energy, and also to take part in it with the family; set up a nursing room in the work environment, and constructed a child care union mechanism to allow employees to take care of their families while they are working. The Company has established an Employee Welfare Committee to provide holiday bonus, travel, birthday, and labor festivals, etc., and also provides excellent “fertility bonus” that rewards for active employees. The Human Resources Department also organizes training activities covering	No Difference

Items for Evaluation	State of Implementation (Give the summary description in the field provided irrespective of choosing either "Yes" or "No" in the answer.)			Variation from the Corporate Governance Best Practice Principles for TWSE/TPEx-listed Companies and the reason.
	Yes	No	Summary Description	
			various professional and management courses. It encourages employees to take on-the-job training, and also organize health lectures and environmental safety training for employees to pay attention to physical, mental, and environmental health. In 2018, a total of 106 training events and lectures were held. The Industrial Safety and Health Department obtained ISO 14001/45001/TOSHMS 15506 Certification in 2018. The certification shows the Company's focus on the green environment and occupational safety and health. The Company actively makes an environment that meets the peace of mind and healthy living requirements of employees and promises to give a reasonable and warm space for care, study, and growth to employees, and creates the highest employee centripetal force. (II) The Company senior management has always operated on the principles of perseverance, integrity, and profitability, creating long-term and stable interests for shareholders, and creating multi-wins by working with customers, suppliers, and correspondents. In 2018, the Company was selected as a constituent of the "FTSE4Good TIP Taiwan ESG Index" of the TAIEX, representing that outsiders recognize the Company responsibilities for sustainable development. (III) Both the Company and its affiliated enterprises are only allowed to provide endorsement guarantees and fund loans to subsidiaries identified in accordance with the International Financial Reporting Standards. The distinction between responsibility and accountability of personnel, assets, and finances between the	

Items for Evaluation	State of Implementation (Give the summary description in the field provided irrespective of choosing either "Yes" or "No" in the answer.)			Variation from the Corporate Governance Best Practice Principles for TWSE/TPEx-listed Companies and the reason.
	Yes	No	Summary Description	
			Company and affiliated enterprises are clearly defined and a firewall should be properly established. Business dealings with affiliated enterprises should be based on the principle of fairness and reasonableness and set written specifications for related finance and business by themselves, and transfer of interests is prohibited and Non-arm's Length Transactions are prevented. (IV) Continuing Education of Directors and Supervisors: The Company directors (supervisors) have participated in education courses held by Taiwan Corporate Governance Association like: 1. To understand the impact of corporate governance, internal control, and supervisory responsibilities by observing the latest Company Act amendments. 2. Security management under the development of science and technology. 3. Corporate ethics and responsibilities, corporate governance development trends, the direction of recent amendments of the Company Act. 4. In the face of the trade war between China and the United States, the response of Taiwanese companies; and other related courses.. Additionally, the Company has a specialist to collect relevant regulations and information and submit them to the directors and supervisors. (V) The Company has purchased liability insurance for the Directors and Supervisors: Since August 2002, the Company has purchased liability insurance for the protection of the Directors and Supervisors every year.	
IX. The state of corrective action taken in response to the corporate governance			(I) The Company will establish an Audit Committee after the electing of directors in 2019.	

Items for Evaluation	State of Implementation (Give the summary description in the field provided irrespective of choosing either "Yes" or "No" in the answer.)			Variation from the Corporate Governance Best Practice Principles for TWSE/TPEx-listed Companies and the reason.
	Yes	No	Summary Description	
evaluation result announced by the Corporate Governance Center of Taiwan Stock Exchange Corporation, and the issues requiring special effort for improvement and related measures.			(II) This year, the Company's newly nominated director candidates already include a female director and the concurrent positions are reduced to one person, which is one-third lower than the Board of Directors. (III) 1. The Company's internal auditors have two with qualifications of Certified Internal Auditors and one person is a Certified Information Systems Auditor, etc. 2. The Company will reinforce the disclosure of information security risk management on the Company's website.	

The diversity of the Board of Directors of the Company is as follows:

Core Items of Diversity / Names of Directors	Gender	Operation Judgment Capacity	Accounting and Financial Analysis Capacity	Corporate Management Capacity	Crisis Management Capacity	Industry Knowledge	Understanding of International Market	Leadership and Decision-making
Hsu, Kun-Tai	Male	✓	✓	✓	✓	✓	✓	✓
Lu, Chin-Chung	Male	✓	✓	✓	✓	✓	✓	✓
Wei, Chuan-Pin	Male	✓	✓	✓	✓	✓	✓	✓
Tsai, Ming-Hsien	Male	✓	✓	✓	✓	✓	✓	✓
Liu, Chia-Sheng	Male	✓	✓	✓	✓	✓	✓	✓
Lee, Yen-Sung	Male	✓	✓	✓	✓	✓	✓	✓
Lin, Ming-Ji	Male	✓	✓	✓	✓	✓	✓	✓

(4) If the Company has Established a Remuneration Committee, Disclose its Organization, Function, and Operation

1. Profiles of the Members of the Remuneration Committee

Identity (Note 1)	Condition / Name	Do they have more than 5 years of work experience and met the professional qualifications specified below?			Conform to the status of independence (Note 2).								The number of public companies where the person also holds positions in their remuneration committees.	Remarks (Note 3)
		A lecturer or at a higher position at a public or private school of higher education in the disciplines of commerce, law, finance, accounting, or other specializations required by the business of the Company.	A professional or technician who has passed the national examination for professionals like court judge, prosecutor, lawyer, certified public accountant, or any other expertise required for the business operation of the Company with the issuance of a certificate of completion.	Work experience in commerce, law, finance, accounting, or others required by the business of the Company.	1	2	3	4	5	6	7	8		
Others	Wang, Jui-Tsai	✓			✓	✓	✓	✓	✓	✓	✓	✓	-	-
Independent Director	Lin, Ming-Ji	✓			✓	✓	✓	✓	✓	✓	✓	✓	2	-
Others	Chang, Chih-Liang			✓	✓	✓	✓	✓	✓	✓	✓	✓	2	-

Note 1: For identity, fill in Director, Supervisor, or others.

Note 2: If the members meet the following conditions in the period of 2 years before the assumption of office or within the term of office, put a "✓" in the appropriate boxes.

(1) Not an employee of the Company or its affiliates.

(2) Not a Director or Supervisor of the Company or its affiliates. Except the seats of Independent Directors established by the Company, its parent company, or subsidiaries in accordance with this law or applicable laws of relevant host countries.

(3) Not holding 1% or more of the outstanding shares issued by the Company by the person and its spouse, and children who are minors, or in the name of a third party, or, a shareholder among the top 10 shareholders and who is a natural person.

(4) Not the spouse, kindred within the 2nd tier, or kindred by sanguinity within the 3rd tier under the Civil Code of the above 3 categories of personnel.

(5) Not a Director, Supervisor, or employee of an institutional shareholder directly or indirectly holding more than 5% of the outstanding shares issued by the Company, or a Director, Supervisor, or employee of an institutional shareholder of the top 5 institutional shareholders of the Company.

(6) Not a Director, Supervisor, manager, or a shareholder holding more than 5% of the shares of designated companies or institutions with which the Company has financial or business transactions.

(7) Not the owner, partner, Director, Supervisor, manager, or the spouse to the owner, partner, Director, Supervisor, manager of the professional, sole proprietor, partnership, company, or institution that provided commercial, legal, financial, and accounting service and consultation to the Company or its affiliates.

(8) Falling beyond the scope of particulars inscribed in Article 30 of the Company Act.

Note 3: If the members are directors, please indicate whether they meet the requirements of Article 6(5) of the "TWSE or the Settlement and Execution of Duties of the Remuneration Committee of the Securities Dealer's Business Place".

2. Responsibilities of the Remuneration Committee

(1) The Committee shall faithfully perform the following authority with the attention of a good manager and submit the recommendations to the Board of Directors for discussion. The Remuneration of Supervisors needs to be approved by the Articles of Incorporation or the resolution of the Shareholders' Meeting, then reported to the Board of Directors:

A. To regularly review the Company "Remuneration Committee Organization Rules" and to propose amendments to it.

B. To establish and regularly review the annual and long-term performance objectives and remuneration policies, systems, standards, and structures of the directors, supervisors, and managers of the Company.

C. To determine the content and amount of their individual salary remuneration by regularly assessing the achievement of the performance targets of the Company directors, supervisors, and managers.

(2) When the committee performs the previous authority, it shall be based on the following principles:

A. Ensure that the Company remuneration meets relevant laws and regulations and is sufficient to attract talent.

B. The performance assessment and remuneration of directors, supervisors, and managers should refer to the peers level of salary payment, and consider the time spent by the individual, the responsibilities, the achievement of personal targets, the performance of other positions, and the Company's recent compensation for the same position. The remuneration of employees, and the achievement of the Company's short-term and long-term business objectives, the Company's financial status, etc., assess the relevance of individual performance to the Company's operating performance, and future risks.

C. The performance assessment and remuneration of directors, supervisors, and managers should refer to the peers level of salary payment, and consider the time spent by the individual, the responsibilities, the achievement of personal targets, the performance of other positions, and the Company's recent compensation for the same position. The remuneration of employees, and the achievement of the Company's short-term and long-term business objectives, the Company's financial status, etc., assess the relevance of individual performance to the Company's operating performance, and future risks.

D. The ratio of dividends of the short-term performance of directors and senior managers and the payment time of variable remuneration should be determined by considering the characteristics of the industry and the nature of the business.

E. Members of this Committee cannot participate in discussions and voting on their personal remuneration decisions.

(3) The remuneration referred to in the preceding two items, including cash remuneration, stock options, dividend participation, retirement benefits or separation payments, various allowances, and other measures with substantial rewards; the records of remuneration of the directors, supervisors, and managers' remuneration shall be consistent with the Annual Report of the public offering company.

(4) If the remuneration of the company of subsidiary directors and managers base on the company of subsidiary are responsible for decision-making matters, they must be approved by the Board of Directors of the Company, and should be submitted to the Board of Directors for discussion after the Committee has made recommendations.

3. Information on the Operation of the Remuneration Committee

(1) The Remuneration Committee of the Company consists of three members.

(2) Current Term: From June 23, 2016 to June 7, 2019.

(3) The Compensation Committee held two meetings in 2018 (A), the qualifications and attendance of the Committee are shown as follows:

Occupational Title	Name	Actual Number of Attendances (B)	Attendances by Proxy	Actual Attendance Rate (%) [B/A (Number of meetings during the period of employment)]	Remarks (Date of Departure, Former or Newly Elected to Office, or Reelected to Office, and Date of Election)
Convener	Wang, Jui-Tsai	2	0	100	Renewed Term Elected on June 23, 2016
Committee Member	Lin, Ming-Ji	2	0	100	
Committee Member	Chang, Chih-Liang	2	0	100	

Additional Information:

I. If the Board declines to accept or revise the recommendations of the Remuneration Committee, specify the meeting date, the session, the content of the motion, the resolutions of the Board, and the response of the Company to the opinions of the Remuneration Committee (if the Board resolved a higher level of remuneration than the recommendation of the Remuneration Committee, specify the difference and the reason for the difference):

None

II. If a specific member of the Remuneration Committee has adverse or qualified opinions on the resolutions of the Remuneration Committee on record or in written declaration, specify the meeting date, the session, the content of the motion, the opinions of all members, and the response to the opinions of the members:

None

(5) Performance Status of Social Responsibilities

Items for Evaluation	State of Implementation (Give the summary description in the field provided irrespective of choosing either "Yes" or "No" in the answer.)			Variation with the Corporate Governance Best Practice Principles for TWSE/TPEx – Listed Companies, and the reason for the variation.
	Yes	No	Summary Description	
I. The Pursuit of Corporate Governance			I.	
(I) Has the Company established its corporate social responsibility policy or system, and reviewed the result of the pursuit？	✓		(I) The Company has established the corporate social responsibility system and has made announcements to employees and others through publicity boards, posters, promotional cards, employee meetings, and supplier conferences. Continue donations of tens of millions of dollars, it depends on the situation each year. When material cases occur: such as the earthquake of Hualien in 2018, the Company also participates in donations and related support actions; on the other hand, the Company has also established a Chicony Care Society. At present, dozens of enthusiastic colleagues have joined the community and continue to care for disadvantaged groups. The Company also discloses Company policies and reports that are related to corporate social responsibility on the Company website http://www.chicony.com.tw/.	(1) No Difference
(II) Has the Company organized training and education on corporate social responsibility regularly?	✓		(II) The Company regularly organizes educational training and publicity; it also gives employees guidance and a management system for new employees and clearly communicates employees' rights and obligations.	(2) No Difference

(III) Has the Company established a designated full-time (or part-time) body or position for the advocacy of corporate social responsibility administered by the senior management at the empowerment of the Board and reporting to the Board regularly?	✓		(III) 1.In 2010, the Company takes part in the Electronics Industry Citizenship Coalition (EICC) and it has been renamed the Responsible Business Alliance (RBA). For this reason, it has established a specialist department, which is the Corporate Social Responsibility Department and the Industrial Safety and Health Branch. It enhances management performance through continuous promotion of environmental and employee health and safety, and the control of harmful substances in products and energy efficiency and carbon reduction. The headquarters of Taipei, the Suchou Plant, Tungwan, and Chongqing have passed the ISO 14001 Environmental Management System and OHSAS 18001 (2018 Taipei Headquarters passed ISO 45001, TOSHMS/CNS 15506), Occupational Safety and Health Management System annual audit verification, and the organization of carbon emissions performs greenhouse gas inspection. The Company headquarters, Suchou, Tungwan, and Chongqing factories also obtained an audit report/declaration of ISO14064-1 greenhouse gas emission inspection.	(3) No Difference
			2. The designated Administrative Department of the Company is a dedicated unit responsible for the revision, implementation, interpretation, consulting services, and notification of content registration and other related operations and supervision of the “Integrity Operation Procedures and Behavior Guidelines”, and reports to the Board of Directors on a regular basis every year. On August 8, 2018, the summary of the implementation is as follows:	

			(1) In June 2018, the Corporate Social Responsibilities Report (2017) of Chicony Electronic was issued and published on the Company website and Market Observation Post System. It is expected that the 2018 Social Responsibilities Report will be issued in July 2019.	
			(2) The “Chicony Smart and Green Building” won the “Platinum Award”, the highest honor in the “APIGBA”, and won the “Building Award”, the honor in the “TIBA Awards”.	
			(3) Various Education Promotion: The Chicony R&D scholarship of the National Taipei University of Technology, the AAEON Foundation (the Art Corridor of the Chicony Building), and the Grassroots Influence Culture and Education Foundation.	
			(4) Care For the Weak: Shuang-Lien Elderly Center, Taipei Orphan Welfare Foundation, and Chung Yi Social Welfare Foundation.	
			(5) Local Feedback: Donated a piano to the Kaohsiung City Municipal Hospital and established the Qinsheng Station.	
(IV) Has the Company established a reasonable remuneration policy in combination with the employee performance evaluation system and corporate social responsibility policy, and a viable system for reward and punishment?	✓		(IV) In order to raise awareness of social responsibilities, the Company continues to organize corporate social responsibilities training and promotion for senior supervisors and employees, including labor, environment, health and safety, energy efficiency and carbon reduction, and ethical requirements. And the Company discloses publicly the Annual Report and policy of corporate social responsibilities on the Company website. There is a clear link between the content of performance assessment and corporate social responsibility.	(4) No Difference
II. Sustainable Development Environment			II.	

(I) Has the Company made efforts in the efficient use of all resources, and used renewable materials to mitigate the impact on the environment?	✓		(I) All waste of the Company factories are classified according to laws and regulations. After the dangerous waste is collected by the management department, a qualified agent is appointed for disposal. Recyclable waste is sold or reused after being sorted and recycled by each plant. There cyclable portion of food scraps are processed by a licensed processor; in order to save water resources, wastewater treatment has been added to industrial wastewater treatment. The local government environmental protection unit handles general household waste; it can improve the utilization efficiency of various resources and gradually reduce the impact on the environmental load.	(1) No Difference
(II) Has the Company established an appropriate environmental management system relevant with the specific nature of its industry?	✓		(II) All factories of the Company have established environmental management policies and systems in accordance with the requirements of ISO 14001 Environmental Management System and OHSAS18001 Safety and Health Management System. In order to continue the improvement of the environmental management system, and at the same time meet the requirements of customers, and realize the social responsibilities of sustainable management, each year, the qualified internal auditor audits the Company, the management performs the review, and then commissions a third-party impartial organization to conduct the audit.	(2) No Difference
(III) Has the Company paid close attention to the influence of climate change on its operation, and has it conducted inspection on greenhouse gases, made policies for regulating energy efficiency and carbon reduction, and the reduced emission of greenhouse gases for the Company ?	✓		(III) In terms of the impact on climate change, various factories and districts of the Company continue to focus on production and operation activities, set the strategies and targets for energy conservation and carbon reduction and greenhouse gas reduction. In 2018, each plant will perform improvement projects for energy conservation and emission reduction:	(3) No Difference

			1.	In 2016, the Taipei head office passed the Diamond Green Building Mark Certification by the Ministry of the Interior, the Intelligent Green Building Platinum Award in 2017, and the Environmental Impact Assessment Diamond Award from the New Taipei City Government, and it continued to save energy and reduce emissions and improve property management, to shape a group head office of Smart Green Energy.	
			2.	Continue to replace energy-consuming lamps with LED-type energy-saving lamps.	
			3.	In order to save energy, manpower, and expenses, we continue to improve some of the unreasonable production process lines (importing automation equipment).	
			4.	Continue to replace high-energy-consuming equipment, such as large ice water main engines, motors, UV machines, tin furnaces, and aging line heating rooms, etc., with low-energy equipment systems and aging line heating rooms with the ERS energy recovery system.	
			5.	The air compressor waste heat recovery system will be continuously added, and the recovered heat energy will be used to heat the shower water of the employee dorm, and electricity or gas will be greatly reduced to continuously save energy and reduce emissions.	
			6.	The factories will be continuously using the air compressor waste heat recovery system, and the recovered heat energy will be used to heat the shower water of the employee dorm, replace electricity or gas will be greatly reduced to continuously energy efficiency and reduction emissions.	

			7. In order to improve the efficiency of energy saving and emission reduction, gradually improve the energy consumption of the air compressor system components, or update to a new energy-saving air compressor, and continue to audit to improve the shortage of potential air pressure pipeline leakage in various regions.	
			8. In some factories, the existing traditional high-energy-consuming injection molding machines have been replaced, and all-electric servo injection molding machines have been purchased. The existing high-energy-consuming injection molding machine motors have been transferred to servo motors to increase energy efficiency and reduce emissions.	
			9. In order to reduce the overflow and to achieve water saving purposes, perform timely maintenance of the cooling tower.	
			10. In order to save energy, the ice water main engine cooling water pump was gradually replaced with a variable frequency high efficiency cooling water pump.	
			11. In order to improve the power-saving efficiency of the 24-hour operation, the old ice water box of the Suzhou factory was updated to a new Hitachi energy-saving ice water box for use in the air conditioner of the clean room.	
			12. Some factories have replaced high-energy-consuming motors with energy-saving secondary high-efficiency motors.	
			13. In order to achieve water saving purposes, establish water-saving faucets and toilets; in order to achieve power saving of lamps and equipment, install of sensors and timers.	
			14. By means of propaganda, we will reduce waste of resources, enhance employees' awareness of energy conservation, water conservation, and waste reduction.	

			15. Please refer to the Corporate Social Responsibility Report for other matters such as top floor turf greening, roofing, and solar system equipment.	
			The data on the greenhouse gas emissions and performance in the last two years will be disclosed in the CSR Corporate Social Responsibility Report, and the Company headquarters and each factory will also continuously obtain the ISO14064-1 Greenhouse Gas Emission of Verification Report/Declaration. In addition to the Company's headquarters and various factories continuing to pass ISO14001 certification and ISO14064-1 greenhouse gas review/CDP carbon disclosure participation and declaration, implement carbon footprint management of the product. At the same time, it participates in environmental sustainability forums and training organized by the government, institutions, and customers. They also continuously improve and reduce greenhouse gas emissions, and introduce green genes into the corporate culture to promote an environment of sustainable management.	
III. Protection of Public Interests			III.	
(I) Has the Company established related policies and procedures in accordance with applicable legal rules and the International Convention on Human Rights?	✓		(I) The Company fully complies with relevant labor laws and regulations and protects labor human rights to ensure that employment, salary, welfare, health, safety, and employees legal rights and interests are protected, and are not differentiated by gender, ethnicity, religion, etc. In order to manage and continuously improve Company social responsibility, the social responsibility management system has been set in accordance with the requirements of the RBA Corporate Responsibility Alliance (formerly EICC Electronic Industry Code of Conduct).	(1) No Difference

(II)	Has the Company established the mechanisms and channels for the employees in filing complaints, and has it appropriately responded to the complaints?	✓		(II) The Company has set up "I Want to Say" on the intranet of the employee website and set up "Contact Us" on the Chinese and English websites is http://www.chicony.com.tw/ as the employee complaint channel.	(2) No Difference
				In 2017, in order to get more positive suggestions on the Company operation and management; it also greatly contributed to the practice of the Company's integrity management, so the Chicony Group set up (CEO Direct Mailing System), through the operation of the new complaints channel.	
(III)	Has the Company provided a safe and healthy work environment for the employees, and related education on occupational safety and health for the employees at regular intervals?	✓		(III) The Company pays attention to employee health. The factories of Tungwan, Suchou, and Chongqing have passed the OHSAS18001 occupational health and safety management system certification, and regularly implement employee health examinations and entrust qualified testing institutions to conduct harmful factors detection on the indoor working environment every year to meet regulations requirements. Fire and first aid related training are held more than once a year, and education training for cadres at the basic level and key positions is carried out for chemical use and electrical safety and fire safety knowledge. The Taipei headquarters employees regularly implement safety and health education training courses for all employees' occupational safety laws, building fire safety training, AED+CPR first aid training, evacuation escape drills, and purchase fire equipment, and set up the Chicony Fire Response Team. The Group also established a security officer audit team to regularly perform audits/ratings and improvements, and to issue merit awards.	(3) No Difference

(IV)	Has the Company established the mechanisms for routine communication with the employees, and has it notified the employees of any change in the operation that may significantly affect the operation of the Company in reasonable means?	✓		(IV)	The top executives in the employee assembly publicly explain the company current operating conditions and future goals and have an open communication channel on the Intranet of the employee website every year. Immediately notify employees in the form of executive meetings, announcements, and emails for operational changes that may have a significant impact on employees.	(4) No Difference
(V)	Has the Company provided effective training in career planning for the employees?	✓		(V)	In order to improve the Company human quality, the Company has a full-time staff responsible for establishing a talent pool, carrying out manpower inventory planning, and regularly organizing various educational and training activities.	(5) No Difference
(VI)	Has the Company established policies and procedures for the protection of consumers and for their complaints in the aspects of research and development, procurement, production, operation, and services?	✓		(VI)	The Company fully complies with and abides by the laws protecting consumer rights and sets customer satisfaction as one of the important strategies of the Company.	(6) No Difference
(VII)	Has the Company complied with applicable legal rules and international standards in marketing and labeling of products and services ?	✓		(VII)	The Company is based on relevant regulations and international standards.	(7) No Difference
(VIII)	Before proceeding to business transactions with the suppliers, has the Company assessed the suppliers to determine if there is any record of influence on the environment and the society?	✓		(VIII)	In order to enhance the social responsibility of suppliers, the Company cooperates with the RBA (formerly EICC) Code of Conduct to conduct supplier audits, counseling, fill out the supplier social responsibility self-assessment form, and audit the supplier social responsibility performance. At present, the primary material manufacturers have completed the self-assessment report of supplier social responsibility.	(8) No Difference

(IX) Does the clause of termination or rescission of the contacts bind the Company and the major suppliers contained in related contracts between the Company and the suppliers in the case of the violation of corporate social responsibility by the suppliers with significant influence on the environment and the society？	✓		(IX) The Company has the absolute right to negotiate contracts signed with the outside, and the contracts are made by the Company legal office.	(9) No Difference
IV. Intensification of Disclosure			IV.	
(I) Has the Company disclosed reliable and relevant information on the performance of corporate social responsibility on its official website and the MOPS?	✓		(I) The Company is concerned about the disclosure of corporate social responsibility information, and clearly discloses the policies and standard of corporate social responsibility in the Employee Manual. The Chinese and English policies of the Corporate Social Responsibility Policy are published on the Company website and open to the public.	(1) No Difference

V. If the Company has instituted the corporate social responsibility best practice principles in accordance with the "Corporate Social Responsibility Best Practice Principles for the TWSE/TPEx-listed Companies", specify the implementation of these principles and the variation with the Corporate Social Responsibility Best Practice Principles for the TWSE/TPEx-listed Companies:

No Difference

In 2012, the Company established a code of conduct for corporate social responsibilities within the Company based on the "Corporate Social Responsibility Best Practice Principles for TWSE-Listed Companies" and the "Electronics Industry Citizenship Coalition Code of Conduct", and announced that the Company should comply with it; the Company is still following the RBA (formerly EICC) Code of Conduct 6.0 and simultaneously updating the Company internal corporate social responsibilities code of conduct.

In order to promote corporate governance, develop a sustainable environment, and maintain social welfare, the supervisors and colleagues of all units actively follow this code. To disclose information on various corporate social responsibilities, the Company is also planning to disclose it in the biennial report of Corporate Social Responsibilities, and publish relevant documents on the Company website.

As mentioned above, the operation and achievements of the Company corporate social responsibilities are in line with the spirit and requirements of the Code of Conduct.

VI.	Other Important Information That Helps us to Understand the Operation of Corporate Social Responsibilities (such as the Company adopted systems, measures, and performance in environmental protection, community participation, social contribution, social services, social welfare, consumer rights, human rights, safety and health, and other social activities): Important information about the operation of CSR (including the co-prosperity and communication of interested parties, the use of the "Conflict Minerals" policy for supplier management policies , etc.) will be disclosed on the Company website (website: http://www.chicony.com.tw/) under the corporate social responsibilities or refer to the Company Corporate Social Responsibilities Report.
VII.	If the Company Product or CSR Report has Passed the Verification Standard of the Relevant Verification Institution, it Should be Stated: 1. The Chicony Group Corporate Social Responsibility Report for 2013-2014 and 2015-2016 has been validated by the British Standards Institute (BSI) through the "GRI G4 (Core Options)" and the AA1000 Standard of Duty, the first type of assurance standard, and the statement of independent assurance opinion is attached to the Report. 2. In addition to the annual publication of the Chicony Group Corporate Social Responsibility Report, the Chicony Group Corporate Social Responsibility Report, which has been audited and guaranteed by third parties, will be published and exposed on the Company website once every two years.

(6) Status of Implementation of Integrity Operation and Actions Taken

Implementation of Ethical Corporate Management

Item	State of Implementation (Give the summary description in the field provided irrespective of choosing either "Yes" or "No" in the answer.)			The Differences Between the Corporate Governance Best Practice Principles for TWSE/GTSM-Listed Companies and Reasons
	Yes	No	Summary Description	
I. Establishment of Ethical Corporate Management Policy and Action Plans	✓			
(I) Has the Company specified its policy and method for the implementation of ethical corporate management in its internal rules and regulations and external documents, and have the Board and the management of the Company promised to pursue the policy of ethical corporate management?	✓		(I) The "Integrity Operation Principles" has been established and the Audit Committee has been set up by the Company. On March 7, 2018, the 12th Session of the 17th Board of Directors passed the amendment of the "Integrity Operation Principles" and reported to the Shareholders' Meeting. The current operations are implemented in accordance with the spirit of "integrity of management procedures and behavior guidelines". In order to implement the integrity management policy in all operations and systems of the Company, the Board of Directors and management of the Company manage the Company in faith and conduct business activities in a fair and transparent manner.	(1)No Difference

(II) Has the Company established plans for the prevention of unethical practices, and has it specified the operation procedures, code of conduct, and punishment for violation, and the system of complaints in the plans and properly implemented these plans?	✓		(II) The “Integrity Operation Procedures and Conduct Guidelines” have been set up and are in accordance with the business philosophy and policies of the Company's “Integrity Code of Practice”, and the Company has set up an Audit Committee and referred to the “○○ Co., Ltd. Integrity Operation Procedures and Behavior Guidelines” as an example. The Company revised the “Integrity Operation Procedures and Conduct Guidelines” and reported to the Shareholders' Meeting. The current practice is implemented based on the spirit of “Integrity of Operation Procedures and Behavior Guidelines”.	(2)No Difference
(III) Has the Company taken specific measures for the prevention of unethical practices as inscribed in Paragraph 2, Article 7 of the “Ethical Corporate Management Best Practice Principles for TWSE/TPEx-listed Companies”, or business activities with high level of integrity risk?			(III) We have established precautionary measures against bribery and illegal political contributions in the Company's “Integrity of Operation Procedures and Behavior Guidelines”. The Administrative Department of the Company is responsible for the supervision and implementation of the “Integrity of Operation Procedures and Behavior Guidelines”.	(3)No Difference
II. Implementation of Ethical Corporate Management				
(I) Has the Company assessed the record of the counterparties in business integrity, and has it specified the clause of ethical practices in business transactions in the contracts binding the Company and the counterparties?	✓		(I) In addition to complying with the Company “Integrity of Operating Procedures and Behavior Guidelines”, in order to prevent the risk of possible bribery, the Company has signed a “Completion of Integrity Letter of Commitment” with the manufacturer. When signing a commercial contract with others, in addition to fully understanding each other's integrity management, the contract will be performed in good faith management spirit; If necessary, before the signing of the contract, the integrity management spirit will be included in the contract depending on the type of contract.	(1)No Difference

(II) Has the Company established a designated full-time (part-time) body or position to administer ethical corporate management directly under the Board, and reported to the Board of the status of implementation at regular intervals?	✓		(II) 1.The designated Administrative Department of the Company is a dedicated unit responsible for the revision, implementation, interpretation, consulting services, and notification of content registration and other related operations and supervision of the “Integrity of Operation Procedures and Behavior Guidelines”, and reports to the Board of Directors on a regular basis every year. On August 8, 2018, the summary of the implementation is as follows:	(2)No Difference
			1. In June 2018, the Corporate Social Responsibilities Report (2017) of Chicony Electronics was issued and published on the Company website and Market Observation Post System. It is expected that the 2018 Social Responsibilities Report will be issued in July 2019.	
			2. The “Chicony Smart and Green Building” won the “Platinum Award”, the highest honor in the “APIGBA” and won the “Building Award “, the honor in the “TIBA Awards”.	
			3. Various Education Promotion: The R&D Rookie Scholarship of the National Taipei University of Technology, the AAEON Culture and Education Foundation (the Art Corridor of the Chicony Building), and the Grassroots Influence Culture and Education Foundation.	
			4. Care For the Weak: Shuang-Lien Elderly Center, Taipei Orphan Welfare Foundation, and Chung Yi Social Welfare Foundation.	
			5. Local Giving Back: Donated a piano to the Kaohsiung City Municipal Hospital and established the Qinsheng Station.	

(III)	Has the Company made policies for the prevention of the conflict of interest, and provided the channels for expressions, and has it properly implemented this system?	✓		(III)	The Company has established the "Ethical Code of Conduct," and the Company "Rules of the Board of Directors" and "Integrity Operating Procedures and Conduct Guidelines" clearly state that the directors should be highly self-disciplined, and the resolutions discussed by the Board of Directors, such as the directors or representatives of directors have common benefit, and the Board of Directors should explain the important content of its own interests. If the mentioned interests damage the Company interests, the director will not join the discussion and voting, and should be avoided when discussing and voting, and will not act as the proxy for voting rights of other directors.	(3)No Difference
(IV)	Has the Company established an effective accounting system and internal control system for the implementation of ethical corporate management? Has the Auditing Office or the retained CPAs conducted routine audits on these systems?	✓		(IV)	Internal auditors regularly audit operating activities. If there is any act of dishonesty, an Audit Report will be made and reported to the Board of Directors.	(4)No Difference

(5) Has the Company provided internal and external trainings on topics of ethical corporate management at regular intervals?	✓		(V) In addition to the Company regularly holding the training of newcomers with integrity management concepts every month, in 2018, the Company held lectures: Lectures on “Forming regular exercise habits”, “Sports and healthy eating”, “Methods for protecting the liver and shaping a healthy life - Discussing fatty liver”, etc.; in terms of environment, safety, and health, it is fixed once every 6 months: CPR and AED first aid training, firefighting training workshop; For common issues in the workplace, 2018 has held: subordinate guidance and incentives, employee problem discovery and resolution, emotional and EQ management, and stress management courses.	(5)No Difference
III. The Function of the Reporting System of the Company			The Company has separately set 1. The Company set a direct complaint mailbox of the CEO. 2. “Employee Hotline Management Method” - Establish and improve Company communication with employees through cross-department organizational function and timely handle and feedback of employees' problems and suggestions. 3. “Internal and External Communication Procedures” - The Company set internal and external labor and ethics information of the division of duties and operational procedures of propaganda. 4. “Procedures for Management of Suggestion Boxes” - Establish an operating procedure for on-the-job employees for improvement of proposals, problem reflection, and employee complaints. 5. “Procedures of Employees Grievance Management” -	No Difference
(I) Has the Company established substantive systems for reporting and rewards for facilitating the reporting of unethical practices, and appointed designated persons for dealing with the persons being reported?	✓			
(II) Has the Company established standard operation procedures for investigation of reports on unethical practices and related mechanisms for confidentiality of the procedures?	✓			
(III) Has the Company established related measures for the protection of the informants from undue treatment?	✓			

			Establishing relevant operating procedures for employees who are unfairly treated by the Company, legal rights violations or disclosure of employee privacy, and other acts that harm the Company. The above will clearly maintain the identity and content of the report; if it finds or receives an act of dishonesty of the Company's personnel, it will immediately find out the relevant facts, and if the violating personnel can provide related evidence that it has not violated the regulations, a complaint can immediately be made with the Administrative Department. If it is confirmed that there is a violation of relevant laws or the Company's integrity management policies and regulations, the actor will be immediately required to stop the relevant behavior, and appropriate disposal and punishment and damages will be requested through legal proceedings to maintain the Company's reputation and interests if necessary.	
IV. Intensification of Disclosure				
(I) Has the Company disclosed the content of its ethical corporate management best practice principles on its official website and MOPS, and the results of implementation?	✓		(I) The Company has set up a website. The link is http://www.chicony.com.tw. In the investor relationship section, we disclose information about corporate governance and integrity management.	(1)No Difference
V. If the Company Develops its Own Integrity Operation Rules According to the "Integrity Operation Best Practice Principles for TWSE/GTSM-Listed Companies", Please State the Differences:				
The "Integrity Operation Principles" has been established and the Audit Committee has been set up by the Company. On March 7, 2018, the 12th Session of the 17th Board of Directors passed the amendment of the "Integrity Operation Principles" and reported to the Shareholders' Meeting. Based on the Company "Integrity Operation Principles" business philosophy and policies set out in the "Integrity Operation Procedures and Behavior Guidelines", and cooperating with the Company to set up the Audit Committee and refer to the "○○ Co., Ltd. Integrity Operation Procedures and Behavior Guidelines". Amend the Company's "Integrity Operation Procedures and Conduct Guidelines" and report to the Shareholders' Meeting, and check the implementation effectiveness and continuous improvement at any time to ensure the implementation of the integrity management policy.				

VI.	Other Important Information for Better Understanding of the Integrity Operation (for example, the Company advises the customers on the Company integrity management policy, policies, and invites them to participate in education and training, review, and to amend Company integrity management, etc.):
	In 2018, it was selected as a constituent of the “FTSE4Good TIP Taiwan ESG Index” of the TAIEX, representing that outsiders recognize the Company responsibilities for sustainable development.

(7) Established Corporate Governance Rules and Related Regulations and How to find the corporate governance rules, related rules and regulations.

In order to ensure the consistency and correctness of the Company's published information and strengthen the management of the prevention of internal transactions, and to establish a good internal information processing and disclosure mechanisms of the Company to prevent information leakage, the Company established the “Internal Material Information Processing Operations and Prevention of Internal Transactions Management Procedures”. For details, please refer to the important internal rules of the Company's website http://www.chicony.com.tw/corporate governance.

(8) Other important information to increase understanding of corporate governance operations

The Company website has “CSR Corporate Social Responsibilities” and “Investor Relations” (including corporate governance, financial information, stock affairs information) and other areas for inquiries.

(9) Status of Implementation of Internal control system (including statement of internal control and audit report of CPA)

1. Statement of Internal Control System:

Chicony Electronics CO., Ltd.

Declaration of Internal Control System

Date: 3/7/2019

The Company internal control system for 2018 is based on the results of its own assessment and is stated as follows:

I. The Company's Board of Directors and management team understand their responsibilities of developing, implementing, and maintaining the Company's internal control system, and such a system has been established. The purpose of establishing the internal control system is to reasonably assure the following objectives: (a) The effectiveness and efficiency of business operation (including earnings, operation performance, and the safeguard of Company assets); (b) Achieve the reliability, timeliness, transparency, and compliance objectives according to the relevant laws and regulations in order to provide reasonable assurances.

II. Due to the innate limitation in designing a faultless internal control system, this system can only assure that the reasonableness of the above three objectives have been fairly achieved. In addition, the effectiveness of the internal control system can be altered over time due to the change of business environment or situation. Since the Company's internal control system has included self-examination capabilities, the Company will make immediate corrections when errors are detected.

III. The evaluation of the effectiveness of the internal control system design and implementation is made in accordance with the "Guidelines for the Establishment of Internal Control Systems by Public Companies" (hereafter referred to as "the Guidelines"). The Guidelines are made to examine the following five factors during the management and control process: (1) control environment, (2) risk assessment and response, (3) control activities, (4) information and communication, and (5) supervision. Each factor also includes several items. Details of each factor can be found in the Guidelines.

IV. The Company has examined the effectiveness of each respective factors in the internal control system based on the Guidelines.

V. The examination result indicated that the Company's internal control system (including subsidiary governance) dated December 31, 2018 has effectively assured that the following objectives have been reasonably achieved during the assessing period: (a) The degree that effectiveness and efficiency of business operation; (b) The reliability of the financial and related reports; (c) The compliance of the relevant laws/regulations and Company policies.

VI. This Statement is a significant part of the Company's Annual Report and prospectus available to the general public. If it contains false information or omits any material content, the Company is in violation of Article 20, Article 32, Article 171, and Article 174 set forth in Taiwan’s Security and Exchange Act.

VII. The Company hereby declares that this statement had been approved by the Board of Directors on March 7, 2019. Among the seven attending Directors, no one raised any objection to the contents of this statement.

Chicony Electronics CO., Ltd.

Chairman: Hsu, Kun-Tai

General Manager: Lu, Chin-Tsung

2. Authorized Accountant to Audit the Company’s Internal Control System and Disclose the Audit Report Made by Accountants: None

(10) Legal Penalties to the Company or its employees, and the company’s resulting punishment to its employees for violaionts of internal control system provisions, principal deficiencies, and the improved conditions:

Internal personnel were not punished, nor did they violate the internal control system in 2018 and up to March 31, 2019.

(11) Important resolutions made by the shareholders’ meeting and board of directors (including the implementation of the shareholders’ meeting):

1. The important resolutions and implementation of the 2018 Shareholders' Meeting held on June 5, 2018 are as follows:

(1) Proposals for Acknowledgement of 2017 Business Report and Consolidated Financial Statements and Individual Financial Statements.

Implementation Status: Ratification of the Business Report, Consolidated Financial Report, and Separate Financial Report of 2017

(2) Acknowledgement of the 2017 Earnings Distribution

Implementation Status: Approved cash dividend of NT$4.45 per share. June 27, 2018 is the ex-dividend date and dividends will be issued on July 20, 2018.

(3) The 2017 annual of capital increase by earnings issue of new shares.

Implementation Status: The resolution issues five shares for every 1000 shares for bonus and issued 3,619,871 new shares. July 25, 2018 is the ex-rights date. It was approved by the governmental authority on August 8, 2018, and will be issued on August 30, 2018.

(4) Revised the “Articles of Incorporation”.

Implementation Status: The resolution passed the revision of the Articles, and was approved by the governmental authority on June 14, 2018, and was processed in accordance with the revised regulations.

2. Important Resolutions of the Board of Directors

Board Meeting's Date	Important Resolutions
The 12th Session of the 10th Board of Directors on March 9, 2018	(1) 2017 Performance Evaluation Report of the Board of Directors (2) Adapted the International Financial Reporting Standard No. 16 "Leasing" plan and schedule report. (3) The Company held the 2018 Shareholders' Meeting, which was held at 9:00 am on June 5, 2018. (4) Ratification of the Business Report, Consolidated Financial Report, and Separate Financial Report of 2017 (5) Internal adjustment of PwC Taiwan CPA firm. Since the first quarter of 2018, the Company has replaced Chun Yao Lin CPA and Shih Jung Weng CPA with Chin Chang Chen CPA and Shih Jung, Weng CPA. (6) Earnings Distribution Plan of 2017: Earnings Distribution Plan of 2017: The Financial Statements of the Company in 2017 audited by CPA. The net profit after taxes is NT$4,021,529,058 which appropriated the Legal Reserve and Special Reserve of NT$402,152,906 and NT$1,427,779,990 according to Company Law or related regulations and plus the adjusted undistributed earnings of NT$5,122,678,888. The total available for distribution is NT$7,314,275,050. it is proposed to distribute cash dividends of NT$3,221,684,313 which is allocated at NT$4.45 per share, and cash dividends are rounded up. Other revenue includes fractional dollars; appropriated NT$36,198,710 for capitalization of retained earnings and issue five shares for every 1000 shares for the bonus. (7) Stock dividends are distributed at five shares for every 1000 shares for the bonus: appropriated from the retained earnings - unappropriated NT$36,198,710 and capitalization of retained earnings issued new shares of 3,619,871. (8) The case is about providing US$6 million to the CEZ subsidiary as an endorsement guarantee. (9) Regular review to assess the independence of the CPA. (10) To set up the "Organizational Rules for the Audit Committee", and to amend the "Articles of Incorporation" and "Rules of the Board of Directors" of the Company.

Board Meeting's Date	Important Resolutions
	(11) After deliberation of the 3rd Session of the 4th Remuneration Committee, appropriated employee remuneration of NT$607,048,008 and director remuneration of NT$37,714,472. In addition to the cash payment from the Board of Supervisors, the employee's remuneration is intended to be issued in cash of NT$154,048,008 and new shares of NT$453,000,000, and the calculated date is the before day of new shares issued by the Board of Directors at the closing price of NT$73.6 per share, a total of 6,154,891 new shares were issued, and NT$22 will be paid to those who receive less than one share of employee remuneration. (12) To recognize the Company's 2017 annual payment to the directors, the associate manager level and above, and the accounting director remuneration cases. (13) To discuss the proposal for the 3rd Session of the 4th Remuneration Committee. (14) The increase in the decision-making case for the acquisition of GlobalWafer securities at a cost of approximately NT$300 million. (15) Review and discuss the 2017 Internal Control System Statement.
The 12th Session of the 11th Board of Directors on May 8, 2018	(1) Consolidated Financial Report for the first quarter of 2018. (2) Approved the case of the Company to apply for a new credit quota to E.SUN Bank, KGI Bank, and Crédit Agricole. (3) Approved the "Management Measures for the Protection of Personal Data" of the Company.
The 12th Session of the 12th Board of Directors on June 5, 2018	(1) The directors of the Company act as directors or managers in other companies. (2) The benchmark date of the 2017 Annual Earnings Distribution Cash Dividend and related rules were on June 27, 2018. (3) After the Financial Supervisory Committee approved the Company capitalization of retained earnings to issue new shares and authorized the Chairman of the Board of Directors to set the base date of the stock dividends; the content of the allotment is the same as the resolution of the Shareholders' Meeting of 2018 on June 5, 2018. (4) To purchase liability insurance for directors, supervisors, and key employees for US$20,000,000 from July 31, 2018, to July 31, 2019. (5) Lifting of non-competition restrictions for managers.

Board Meeting's Date	Important Resolutions
The 12th Session of the 13th Board of Directors on August 8, 2018	(1) The Company's Consolidated Financial Report for the first half of the year 2018. (2) Implementation of the report of corporate social responsibility and integrity operating work. (3) The Company has loaned funds to three subsidiaries, including Yokang Electronics Co., Ltd., Kuang Sheng Investment CO., LTD., and Chun Ching Investment Co., Ltd., with loans respectively in amounts of NT$1.6 billion, NT$ 650 million, and NT$200 million for one year. The total amount of new funds after the resolution is NT$ 2.45 billion. (4) The Company was allowed to apply for a medium-term guarantee loan from the bank using some floors of the Chicony headquarters building as collateral.
The 12th Session of the 14th Board of Directors on September 13, 2018	(1) The Company is allowed to implement the treasury stock system to buy back 10,000,000 shares of the Company. The period of the expected buy-back period: From September 14, 2018, to November 13, 2018, and the price of the buy-back interval: NT$55-NT$70. The case was submitted for deliberation.
The 12th Session of the 15th Board of Directors on October 30, 2018	(1) The Company's Consolidated Financial Report for the third quarter of the 2018 year. (2) The Company approved provision of US$6 million to the CEZ subsidiary as an endorsement guarantee. (3) The case is about approving the new manager remuneration, the director, supervisor, and the manager of 2017 performance targets, and the actual payment of remuneration and the issuance of the 2018 year-end bonuses to the managers through the 3rd Session of the 5th Remuneration Committee. (4) The case is about the Company being allowed to transfer the condominiums under construction to the investment property. (5) The case is about being permitted to amend the "11th Buy Back Share Transfer Employees". (6) The case is about the Company being allowed to replace the acting spokesperson.
The 12th Session of the 16th Board of Directors on December 26, 2018	(1) The Company implemented the treasury shares to buy back status. (2) The Company permitted the Hikari Investment GK of, our Japanese sub-subsidiary company, to sell the investment property rights to KYUSHU RAILWAY COMPANY. for ¥9.5 billion. (3) Permitted to "buy back treasury stock operating procedures" and other management operations of internal control operations "Management of buy back treasury stock operating procedures". (4) The case is about permit to set the "Regulations on the Scope of Duties of Independent Directors".

Board Meeting’s Date	Important Resolutions
The 12th Session of the 17th Board of Directors on March 7, 2019	(1) 2018 Annual Performance Evaluation Report for the Board of Directors. (2) The Company is scheduled to hold the Shareholders Meeting in 2019 regular session at 9:00 am. on June 5, 2019. (3) The Company passed the 2018 Annual Business Report and Consolidated Financial Report and Separate Financial Report. (4) The nomination period, the number of candidates, and the place of registration for the candidates for the 13th Board of Directors (including independent directors). (5) The Board of Directors approved the nomination of eight directors for the 13th Board of Directors (including three independent directors). (6) It is permitted to request the Shareholders' Meeting to lift the new director's non-competition restrictions. (7) After deliberation of the 3rd Session of the 6th Remuneration Committee appropriated employee remuneration of NT$503,034,142 and the director remuneration of NT$31,252,334. In addition to the cash payment from the Board of Supervisors, the employee's remuneration is intended to be issued in cash of NT$223,034,146 and new shares of NT$279,999,996, and the calculated date is the before day of new shares issued by the Board of Directors at the closing price of NT$68 per share, a total of 4,117,647 new shares were issued. (8) Earnings Distribution Plan of 2018: The Financial Statements of the Company in 2018 audited by the CPA. The net profit after tax is NT$3,590,710,608 which appropriated a Legal Reserve and Special Reserve of NT$359,071,061 and NT$1,244,100,897 according to Company Law or related regulations and plus the adjusted undistributed earnings of NT$4,864,819,916. The total available for distribution is NT$ 6,852,358,566. It is proposed to distribute cash dividends of NT$6,852,358,566 which is allocated at NT$3.8 per share, and cash dividends are rounded up. Other revenue included scattered dollars. (9) Regularly assess the independence of the CPA. (10) Revise the “Articles of Incorporation”, “Rules of the Board of Directors”, “Rules of Procedures for Shareholders' Meetings”, “Methods for Election of Directors and Supervisors”, “Process for Acquisition or Disposition of Assets”, “Process for Dealing with Derivatives”, “Funds Loan Operating Procedures”, “Endorsement Assurance Practices”, “Integrity Codes”, “Integrity Operating Procedures and Conduct Guidelines”, “Ethical Code of Conduct”, “Corporate Governance Codes”, “Application for Suspension and Resumption of Trading Procedures “,”Internal Material Information Processing Operations and Prevention of Internal Transaction Management Procedures”, and “Regulations on the Affiliated Business Operations of Financial Enterprises”. (11) Set the “Standard Operating Procedures for Handling Directors' Requirements”. (12) Recognize the Company’s 2018 annual payment to the directors, the associate manager level and above, and the accounting director remuneration case. (13) Review and discuss the 2018 Internal Control System Statement.

(12) Directors or supervisors have expressed opposition or qualified opinions that have been noted in the record or declared in writing in connection with the important resolutions passed by the board of directors: None

(13) A summary of resignation or dismissal of the chairman, general manager, and heads of accounting, finance, internal audit, and R&D:

OCCUPATIONAL TITLE	NAME	DATE ASSUMED	DATE DISMISSED	REASON OF RESIGNATION OR DISMISSAL
Vice Chairman and Chief Executive Officer	Lin, Mao-Kuei	5/1/2003	9/13/2018	Death

(14) Certification of employees whose jobs are related to the company’s financial information:

The Company's Financial and Administrative Department has three qualification employees for obtaining CPA licenses from the US, five employees obtaining CPA accountants licenses from the Republic of China, and one employees obtaining the Chinese Certified Tax Agent (CTA) license.

The Company's internal auditors have two qualification employees for Certified Internal Auditor and one person has qualification for Certified Information Systems Auditor, etc.

4. Auditing fees for the CPAs:

(I) Auditing fees for the CPAs:

Auditing fees for the CPAs

Unit: NTD1,000

Name of CPA Firm (List and explain the reasons separately when replacing)	Name of CPA	Auditing Fee	Non-auditing Fee (note)					Examination Period of the CPA	Remarks Field (specify the content of the service)
			System Design	Industrial and Commercial Registration	Human Resources	Others	Subtotal		
PwC Taiwan	Weng, Shih-Jung Chen, Chin-Chang	6,950	0	90	0	7,322	7,412	1.1.2018 - 12.31.2018	Non-audit Fee Refer to Note

Note: Non-audit public fees include business registration of NT$90,000, transfer pricing report and special audit of NT$1,500,000, country report of NT$1,100,000, research and development investment deduction counseling of NT$4,122,000, treasury stock price reasonable opinion report of NT$50,000, and information and safety management system verified at NT$550,000, with a total amount of NT$7,412,000.

(II) Auditing fees for the CPAs:

1. The non-audit fee paid to the certified CPA, certified Office of the CPA, and affiliated companies accounts for over 1/4 of the audit fee:

   The main difference items in 2019 and 2018 are: The transfer price report and the special audit is reduced by NT$850,000, the R&D investment deduction counseling is increased by NT$3,622,000, the treasury stock price reasonable opinion is increased by NT$50,000, and the information security management system verified is reduced. The business tax of NT$150,000 and concurrent business operators was reduced by NT$100,000 for the direct deduction of the law, and the total non-audit public fee increased by NT$2,572,000.
2. Altering of the CPA firm and the audit fee in the altering year is less than that in the previous year: None.
3. The audit fee is reduced by over 15% compared with the previous year: None.

5. Replacement of the CPA: (Alteration of the CPA of the financial report in the recent two years and up to the date of publication)

(I) About the Preceding CPA

	2017			2018			From January 1, 2019 to the Date of Publication		
Date of the Change	3/10/2017			3/9/2018			Nil		
Explain the Reason for the Change	Internal adjustment of the PwC Taiwan CPA firm. Since the first quarter of 2017, the Company has replaced Chun Yao Lin CPA and Hui Hsien Wang CPA with Chun Yao ,Lin CPA and Shih Jung, Weng CPA.			Internal adjustment of the PwC Taiwan CPA firm. Since the first quarter of 2018, the company has replaced Chun Yao Lin CPA and Shih Jung Weng CPA with Shih Jung Weng CPA and Chin Chang Chen CPA.			Nil		
Explain That the Appointor or CPA Terminates or Does not Accept the Appointment	Contracting Parties / Condition	CPA	Appointor	Contracting Parties / Condition	CPA	Appointor	Contracting Parties / Condition	CPA	Appointor
	Proactive Termination of Appointment	Not Applicable	Not Applicable	Proactive Termination of Appointment	Not Applicable	Not Applicable	Proactive Termination of Appointment	Not Applicable	Not Applicable
	Accept no Longer (Continued) Appointment	Not Applicable	Not Applicable	Accept no Longer (Continued) Appointment	Not Applicable	Not Applicable	Accept no Longer (Continued) Appointment	Not Applicable	Not Applicable
Suggestions and reasons for issuing audit reports other than unqualified opinions in the recent two years.	Nil			Nil			Nil		
Have Different Opinions With Issuers	Yes		Accounting Principles or Practices	Yes		Accounting Principles or Practices	Yes		Accounting Principles or Practices
			Financial Report Disclosure			Financial Report Disclosure			Financial Report Disclosure
			Audit Scope or Steps			Audit Scope or Steps			Audit Scope or Steps
			Other			Other			Other
	Nil	V		Nil	V		Nil	V	
	Explanation: Not Applicable			Explanation: Not Applicable			Explanation: Not Applicable		
Other Disclosures (Articles 10, 6, (1, 4), to (1,7) shall be disclosed)	Nil			Nil			Nil		

(II) About the Succeeding CPA

	2017	2018	From January 1, 2019 to the Date of Publication
Name of CPA Office	PwC Taiwan	PwC Taiwan	Not Applicable
Name of CPA	Hui Hsien Wang, Shih Jung Weng	Shih Jung Weng, Chin Chang Chen	Not Applicable
Appointed Date	3/10/2017	3/9/2018	Not Applicable
Prior to appointment, accounting treatments or accounting principles for specific transactions, and possible advisory issues and results for financial reports.	Nil	Nil	Not Applicable
The written opinion of the different opinions between the succeeding CPA and the preceding CPA.	Nil	Nil	Not Applicable

(III) Reply of the preceding CPA to the provisions of Article 10, Paragraph 6, Item 1 and Items 2 .3: None

6. The Company’s Chairman, general manager, or any managerial officer in charge of finance or accounting matters has in the most recent year held a position at the accounting firm of its CPA or at an affiliated enterprise: None

7. The transfer of equity shares or change in the pledge of shares under lien by the Directors,

Supervisors, Managers, and shareholders holding more than 10% of the shares:

(I) The difference of shareholding changes between directors, supervisors, managers, and major shareholders holding more than 10% of shares:

Occupational Title	Name	2018		From January 1 to April 7, 2019	
		Change in Quantity of Shareholding	Change in Pledge of Shares by Quantity	Change in Quantity of Shareholding	Change in Pledge of Shares by Quantity
Chairman	Hsu, Kun-Tai (Note 1)	406,048	-	-	-
Director and General Manager	Lu, Chin-Chung (Note 2)	226,431	-	75,659	-
Director	Wei, Chuan-Pin (Note 2)	(381,764)	-	(177,000)	-
Director	Tsai, Ming-Hsien	146	-	-	-
Director	Liu, Chia-Sheng	2,936	-	-	-
Independent Director	Lee, Yen-Sung	-	-	-	-
Independent Director	Lin, Ming-Ji	2017	-	-	-
Supervisor	Huang, Chin-Hsuan	3,295	-	-	-
Supervisor	Huang, Chen-Chih	-	-	-	-
Supervisor	Tong Ling Investment Co., Ltd. Legal Representative: Chang, Su-Tien	55,578	-	-	-
General Manager of Chicony America Corporation	Chang, Yao-Ching (Note 2)	267	-	(3,000)	-
Special Assistant	Chen, Shao-Lung (Note 2)	(190,908)	-	(79,901)	-
General Manager of the IPD Business Unit	Huang, Chien-Yu (Note 2)	121,926	-	41,311	-
General Manager of the CM Business Unit	Tung, Yen-Liang (Note 2)	33,700	-	30,656	-
General Manager of the AE Business Unit	Cheng, Wei-Hao (Note 2,3)	52,000	-	49,495	-
General Manager of the Business Unit of the Subsidiary Company	Chou, Yung-Chang (Note 2)	28,271	-	36,075	-
Acting General Manager of the MKB Business Unit	Tsai, Chin-Cheng (Note 2)	53,805	-	20,580	-
Acting General Manager of the MKB Business Unit	Hsu, Chieh-Hsiang (Notes 2, 4)	-	-	40,750	-
Acting General Manager of VIPs	Tsai, Mei-I (Note 2)	54,614	-	52,625	-
Special Assistant	Huang, Wei-Cheng (Note 2)	(68,598)	-	(38,000)	-
Special Assistant	Hsu, Jen-Fu (Note 2)	66,245		56,462	
Deputy General Manager of the CM Business Division	Li, Pei-Jan (Note 2)	38,756	-	32,783	-
Deputy General Manager of the MKB Development Division	Yang, Ming-Cheng (Note 2)	37,425	-	29,625	-
Deputy General Manager of the New Product Development Center	Huang, Kuang-Yu (Note 2)	(110,446)	-	41,466	-
Acting Chief Purchasing Officer	Chang, Chao-Hsien (Note 2)	23,086	-	25,123	-
Financial and Administrative Department	Lin, Yu-Ling(Note 2)	98,481	-	-	-
Acting Deputy General Manager of the Automation Engineering Center	Tseng, Chin-Cheng (Note 2)	31,750	-	28,053	-
Acting Deputy General Manager of the IPD Business Division	Tu, Ku-Chin(Note 2)	43,607	-	32,350	-

Occupational Title	Name	2018		From January 1 to April 7, 2019	
		Change in Quantity of Shareholding	Change in Pledge of Shares by Quantity	Change in Quantity of Shareholding	Change in Pledge of Shares by Quantity
Assistant General Manager of the Overseas Business Management Division	Chang, Ting-Shan (Note 2)	24,798	-	(1,173)	-
Assistant General Manager of the MKB Development Division	Chen, Tsung-Min (Note 2)	30,988	-	28,156	-
Assistant General Manager of MKB PM	Yang, Ching-Wu (Note 2)	7,002	-	9,998	-
Chief Information Officer	Chang, Yu-Yun (Note 2)	35,448	-	32,615	-
Chief Human Resources Officer	Hsiao, Huan-Wen (Note 2)	37,982	-	13,592	-
Special Assistant	Chen, Chiu-Mei (Note 2)	55,177	-	53,208	-
Assistant General Manager of the Subsidiary Company	Juan, Yun-Chu (Note 2 and Note 5)	-	-	21,202	-
Chief of Internal Audit	Wang, Tzu-Jun (Note 2)	3,588	-	21,696	-

Note 1: Shareholders holding more than 10% of the shares issued by the Company.

Note 2: The number of shares held by individuals includes the number of retained discretion over use of trust shares.

Note 3: Mr. Wei Hao Cheng took office on March 1, 2018, so the difference in the above table is from March 1, 2018 to April 7, 2019.

Note 4: Mr. Chieh Hsiang Hsu took office on February 1, 2019, so the difference in the above table is from February 1, 2019 to April 7, 2019.

Note 5: Miss. Yun Chu Juan, took office on October 17, 2018, so the difference in the above table is from October 17, 2018 to April 7, 2019.

(II) The counterparties of equity transfer are related parties:

Name (Note 1)	Reason for Transfer of Shares (Note 2)	Transaction Date	Counterparties of Transactions	Relation between the counterparties of transactions and the Company, Directors, Supervisors, and shareholders holding more than 10% of the shares issued by the Company.	Quantity of Shares	Transaction Price
Wei, Chuan-Pin	Trust Gift	September 3, 2018	Wei, Ping-Chung	Father and Son	1,250	Not Applicable
Wei, Chuan-Pin	Trust Gift	September 3, 2018	Wei, Ping-Wen	Father and Daughter	1,250	Not Applicable
Huang, Chien-Yu	Trust Gift	September 12, 2018	Huang, Yen-Hsiang	Father and Son	2,500	Not Applicable
Chen, Shao-Lung	Gift	February 11, 2019	Chen, Yun-Tieh	Father and Daughter	46,000	Not Applicable
Chen, Shao-Lung	Gift	February 11, 2019	Yeh, Hui-Yuan	Couple	46,000	Not Applicable
Ting Shan Chuang	Gift	March 20, 2019	Chuang, Yuan-Kai	Father and Son	22,000	Not Applicable

Note: Fill in the names of the Directors, Supervisors, Managers, and shareholders of the Company holding more than 10% of the shares issued by the Company.

(III) The counterparties of share pledges are related parties: None

The counterparties of share pledges are not related parties, so it is not needed to list the related information.

8. Information on relationships among the top ten shareholders:

4/7/2019 Units: share; %

Name	In Person Quantity of Shareholding (note 1)		Shares Held by Spouse and/or Children who are Minors		Total Shareholding of Shares in the Name of a Third Party		The titles or names and relations of the top 10 Shareholders who are related parties or spouses, or kindred within the 2nd tier under the Civil Code to one another:		Remarks
	Quantity of Shares	Proportion of Shareholding % (Note 2)	Quantity of Shares	Proportion of Shareholding % (Note 2)	Quantity of Shares	Proportion of Shareholding % (Note 2)	Title or name	Relation	
Hsu, Kun-Tai	81,615,782	11.11	4,021,401	0.55	-	-	Yokang Electronics Co., Ltd.	Director of the Legal Representative of the Company	※
							Hung Hui Co., Ltd.	Chairman of the Company	
							Hipro Electronics CO., LTD.	Chairman (Legal Representative) of the Company	
							Tong Ling Investment Co., Ltd.	Chairman of the Company	
							Ching Yuan Investment Co., Ltd.	Chairman of the Company	
Citibank (Taiwan) Commercial Bank Hosting Government of Singapore Investment Account	23,286,267	3.17	-	-	-	-	-	-	
Yokang Electronics Co., Ltd.	21,174,298	2.88	-	-	-	-		The Company invests 100% of the investment company.	
							Hsu, Kun-Tai	Director of the Legal Representative of the Company	
Principal: Lu, Chin-Chung							Hipro Electronics CO., LTD.	Director of the Legal Representative of the Company	
Co., Ltd.	17,591,340	2.40	-	-	-	-	Hsu, Kun-Tai	Chairman of the Company	
							Hipro Electronics CO., LTD.	The Chairman is the same person	
							Dong Ling Investment Co., Ltd.	The Chairman is the same person	
							Ching Yuan Investment Co., Ltd.	The Chairman is the same person	
Principal: Kun Tai Hsu							As above	As above	※
Hipro Electronics CO., LTD.	16,188,935	2.20	-	-	-	-		The Company invests 100% of the investment company	
							Hsu, Kun-Tai	Chairman (Legal Representative) of the Company	
							Hung Hui Co., Ltd.	The Chairman is the same person	
							Dong Ling Investment Co., Ltd.	The Chairman is the same person	
							Ching Yuan Investment Co., Ltd.	The Chairman is the same person	

Principal: Hsu, Kun Tai							As above	As above	※
Tong Ling Investment Co., Ltd.	11,171,329	1.52	-	-	-	-	Hsu, Kun-Tai Hung Hui Co., Ltd. Hipro Electronics CO., LTD. Ching Yuan Investment Co., Ltd.	Chairman of the Company The Chairman is the same person The Chairman is the same person The Chairman is the same person	
Principal: Hsu, Kun Tai							As above	As above	※
Standard Chartered Bank Hosting Sanskrit ISHARES Emerging Minimum Fluctuation Index Fund Account	10,939,455	1.49	-	-	-	-	-	-	
Ching Yuan Investment Co., Ltd.	10,908,945	1.49	-	-	-	-	Hsu, Kun-Tai Hung Hui Co., Ltd. Hipro Electronics CO., LTD. Dong Ling Investment Co., Ltd.	Chairman of the Company The Chairman is the same person The Chairman is the same person The Chairman is the same person	
Principal: Hsu, Kun Tai							As above	As above	※
Citibank (Taiwan) Commercial Bank Hosting Norwegian Central Bank Investment Account	10,081,754	1.37	-	-	-	-	-	-	
Lin, Mao-Kuei	9,712,693	1.32	828,037	0.11	-	-	-	-	

Note 1: The shares held in this table do not include the person or the spouse retained discretion over use of trust shares.

Note 2: The shareholding ratio is Shareholding shares/Outstanding shares -734,497,521 shares.

9. Investment by directors, supervisors, manager, groups of direct or indirect control in the investment business, and to calculate the combined shareholding percentage:

3/31/2019 Units: share; %

Shift in Investment	Investment by the Company		Investment by the Directors, Supervisors, Managers, or investee Company with direct or indirect control.(Note 2)		Combined Investment	
	Quantity of Shares	Proportion of Shareholding %	Quantity of Shares	Proportion of Shareholding %	Quantity of Shares	Proportion of Shareholding %
Chicony Overseas Inc.	1,000	100	-	-	1,000	100
Chicony Global Inc.	1,000,000	100	-	-	1,000,000	100
Chicony Electronics (Thailand) Co., Ltd.	322,427	15.27	1,789,148	84.73	2,111,575	100
Chicony Power America Co. Ltd. (Note 3)	186,068,594	48.12	13,094,537	3.38	199,163,131	51.5
Hipro Overseas (BVI) Inc.	12,560,000	100	-	-	12,560,000	100
Hipro Electronics CO., LTD.	4,660,000	100	-	-	4,660,000	100
Yokang Electronics Co., Ltd.	90,000,000	100	-	-	90,000,000	100
XAVi Technologies Corporation (Note 4)	44,661,798	44.95	10,131,433	10.2	54,793,231	55.15

Note 1: The Company adopts the equity method of investment.

Note 2: The above includes the retained discretion over use of trust shares.

Note 3: The book closure date of Chicony Power Co., Ltd, was April 8, 2019.

Note 4: The book closure date of XAVi Technologies Corporation was April 6, 2019.

IV. Status of financing

1. Capital and Shares

   (1) Sources of Equity Capital

Unit: Share/NTD$

YYYYMM	Offering Price	Authorized Capital		Paid-in Capital		Remarks					
						Sources of Equity Capital				The use of assets other than cash for equity investment	Other
		Quantity of Shares	Amount	Quantity of Shares	Amount	Raising New capital	Capital Increase by Earnings or Remuneration of Employees	Capitalization of Additional Paid-in Capital Into New Shares	Total		
1.2010	10	700,000,000	7,000,000,000	591,266,950	5,912,669,500	-	(10,882)	-	(10,882)	Nil	Note 1
June 2010	10	700,000,000	7,000,000,000	625,614,398	6,256,143,980	-	34,347,448	-	34,347,448	Nil	Note 2
April 2011	10	700,000,000	7,000,000,000	615,614,398	6,156,143,980	-	(10,000,000)	-	(10,000,000)	Nil	Note 3
June 2011	10	700,000,000	7,000,000,000	644,443,590	6,444,435,900	-	28,829,192	-	28,829,192	Nil	Note 4
June 2012	10	700,000,000	7,000,000,000	675,778,209	6,757,782,090	-	31,334,619	-	31,334,619	Nil	Note 5
June 2013	10	700,000,000	7,000,000,000	686,721,614	6,867,216,140	-	10,943,405	-	10,943,405	Nil	Note 6
June 2014	10	700,000,000	7,000,000,000	694,865,413	6,948,654,130	-	8,143,799	-	8,143,799	Nil	Note 7
July 2015	10	800,000,000	8,000,000,000	703,810,114	7,038,101,140	-	8,944,701	-	8,944,701	Nil	Note 8
August 2016	10	800,000,000	8,000,000,000	712,082,016	7,120,820,160	-	8,271,902	-	8,271,902	Nil	Note 9
April 2017	10	800,000,000	8,000,000,000	717,033,872	7,170,338,720	-	4,951,856	-	4,951,856	Nil	Note 10
August 2017	10	800,000,000	8,000,000,000	720,605,112	7,206,051,120	-	3,571,240	-	3,571,240	Nil	Note 11
April 2018	10	800,000,000	8,000,000,000	726,760,003	7,267,600,030	-	6,154,891	-	6,154,891	Nil	Note 12
August 2018	10	800,000,000	8,000,000,000	730,379,874	7,303,798,740	-	3,619,871	-	3,619,871	Nil	Note 13
April 2019	10	800,000,000	8,000,000,000	734,497,521	7,344,975,210		4,117,647	-	4,117,647	Nil	Note 14

Note 1: Treasury stock retired 10,882 shares: The Ministry of Economic Affairs approved Letter Jing-Shou-Shang-Zi No. 09901019670 on January 27, 2010.

Note 2: The Financial Supervisory Commission (FSC) approved JGZFZ No. 0990031695 on June 21, 2010.

Note 3: Treasury stock retired 10,000,000 shares: The Ministry of Economic Affairs approved Letter Jing-Shou-Shang-Zi No. 10001071940 on April 18, 2011.

Note 4: The Financial Supervisory Commission (FSC) approved JGZFZ No. 1000028302 on June 21, 2011.

Note 5: The Financial Supervisory Commission (FSC) approved JGZFZ No. 1010027651 on June 22, 2012.

Note 6: The Financial Supervisory Commission (FSC) approved JGZFZ No. 1020024198 on June 21, 2013.

Note 7: The Financial Supervisory Commission (FSC) approved JGZFZ No. 1030023361 on June 19, 2014.

Note 8: The Financial Supervisory Commission (FSC) approved JGZFZ No. 1040027783 on July 22, 2015.

Note 9: The Ministry of Economic Affairs approved Letter Jing-Shou-Shang-Zi No. 10501189550 on August 11, 2016.

Note 10: The Ministry of Economic Affairs approved Letter Jing-Shou-Shang-Zi No. 10601052890 on April 28, 2017.

Note 11: The Ministry of Economic Affairs approved Letter Jing-Shou-Shang-Zi No. 10601109560 on August 4, 2017.

Note 12: The Ministry of Economic Affairs approved Letter Jing-Shou-Shang-Zi No. 10701041640 on April 25, 2018.

Note 13: The Ministry of Economic Affairs approved Letter Jing-Shou-Shang-Zi No. 10701097250 on August 8, 2018.

Note 14: The Ministry of Economic Affairs Letter Jing-Shou-Shang-Zi No. 10801045710 on April 24, 2019.

4/7/2019 Units: share

Type of Shares	Authorized Capital Stock			Remarks
	Outstanding Shares (note)	Unissued Shares	Total	
Common Shares	734,497,521	65,502,479	800,000,000	Shares are Listed on the TWSE

Note: The Outstanding Shares include the 6,377,000 shares of treasury shares the Company has bought back that have not yet been transferred.

Information on Shelf Registration System: None.

(2) Structure of shareholders

4/7/2019

Shareholder Structure / Quantity	Government Agencies	Financial Institutions	Other Institutional Shareholders	Foreign Institutional Shareholders and Individuals	Individuals	Treasury Stock	Total
Number of Persons	1	23	121	655	20,782	1	21,583
Shareholding number	115	34,419,964	126,548,467	352,033,475	215.118,500	6.377,000	734,497,521
Proportion of Shareholding (note 1)	0.00%	4.69%	17.23%	47.92%	29.29%	0.87%	100.00%

Note 1: The shareholding ratio is Shareholding shares/Outstanding shares - 734,497,521 shares.

Note 2: Companies listed on the TWSE (TPEx) and emerging stock market for the first time should disclose the proportion of capital from Mainland China in shareholding: Capital from Mainland China refers to companies invested in by the people, institutions, organizations, other institutions, or in a third region as stated in Article 3 of the Measures Governing Investment Permit to the People of the Mainland Area: The Company Not Applicable.

(3) Dispersion of equity shares

4/7/2019

Shareholding Along the Scale of Share Quantity	Number of Shareholders	Shareholding number	Proportion of Shareholding (%)
1 to 999	9,214	1,314,303	0.18
1,000 to 5,000	8,419	16,273,558	2.22
5,001 to 10,000	1,639	10,988,571	1.50
10,001 to 15,000	662	7,655,994	1.04
15,001 to 20,000	310	5,346,508	0.73
20,001 to 30,000	330	7,870,363	1.07
30,001 to 40,000	171	5,853,870	0.80
40,001 to 50,000	99	4,401,844	0.60
50,001 to 100,000	256	17,295,737	2.35
100,001 to 200,000	159	22,565,385	3.07
200,001 to 400,000	115	31,495,285	4.29
400,001 to 600,000	52	26,061,749	3.55
600,001 to 800,000	20	13,513,839	1.84
800,001 to 1,000,000	22	19,658,577	2.68
More than NT$ 1,000,001	115	544,201,938	74.08
Total	21,583	734,497,521	100.00

Note: The shareholding ratio is equal to the number of holding shares/the total number of issued shares - 734,497,521 shares.

(4) List of Major Shareholders: Holding more than 5% of the total shares or shareholders among the top 10 by shareholding ratio.

4/7/2019

Shares / Names of Dominant Shareholders	Shareholding number (note 2)	Proportion of Shareholding (%) (Note 1)
Hsu, Kun-Tai	81,615,782	11.11
Citibank (Taiwan) Commercial Bank Hosting Government of Singapore Investment Account	23,286,267	3.17
Yokang Electronics Co., Ltd.	21,174,298	2.88
Hung Hui Co., Ltd.	17,591,340	2.40
Hipro Electronics CO., LTD.	16,188,935	2.20
Dong Ling Investment Co., Ltd.	11,171,329	1.52
Standard Chartered Bank Hosting Sanskrit ISHARES Emerging Minimum fluctuation Index Fund Account	10,939,455	1.49
Ching Yuan Investment Co., Ltd.	10,908,945	1.49
Citibank (Taiwan) Commercial Bank Hosting Norwegian Central Bank Investment Account	10,081,754	1.37
Lin, Mao-Kuei	9,712,693	1.32

Note 1: The shareholding ratio is equal to the number of holding shares/the total number of issued shares - 734,497,521 shares.

Note 2: The table includes of retained discretion over use of trust shares.

(5) Market price, net value, earnings, and dividends per share and related information:

Item			2017	2018	1.1.2019 to 3.31.2019
Market Price per Share	High		83.10	77.50	71.90
	Low		71.00	52.80	62.40
	Average		76.28	68.02	68.10
Net Value per Share	Cum-dividend		34.96	35.07	38.18
	Ex-dividend		30.36	Note 5	Note 5
Earnings per Share	Weighted Average of Outstanding Shares (thousand shares)		679,719	688,299	687,783
	Earnings per Share	Before Adjustment	5.92	5.22	0.86
		After Adjustment	5.89	Note 5	Note 5
Dividend per Share	Cash Dividend		4.45	Note 5	Note 5
	Stock Dividend	Stock Dividend from Capitalization of Retained Earnings	0.05	Note 5	Note 5
		Stock Dividend from Capitalization of Additional Paid-in Capital	N/A	Note 5	Note 5
	Accumulated Undistributed Dividend (Note 1)		0	Note 5	Note 5
Analysis of ROI	P/E Ratio (Note 2)		12.89	13.04	N/A
	P/P Ratio (Note 3)		17.14	Note 5	Note 5
	Cash Dividend Yield (Note 4)		5.83%	Note 5	Note 5

* If stock dividends were paid by news shares from capitalization of retained earnings or

additional paid-in capital, disclose the market price per share after adjustment in retrospect with the release of the new shares and information on cash dividend.

Note 1: If the issuance of equity securities allowed for the accumulation of undistributed dividends of the year to the year with earnings as a condition for offering, disclose the undistributed dividends accumulated to current period.

Note 2: P/E Ratio = The average closing price per share of the year/earnings per share (before adjustment).

Note 3: P/P Ratio = The average closing price per share of the year/cash dividend per share.

Note 4: Cash Dividend Yield = Cash dividend per share/the average closing price per share of the year.

Note 5: The motion of distribution of income in 2018 will be finalized after the Shareholders Meeting in 2019 finishes its resolution; In the first quarter of 2019, there was no resolution in the Shareholders Meeting.

(6) Dividend Policy and Distribution of Stock Dividends at This Shareholders' Meeting:

1. Dividend Policy:

To match the long-term financial planning of the Company and the target of sustainable management, Article 19 of the Articles of Incorporation specifies the future dividend policy as follows:

"The Company is currently at the development period of the electronic industry, so the dividend policy shall meet the goals of meeting the fund demand for new products and increasing the return on investment of shareholders. Therefore, the total dividend distributed shall not be higher than 90% of total earnings that is distributable as shareholders' dividends, and the cash dividend shall not be less than 10 % of total amount of distributed dividends.

Where the par value of distributable dividends is less than $0.5 per share, it shall be exempted from the preceding paragraph."

2.The regular session of the Shareholders Meeting in 2019 decided the distribution of income in 2018:

To distribute the cash dividends of NT$3.8 per share: The retained earnings-unappropriated appropriates NT$ 2,766,857,979 as cash dividends.

3.Note to anticipated significant change in the dividend policy: Not Applicable.

(7) The effect of the proposal for paying stock dividends in the current session of the Shareholders Meeting on the operation performance, and earnings per share of the Company:

This Shareholders Meeting did not make capital increase by earnings to issue new shares, so it is not applicable.

(8) Remuneration to the employees, Directors, and Supervisors:

1. The distribution was made in accordance with Article 18 of the Company's Article of Incorporation "The Company shall distribute no less than 11% of current pre-tax earnings before deducting the employee compensation and Directors and Supervisors' remuneration as the employee compensation and no more than 1% of such earnings as the remuneration for Directors and Supervisors. When the Company has accumulated losses (including adjusted retained earnings), the profits shall be used to offset accumulated losses first, and then the balance of which may be allocated to employees and Directors and supervisors in accordance with the aforesaid percentage. The employee compensation described in the preceding paragraph may be distributed in stocks or cash, and the receiver may include employees of subsidiaries provided in the Company Act. The remuneration for Directors and Supervisors shall only be distributed in cash."

2. The Company earned NT$4,275,253,334 in 2018. After deliberation of the 3rd Session of the 6th Remuneration Committee and the 12rd Session of the 17th Board of Directors on March 7, 2019, employee remuneration of NT$503,034,142 (11.77%) and director remuneration NT$31,252,334 (0.73%) was paid. In addition to the cash payment from the Board of Supervisors, the employee's remuneration is intended to be issued in cash of NT$223,034,146 and new shares of NT$279,999,996, and the calculated date is the before the day of new shares being issued by the Board of Directors at the closing price of NT$68 per share, a total of 4,117,647 new shares were issued.

   The Board of Directors plans to pay NT$534,286,476 to employees, directors, and supervisors as remuneration, which is the same as the estimated amount of the Financial Report in 2018; After considering the payment for employees, directors, and supervisors as remuneration, the calculated earnings per share will be NT$ 5.15.

   The Remuneration Committee of the Company regularly reviews the performance targets of the directors, supervisors, and managers based on Article 7 of the “Registration Rules of the Remuneration Committee” and sets the content and amount of its individual remuneration. Operating revenue growth of 1.5%, and operating income after tax growth of 13.89% of the Financial Statement audited by the CPA. After comparing the annual operating income and profitability performance and the actual payment to the directors, supervisors, industry performance, and salary levels, the results are not abnormal.

3. In 2018, the Company actually paid remuneration of the directors, supervisors, and employees of annual earnings distribution in 2017 as follows:

   (1) The actual remuneration of the directors and supervisors was NT$37,714,472, and the remuneration of employees was NT$607,048,008, which was the same as the distribution passed by the Board of Directors originally. Among the remuneration of the employees' portion, shares of the stock amount were NT$452,999,978, and 6,154,891 new shares were issued. The cash amount was NT$154,048,030, which was distributed to employees and employees of the Company who hold more than 50% of the Company's shares.

   (2) The Shareholders Meeting decided to pay NT$644,762,480 as remuneration of the employees, directors, and supervisors, which is the same as the estimated amount in the Financial Report in 2017.

(9) The repurchase of Company shares by the Company:

Date approved by the Board of Directors meeting	11/7/2016	September 13, 2018
Purpose of repurchase	Transfer shares to employees	Transfer shares to employees
Type of shares repurchased	Common Shares	Common Shares
Estimated repurchase amount	10,000,000 shares	10,000,000 share
Actual repurchase period	11/11/2016-12/30/2016	9/25/2018-11/13/2018
Type and amount of shares actually repurchased	2,786,000 shares of common stock	3,591,000 shares of common stock
Actual share repurchase amount	NTD$205,887,312	NTD$211,419,429
Average repurchase price per share	NTD$73.90	NTD$58.87
Number of repurchased shares that had been cancelled and transferred	0 share	0 share
Accumulated number of shares of the	2,786,000 shares	6,377,000 share

Company held		
Accumulated Number of Shares of the Company Held Accounting for the Percentage of Total Shares Issued (%) (Note)	0.39% (Note 1)	0.87% (Note 2)
Reasons of incomplete repurchase by the expiration of repurchase period	To maintain market mechanism and avoid affecting the stock price, the Company repurchased shares in batches based on the stock price variation and the trading volume	To maintain market mechanism and avoid affecting the stock price, the Company repurchased shares in batches based on the stock price variation and the trading volume

Note 1: It is calculated in accordance with the total number of 712,082,016 shares issued registered with the Ministry of Economic Affairs as of October 21, 2016.

Note 2: It is calculated in accordance with the total number of 730,379,874 shares issued registered with the Ministry of Economic Affairs as of August 8, 2018.

2. Information of Corporate Bonds: None
3. Information of Preferred Shares: None
4. Issuance of Overseas Depository Receipts: None
5. Issuance of ESO: None
6. Issuance of New Restricted Stocks: None
7. Merger and Acquisition, or Acceptance of Shares From Assignment of Other Issuers: None
8. The implementation of the fund utilization plan:
   (I) Up to March 31, 2019, the previous issue or private placement of securities that has not yet been completed or has already been completed in the most recent three years and the plan benefits have not yet appeared: None
   (II) Analysis of the Implementation of the Plans for the Previous Items and Comparison to the Original Expected Benefits: None

V. Operational Highlights

1. Business Overview

(1) Business Scope

1. Major Content of Business Activities:

(1) Design, development, manufacturing, and trading of input device products such as desktop keyboards, portable computer keyboards, mice, and computer cameras.

(2) Design, development, manufacturing, and trading of digital imaging products such as digital cameras, notebook computer built-in camera modules, mobile phone camera modules, and sports digital cameras.

(3) Sales for the proxy of domestic and foreign manufacturers of projectors, large image output machines, driving recorders, security control, and other technology product and consumer products.

(4) Switching power supply, research and development, manufacturing, and trading of various electronic components and equipment, lighting, and intelligent building system business.

(5) Smart Home and Netcom products.

2. Operational Proportion: 2018Unit: NTD 1,000

Product Items	Amount	Product Proportion %
Electronic Parts and Components	41,909,929	48.03
Consumer and Other Electronic Products	44,571,425	51.08
Others	779,052	0.89
Total	87,260,406	100.00

3. Current Products and Services

(1) PC Keyboard and Notebook Keyboard
(2) LOW PROFILE Keyboard
(3) MPP 1.51 Stylus/USI Stylus
(4) Tracker Multi-function Pedometer
(5) Backlit PC Keyboard and Notebook Keyboard
(6) Wired Tablet Case and Wireless Keyboard
(7) Bluetooth Wireless Keyboard, Mouse
(8) Mechanical Colorful Backlit Gaming Console Keyboard and Gaming Mouse
(9) IoT and Smart Home Controller
(10) Colorful Keyboard
(11) 2.4G Touch Mouse, 2.4G Optical Mouse, and Laser Mouse
(12) 2.4G Personal Keyboard Combined with Multi-finger Manipulation Touch Pad
(13) Wireless Portable Bluetooth iPad, Tablet PC Keyboard, Wireless Portable Bluetooth Phone Keyboard
(14) 2.4G RF, Bluetooth Dual Mode Wireless Keyboard and Mouse
(15) IC Smart Card, Fingerprint Identification Wired and Wireless Keyboard Mouse
(16) Wired and Wireless Dual-mode Colorful Backlight Game Console Keyboard and Game Mouse
(17) Multifunctional and Colorful Game Mouse Pad
(18) Active Digital Pen and Bluetooth Module
(19) USB Type-C Expansion Slot and Docking Station

(20) Bluetooth Wireless Keyboard and Mouse
(21) IA and Backlit Gaming Keyboard
(22) Wired Optical Mouse and Laser Mouse
(23) 2.4G RF, Bluetooth, USB Three-mode Wireless Keyboard and Mouse
(24) Biometric Fingerprint Recognition Keyboard/Mouse
(25) Qi Wireless Charging Mouse Pad
(26) IOT Colorful Display for Car
(27) NFC TAG Bluetooth Matching Module
(28) Electromagnetic Pad
(29) Analog Gaming Keyboard
(30) Smart Home Remote Control
(31) Antibacterial Medical Notebook Keyboard
(32) Low Cost, Low Energy Notebook Keyboard
(33) Multi-function Notebook Keyboard Combined with Network and Communication
(34) Digital Camera, Computer Camera
(35) WiFi Sports Digital Camera
(36) WiFi IP CAM Network Wireless Camera
(37) WiFi Lamp Security Camera
(38) WiFi Doorbell Camera
(39) WiFi Pet Feeding Machine
(40) Wireless Driving Recorder
(41) 360 Degree Panoramic Camera
(42) Drone Camera Wireless Camera
(43) Mobile Phone Camera Module, Notebook Computer Built-in Camera Module, Tablet PC Built-in Camera Module, LCD Monitor Camera Module, Video Phone Camera Module
(44) Autofocus Camera Module
(45) Optical Anti-shake Mobile Phone Camera Module
(46) UAV Dedicated Image Module
(47) Game Console Dedicated Image Module
(48) After-sales Service of the Above Products
(49) Power Supply and LED Light Products:

A. Desktop PC Power Supply: To meet the international energy-saving requirements for multi- and single-output power supply and provide PC and workstation power, and provide miniaturization for All in One systems.
B. E-sports Personal Computer Power: Built-in, 400W - 850W.
C. Game Console Power Supply: To provide the internal/external power supply for new generation game consoles, and support the power supply for game console accessories in three dimensions.
D. Notebook Computer Power Supply: The type includes 30W to 200W products and to provide power for different sizes of notebooks (10 inches to 15 inches standard notebooks), and 150W to 500W power to provide for e-sports.
E. Set-top Box Power Supply: To provide network-on-box power to the network or program provider.
F. Cloud Server Power System: 500W-2000W power system.

(A) Communication Power: To provide small power supply for routers, networks, and HUBs, and hundreds of watts of corporate central network power.
(B) Server Modular Design Power Supply: To provide ultra-high-power density modular design 500W/800W/1000W/1200W/1600W/2000W CRPS standard power supply module, and support from low-level to high-level AI server and ultra-large cloud data center (N+1/N+N) redundant power system.
(C) Storage Device Power: High-reliability (N+1/N+N) redundant power supply can determine any situation of power failure or power supply damage and it still can operate in any situation.

G. Laser Printer Power Supply: It can provide the 110W and 400W power modules and 72W (combo) for laser printers and laser engine drivers.
H. Inkjet Printer Power Supply: It can provide built-in power supply from 10W to 60W.
I. Internet of Things (IOT): Power supply with accessory host.
J. Battery Charging Device: To provide power supply and charging for machine tools, drones, and mobile devices.
K. Power Supply for Smart Home Devices: The adapter and open frame provide two types from 5W to 60W and use the related applications that include smart speakers, smart doorbells, smart temperature controllers and smoke detectors, smart monitoring systems and security systems, smart switches and sockets, and smart makeup mirrors.
L. LED Vehicle Lighting and Modules: To provide and cooperate with the original car factory to design and develop various types of interior and exterior lighting, and also provide design and production of various LED lighting modules.
M. Smart Building System: To provide an intelligent building integration management platform, intelligent computing logic controller, wireless control module, wireless channel, environment sensor, and mobile device APP.
N. Environmental Control Integrated System: To provide system control host, wireless control module, environment sensor, wireless finder, and mobile device App.
O. Image Recognition System: To provide image recognition software such as facial recognition, personnel tracking, regional alert, and license plate recognition.
P. To provide intelligent building system engineering consulting, planning, design, system integration, procurement, construction, and maintenance operations.

4. New Products to be Developed
(1) MPP 2.0 Stylus
(2) New Pad that Supports Multi-pen Function
(3) Portable Electronic Cigarette
(4) Convertible Icon Type Notebook Keyboard
(5) Bluetooth Folding Ultra-thin Keyboard
(6) Fingerprint Identification Keyboard and Mouse
(7) Multi-function and Multi-purpose Keyboard
(8) Portable Wireless Bluetooth Computer Keyboard with Internet-ready E-book

(9) Multifunctional PC Keyboard Combined with Network and Communication
(10) Keyboard Set and Tablet Leather Case
(11) Ultra-thin Bluetooth Portable Mouse
(12) Tablet Docking Station
(13) Smart Internet TV Remote Control (with voice input and output)
(14) Tablet and Smart Phone Universal Digital Pen
(15) IoT and Smart Home Controller
(16) Portable Gaming Keyboard
(17) Suitable for living rooms with wireless gaming keyboard, mouse, and suitable for use on the sofa with a game table.
(18) Gaming keyboard, mouse, and mouse pad with wireless charging function.
(19) Touch Computer Keyboard
(20) Smart Phone Special Leather Protective Cover and Keyboard Set
(21) Smart Wearable Bracelet and Watch
(22) Wearable Personal Health Management Bracelet and Wearable Personal Wisdom Watch
(23) Oil-free Plunger KB
(24) AR/VR/MR Somatosensory Remote Control
(25) Waterproof Mechanical Keyboard
(26) HID Device Serial Mesh and Beacon Network
(27) Plunger Analog Keyboard
(28) Bluetooth Direction Finding
(29) 15W QI Charger
(30) Gamepad for Smartphone
(31) Electrical Test Platform Integrated into Automated Production Equipment
(32) Internet of Vehicles Wireless AI Smart Driving Recorder
(33) IoT Sensor IP CAM Network Wireless Camera
(34) Live IP CAM with WiFi
(35) 4G LTE IP CAM and Driving Recorder
(36) LPWA Driving Recorder
(37) Doorbell Smart Camera
(38) Outdoor IP CAM with Wireless Battery Power
(39) Infrared Image Module with Face Recognition
(40) Car Image Module
(41) 3D Image Module
(42) Notebook Computer Narrow Frame Image Module
(43) Notebook Computer Fingerprint Identification Module
(44) Notebook Computer Facial Recognition Image Module (including low unit price) (including low unit price)
(45) Technical Support and Services for the Above Products
(46) Power Supply and LED Light Source Products:
   A. Desktop PC Power Supply: Continuously providing high-efficiency models of the Platinum brand and miniaturized and efficient All in One power supply.
   B. Game Console Power Supply: With the new generation of game console products, development of a miniaturized power supply with a high power of 200W and high switching frequency.

C. Notebook Computer Power Supply: To provide ultra-low standby power-saving power supply and 20mW standby power consumption, and ultra-thin or ultra-small multi-function power supply and to use the latest structure and parts and the new USB Type C with PD function adapted output adapter power supply with wattage over 100W.

D. LED Lamp Light Source Module: To combine with power drivers and provide constant current combined with LED modules and high wattage light source modules for outdoor lamps such as street lamps, and more actively introduce direct AC, push LED technology, and remote-control lighting modules.

E. High-power Laser Printer Power Supply: 200W/300W/400W low-voltage laser printer power supply.

F. Inkjet built-in power supply.

G. Using the 5G Telecom IT Infrastructure Power System: Using the power system with 500 - 1300W supports OTII (Open Telecom IT Infrastructure) high-temperature and high-humidity room environment.

H. High Level AI Server and Ultra-large Cloud Data Center Power System: The 3000 - 4400W high power density modular design power module and supports high level AI server and ultra-large cloud data center (N+1/N+N) with the redundant power system.

I. Power supply for IoT devices.

J. Various battery charging devices and high-level UAV charging stations and electric car chargers.

K. Module development of LED adaptive headlights and laser high beam auxiliary light module.

(2) Industry Overview

(1) The Outlook:

The main product revenues are keyboards, images (lens modules, DV products, IP CAM, driving recorders, etc.), and power supplies. Among the keyboards part, last year the PC market faced a big challenge that large enterprises replaced and upgraded Windows 10 of the operating system of the computers market, which offset the consumer market that was affected by the decline of smartphones. The company also continued to launch keyboards in the high unit price market, such as e-sports, 2 in 1, backlit keyboards, etc., and continued to increase the proportion of high-priced keyboard shipments, so that the keyboards could still maintain a certain profit; Among imaging products, because intellectual network life began being gradually popularized in our life, so we launched a number of smart home products such as smart doorbells, wireless network cameras, pet feeders, and smart speakers, and the demand growth was better than market expectations; Among the power supply, we continued to cut into non-PC applications. In addition to the continued growth of e-sports-related power products and the increase in power penetration of game consoles, we cooperated with the supply chain of smart speaker manufacturers. We expect that to have good performance is the future. The Company has the competitive advantages of integrating key technologies such as video, WIFI, power control, and software. In addition to continuously increasing market share in all relevant markets, we also have the added value of such products and product structure optimization. We expect that the profit will increase.

In the latest release of 2019 technology trends by the research institute, commercial deployment will enter the sprint phase in product R&D of 5G. Major global telecom vendors such as the United States, South Korea, Japan, and China will continue to perform 5G business transformation planning and the first 5G intellectual mobile phones and foldable screen phones will launch in the future. In 2019, the development of the smartphone industry will focus on optimizing existing functions, while the front lens will be oriented toward the reduction of the module and more than three lenses will drive the demand of increasing camera functions. This is big profit for mobile camera module products of imaging products of the Company. In 2019, IoT technology and infrastructure will become more and more mature, and low-power wide-area IoT will be used in commercial applications around the world, artificial intelligence will be integrated into the Internet of Things structure, and intelligent upgrades will be made in various vertical applications, enhancing the shipments of the Company in smart home related products. In order to use electricity more efficiently, it will be matched with other energy sources in the grid system in the future, which is also the key to improving penetration, and the smart grid, energy management, and energy storage systems will play an important role. In the future, the subsidiaries and Chicony Power Co., Ltd, will obtain more business opportunities and efforts to develop green energy products and smart building energy-saving solutions.

The Power Supply Unit (PSU) is responsible for converting from the unstable power of the external supply to the stable power supply which is required for electronic products by the stable voltage and converter technique. Direct Current (referred to as DC), is used by most of the electronic products. However, the power supply provided by the power company can only use high-voltage Alternating Current (AC) because of the physical limitation of power generation and power transmission. Therefore, electronic products must pass through the power supply device to convert the alternating current into direct current, and to adjust the voltage to within the scope of the operation of the product, so the product can operate smoothly. In addition, electronic components have become more sophisticated, but they are also vulnerable to unstable currents. Therefore, a stable power supply is not only the key to the normal operation of the product, but also affects the service life of the product. It is the heart of the electronic product.

The power supply is distinguished by the functions and basic structure. It can be mainly divided into the Linear Power Supply (LPS), the Switch Power Supply (SPS), and the Uninterruptible Power System (UPS), in which the switch power supply is the mainstream of current products, so the following power supply industry introduction mostly uses switch power supply as the main axis.

According to the characteristics of input/output, the power supply can be divided into AC/DC (Alternating Current to Direct Current), DC/DC (Direct Current to Direct Current), AC/AC (Alternating Current to Alternating Current), DC/AC (Direct Current to Alternating Current), etc. The power supply design is different depending on the requirements of the electronic product or instrument. AC/DC power supply is the most common type. The main purpose is to convert the mains into DC power that meets the operating voltage of the product. The products include SPS, adapters, etc., and are applied to PC, NB, electrical appliances, and network equipment, etc. DC/DC conversion power supply is mainly used for communication or extremely low voltage, or extremely high current. It converts the DC power that has been converted by the AC/DC power supply unit into various special voltages that are usually used when an extremely stable power supply is required or equipment that requires special operating voltage, such as computer chips, etc. AC/AC is mainly used in UPS (Uninterruptible Power System), DC/AC for solar power conversion, and so on. The detailed classification and use of the power supply can be found in the table below.

Main Classification of Power Supply

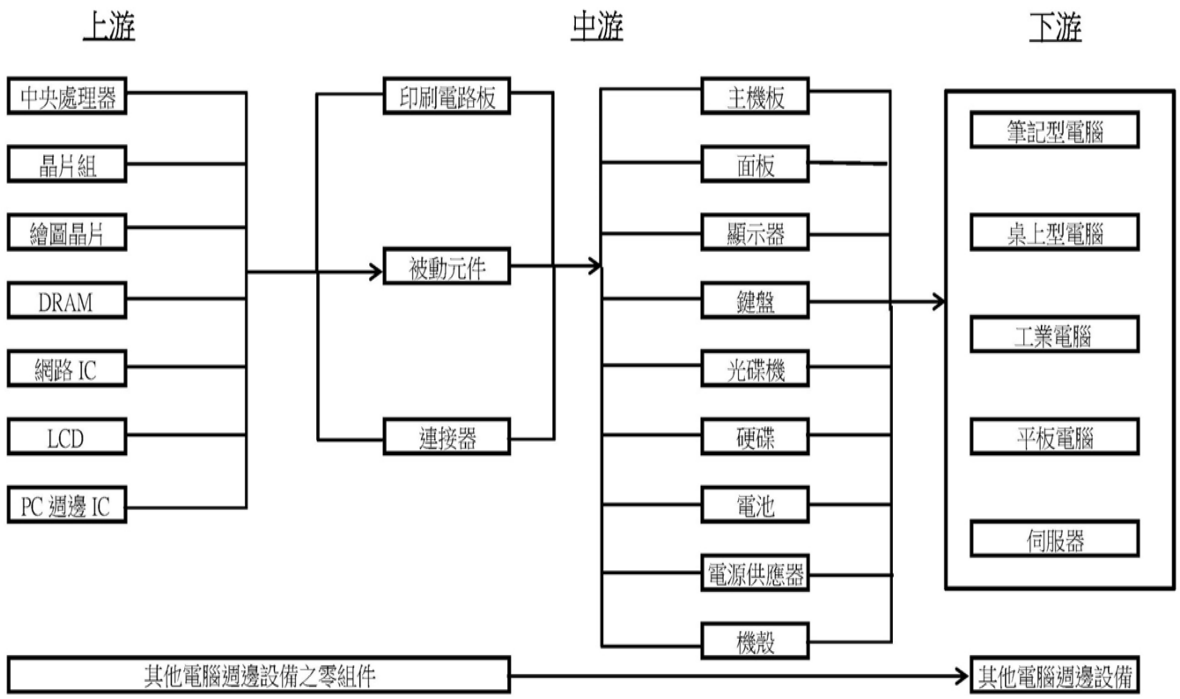
Input/ Output Type	Category	Major Products
AC/DC	PC Power Supply	The most common type of power supply and the main features are high efficiency, iron shell protection, and power between 50W - 2,000W.
AC/DC	Open Frame	Power supply built-in network communication products, industrial computers, industrial machinery, and displays have no iron shell protection and have a high degree of freedom in design. It can be customized based on space and power requirements.
AC/DC	Adapter	The common type of external power supply is covered by a plastic case, and is mostly used in notebook computers and various consumer electronic products.
DC/DC	Converter	DC power supply is used for buck-boost by AC/DC devices, and it is used in electronic products that require precise voltage.
AC/AC	UPS	UPS is an abbreviation for the uninterruptible power system. It is usually connected to AC for charging. When the power is off, AC power can be provided to electronic products such as computers.

In recent years, the concept of environmental awareness and energy conservation and carbon reduction has gradually become popular. How to improve the conversion efficiency of power supply and reduce standby power consumption in line with national energy conservation regulations and environmental protection laws and regulations will become the research and development focus of various manufacturers. Therefore, energy-saving products such as LCD TVs and LED lighting appliances are also becoming new markets for the industry; in order to develop revenue sources, manufacturers have taken advantage of power technology to gradually cut into other required high-power power converters, and other products,

The new UBS TYPE C's identifiable system power supply has been gradually applied to the power supply by the new generation of PCs and mobile phones, and the TYPE C's USB interface connector may also become part of the standardization of mobile phones.

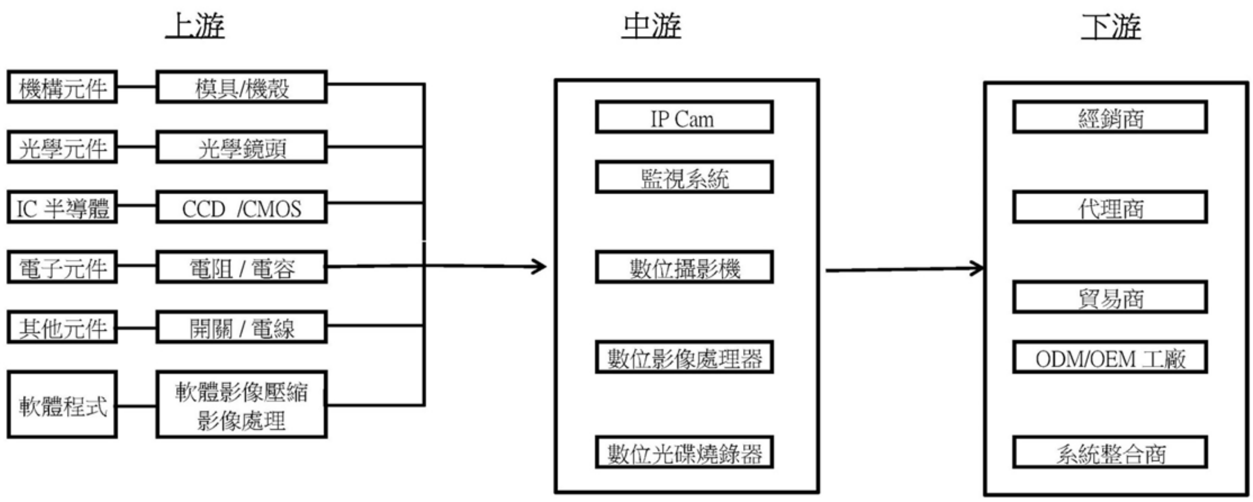
(2) Association Among the Upstream, Midstream, and Downstream Operations

1. Keyboard



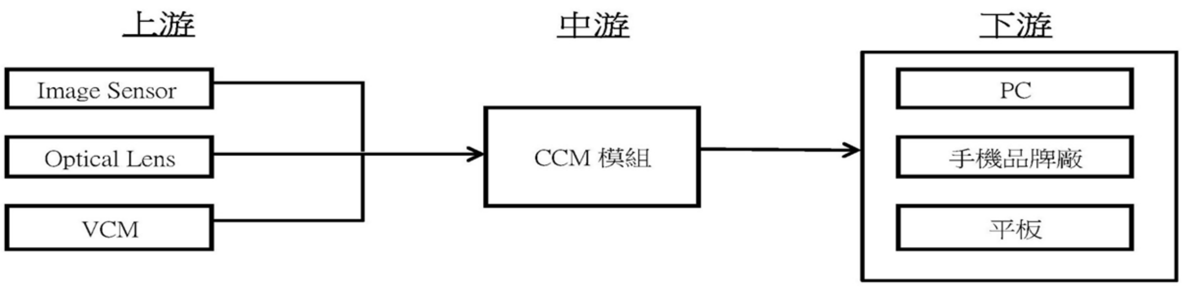
Upstream	Midstream	Downstream	CPU
Chipset	Graphics Chip	DRAM	Network IC
LCD	Peripheral IC of PC	Printed Circuit Board	Passive Components
Connector	Motherboard	Panel	Monitor
Keyboard	CD Player	Hard Disk	Battery
Power Supply Unit	Case	Notebook Computer	Desktop Computer
Industrial Computer	Tablet	Server	Components of Other Computer Peripherals
Other Computer Peripherals			

2. Digital Camera



Upstream	Midstream	Downstream	Mechanism Component
Optical Component	IC Semiconductor	Electronic Component	Other Components
Software Program	Mold/Case	Optical Lens	CCD/CMOS
Resistance/Capacitance	Switch/Wire	Software Image Compression Image Processing	IP Cam
Monitoring System	Digital Camera	Digital Image Processor	Digital Disc Burner
Dealer	Agent	Trader	ODM/OEM Factory
System Integrator			

3. Mobile Phone Camera Module

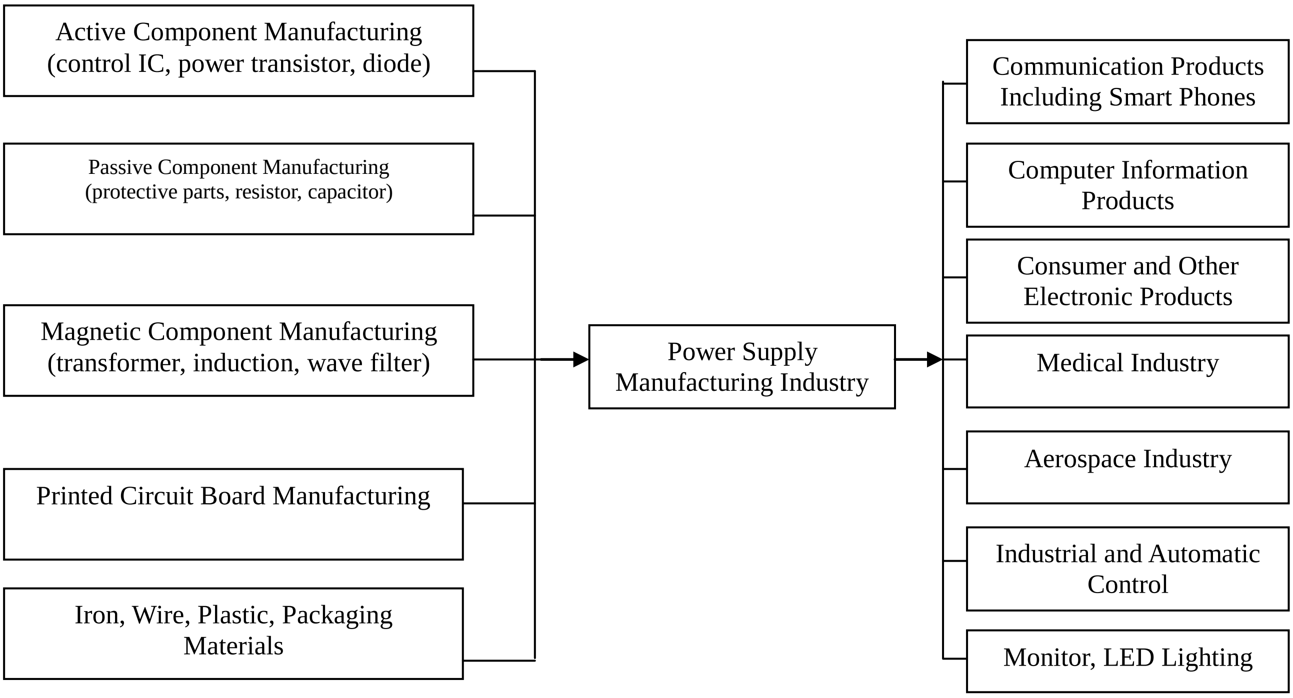


Upstream	Midstream	Downstream	Image Sensor
Optical Lens	CVM	CCM Module	PC
Mobile Phone Brand Factory	Tablet		

4. Power Supply and LED Light Source Products

Power supplies usually consist of various active components (electrical signal amplification, oscillation, calculations, such as control ICs, power transistors, diodes), passive components (that do not change the basic characteristics of electrical signals, such as capacitors, resistors, protective parts), and the magnetic component (volatile filter or lifting voltage, such as transformers, inductors, filters), The above mentioned components are fixed on the printed circuit board (PCB) after manual or mechanical automation. If the power supply is not part of the Open Frame product, a metal casing is required to protect and shield the electromagnetic wave, and the external wiring material can be connected before being packaged for shipment. Power supplies are used in a wide variety of applications. In addition to being sold separately or as components of other electronic products, Taiwan manufacturers mainly produce power supplies for communication products, computer information products, and consumer electronics. Related Upstream, Midstream, and Downstream Chart for Whole Power Supply Manufacturing Industry

Related Upstream, Midstream, and Downstream Chart for Power Supply Manufacturing Industry



In the power supply market, Taiwanese companies are more focused on AC/DC and DC/DC products. Under normal circumstances, AC/DC applications are widely used, and DC/DC can be used as internal components of electronic products. Mostly used for high-end industrial power supply, the product technology level is relatively high. From the upstream, midstream, and downstream structures of the power supply industry, in the control IC part (components) of the "upstream raw materials" industry, it can be found that except for a small part of Taiwan that relies on foreign imports, most of the remaining components have good self-manufacturing capabilities. In the "downstream application industry" part, the Taiwanese information industry is mature and the industry chain is complete. It is highly competitive for PC-related, consumer electronics, Netcom, and industrial machinery.

Development Trend in Power Supply

(1) Product is Oriented Towards Being Small and Beautiful

The power supply is a key component of electronic products, and its functional requirements are closely related to the characteristics of the application products. In recent years, electronic products have begun to develop into small size, beautiful appearance, lightweight, stackable, low energy consumption, etc. In response to this demand, it is necessary to reduce the size of the module, beautify it, and increase the energy conversion efficiency.

(2) Product Quality and Technical Upgrade

As the standard products of power supply suppliers are becoming more and more mature, the main products of domestic manufacturers are mainly supporting information applications, and more and more competitors are involved, so the price competition is fierce. In the case that the downstream application product gross profit is becoming lower and lower, the Company must enter the new application market, and power supply manufacturers must not only improve their technology and quality, control costs and expand their own industrial economic scale, but also must strengthen the development and design of high value-added products.

(3) Safety Regulations are Becoming Stricter

Due to the increase in energy prices and consumer environmental awareness, the future development trend is to develop environmental protection and energy-saving products. In order to protect consumer safety, each country's safety requirements for electronic products are becoming more and more strict. In order to comply with the related regulations on energy conservation, the products and manufacturers that can provide solutions in technical design will have competitive advantages and market opportunities.

(4) Assembly Line and Key Components with Automated Production

In response to the shortage of manpower and rising wages, automated production can solve the delay in delivery and overall cost increase caused by manpower, and can also maintain product quality and reduce the quality problems caused by human negligence.

Competition of Power Supply

Since the power supply industry needs economies of scale or production technology, and some high-end or environmental power supplies need to be patented or certified, and the technical requirements of high-end products are relatively high and the research and development costs are high, so the entry threshold is relatively high. The future trend is that large companies will become bigger and bigger.

Taiwan is a major producer of global information products. Driven by downstream industries, power supply shipments have remained high, and competitors in the power supply industry are mainly Taiwanese manufacturers. Due to the wide range of applications of power supplies, and the fact that most companies focus on specific power ranges or applications, and each competitor has its own advantages, few companies on the market are eliminated, and they can find their own positioning in the market.

(3) R&D and Technology Overview

1. Research and Development Expenses for the Most Recent Year and the First Quarter of 2019

Unit: NT$ 1,000

Year	2018 Consolidated Financial Report	2019 Q1 Consolidated Financial Report
R&D Expenses	2,515,632	939,335
Operating Revenue (Net)	87,260,406	19,177,441
R&D Expenses to Revenue %	2.88%	4.90%

2. Research and Development Achievements in 2018

(1) Tracker Multi-function Pedometer
(2) Ultra-thin Bluetooth Keyboard, Ultra-thin Desktop Keyboard, and Ultra-thin Notebook Keyboard
(3) Antibacterial Function Notebook Keyboard
(4) Touch Computer Keyboard and Tablet PC Keyboard
(5) Multi-function and Multi-purpose Keyboard
(6) Living Room Smart TV Dedicated Keyboard
(7) Keyboard Set and Tablet Leather Case
(8) Computer Game Control Keyboard and Mouse Set
(9) Smart Network TV Remote Control
(10) Smart Internet TV Remote Control (with voice input and output)
(11) Tablet and Smart Phone Universal Digital Pen
(12) Fingerprint Identification Wired and Wireless Keyboard Mouse
(13) Portable Gaming Keyboard
(14) Suitable for living rooms with wireless gaming keyboard and mouse, and suitable for use on a sofa with a game table.
(15) Gaming keyboard, mouse and mouse pad with wireless charging function.
(16) IoT and Smart Home Controller
(17) Folding, Scrolling Bluetooth Keyboard
(18) Smart Phone Special Leather Protective Cover and Keyboard Set
(19) 2.4G RF, Bluetooth, USB Three-mode Wireless Keyboard and Mouse
(20) Biometric Fingerprint Recognition Keyboard/Mouse
(21) Qi Wireless Charging Mouse Pad
(22) Car IOT Colorful Display (Lyft)
(23) NFC TAG Bluetooth Matching Module
(24) Electromagnetic Pad
(25) Smart Wearable Bracelet and Watch
(26) Lifting Notebook Keyboard
(27) Lightweight Notebook Keyboard
(28) Early on Key Switch
(29) 4Kp30 and Live SNG Digital Camera
(30) WiFi Doorbell IP CAM
(31) Wireless Battery IP CAM
(32) Multi-function WiFi IP CAM Network Camera

(33) WiFi Wireless Driving Recorder
(34) 360 Panoramic Camera
(35) Drone Camera Wireless Camera
(36) High-definition Full HD Image Module
(37) Tablet PC Built-in Camera Module
(38) Smart Phone Built-in Camera Module
(39) Notebook Computer Fingerprint Identification Module
(40) Notebook Computer Narrow Frame Image Module
(41) Notebook Computer Facial Recognition Image Module (including low unit price)
(42) Power Supply Unit

R&D Results	R&D Technology
• PC Built-in Power Supply, 150 W-500W	• Forward Technology
• Notebook Computer External Power Supply, 30 W-330W	• Flyback • LLC Half-bridge Structure
• High Power Intelligent DC Power Supply Module for Communication	• Half-bridge Resonant • Digital Monitoring Design • Support Backup Function
• Miniaturized 30/40/60W Adapter Wall-mounted Design	• Active Clamp Flyback
• Tablet/Smart Phone New Charging Source Platform	• PD, PPS & QC
• 300W/400W Laser Multi-function Copier Power Supply	• LLC+AC Module
• 700-2500W Servo New Power Supply	• Full Digital Control LLC Structure
• USB Type C PD Multi-Output Power Supply, 26W/30W/45W/65W/90W	• Designed Based on USB PD Spec and ASIC
• Large and Small Lithium Battery Charging Device to 1200W	• LLC+ Charging Circuit
• IoT Related Power Supply Unit 7W-30W	• Flyback + Networking
• Game Console Power Platform 50W~850W	• Flyback + High Frequency LLC Structure
• Jet Printer Power Supply 15W-50W	• Flyback Structure and Plastic Shell
• Direct AC Light Source Module and Smart Lighting Module 10W-150W	• AC Direct Control LED Light Source • Zigbee Network Structure
• High-efficiency eSports PC External Power Supply 120W-330W	• LLC Structure
• UAV Charging Station Parallel Module 1200W-2000W	• LLC Structure + Charging Automatic Control System
• Desktop E-sports Power Supply 550W~850W	• LLC Structure + Flyback + Buck
• LED Daytime Running Lamp and Positioning Light Module • LED Near Lamp Module • LED High Beam Module • LED Dual Light Module • LED Fog Light Module • LED Daytime Running Lamp and Turn Signal Module • LED Combined Taillight Module • LED High Brake Light Module • LED Interior Light Module	• LED Near-distance Dual-optical Optical Design • Light-guided LED Daytime Running Lamps and Turn Signal Design • Thick-walled LED Daytime Running Lamps and Turn Signals • Temperature Protection Design • LED Near-light Optical Design

3. Future Research and Development Plans for the Coming Year

(1) Keyboard
A. 2.4G High Security Keyboard, 2.4G Solar Keyboard
B. Multi-function Display and Multi-purpose Keyboard
C. Ultra-lightweight Notebook and Tablet (Tablet PC) Keyboard
D. Multi-color Backlit Notebook Computer Keyboard for Computer Games
E. Ultra-thin Notebook Type Backlit Keyboard and Touch-type Notebook Computer Keyboard
F. Fingerprint Identification Wired and Wireless Keyboard Mouse
G. IoT and Smart Home Controller
H. Ultra-thin Backlight Module, Ultra-thin Keyboard Backlight Module
I. Tablet Docking Station, Multi-finger Touch Pad
J. Game Mouse, 4G Gaming Mouse, 4G Wireless Joystick, Remote Control, Headset Microphone Set
K. Smart Internet TV Remote Control (with voice input and output)
L. Tablet and Smart Phone Universal Digital Pen
M. Wired and Wireless Dual-mode Colorful Backlight Game Console Keyboard and Game Mouse
N. Bluetooth Folding Ultra-thin Keyboard and Folding, Scrolling Bluetooth Keyboard
O. Tablet and Smartphone Combined with Battery Backup
P. Keyboard Set and Tablet Leather Case
Q. Smart Phone Special Leather Protective Cover and Keyboard Set
R. Smart Wearable Bracelet and Watch
S. Type C Docking Station and Expansion Slot
T. 2.4G/Bluetooth High Security Keyboard
U. Oil-free Plunger KB
V. AR/VR/MR Somatosensory Remote Control
W. Waterproof Mechanical Keyboard, High-function Integrated Tablet Keyboard
X. HID Device Serial Mesh and Beacon Network
Y. Electrical Test Platform Integrated into Automated Production Equipment
Z. Wireless Charging Qi and AirFuel integrated Input Device

(2) Internet of Things/Internet of Vehicles AI Smart Camera
A. LPWA Home WiFi Security Camera
B. Internet of Things Home Appliances Environmental Sensors Security Camera
C. LPWA Intelligent Driving Recorder
D. LTE AI Driving Recorder
E. AI Smart Wearable Camera
F. AI Pet Feeding Machine
G. AI Live 4k Camera

(3) Camera Module and Other Peripheral Products
A. 48 Million Pixels Ultra-thin Camera Module
B. IP Camera Camera Module
C. Optical Zoom Autofocus Camera Module
D. High-definition Full HD Image Module
E. Video Conferencing Image Module

F. Vehicle Auxiliary Camera Module
G. Infrared Face Recognition Camera Module
H. Eye Tracking Camera Module
I. 360° Panoramic Image Module
J. Gesture Manipulation Image Module
K. Smart Speaker
L. Bluetooth Speaker
M. Game Wisdom Speaker
N. 3D Camera Module
O. Bar Code Camera Module
P. Notebook Computer Ultra Narrow Frame Image Module
Q. PC Facial Recognition Camera
R. Intelligent Security Surveillance Image Module

(4) Power Supply Products and LED Lighting Equipment

A. Office Automation and PC Power Products:

Although the overall size of the personal computer market has declined due to the increase in tablet PCs, all computer-related products need to rely on power supply operation, and there are different differences due to commodity demand, so the overall power supply market is still growing.

In recent years, various industries have gradually listed energy conservation, carbon reduction, and green energy as requirements. In all types of power products, there are relevant international organizations that define future performance standards. This standard is similar to the standard of computer power supply 80Plus. In particular, the efficiency requirements for titanium gold 10%, 20%, 50%, and 100% loads are 90%, 94%, 96%, and 91%, respectively. In this trend, power products must move toward more efficient R&D. Focus on the future efficiency trend, adhere to the principle of innovation, and the Company invested a lot of resources to develop power products beyond the Platinum brand. The adapter of the notebook computer is focused on standby and overall output efficiency, and the design aspect is slim, short, and beautiful. In terms of tablet products, although the output power is low, the external type must be innovative and light and provide the regional plug switching function to achieve a universal power supply without borders.

In the computer industry, wireless network functions are essential, and the power required by the device is an important part of the product. Among output devices, printer-related equipment is most important, so the power supply requirements vary depending on the printing engine. On the other hand, laser engines have complex power requirements and must be familiar with new technologies to meet customer requirements and extend to office multi-function photocopiers. Apart from laser printers, it has also successfully entered the inkjet printer market and has become a major supplier of printers for a large manufacturer.

B. Entertainment Input Device:

Due to the advent of the cloud era, network streaming has gradually replaced traditional hardware such as DVD, Blue Ray players and game consoles. Apart from the update of digital content software, the mainstream trend of new hardware input devices will be various Set-Top Boxes, such as Apple TV, Google TV, MOD, etc. Both the in-line power strip and the external thin power adapter meet the needs, while the standardized external thin power adapter is suitable for a small variety of products, and the in-line power strip can meet style-conscious models.

In addition to game consoles, the game modules were developed by video game operators to provide game boxes that are convenient and simple to operate.

C. Smart Building System:

Smart systems have related abilities that are networking, computing, control, and learning capabilities, and provide a full range of intelligent solutions for lighting, air conditioning, power, security, human-vehicle detection, human-computer interaction, and widely used in residential, office, shopping malls, parks, and the city will be the core of the integrated management system of the future smart city.

D. Cloud Information Equipment Power Products and Data Center:

Cloud services and mobile networking have become the mainstream of the market, and system developers have strengthened their resilience by introducing intelligent software and hardware structures and paying more attention to energy-efficient equipment power supplies. Most of the data centers are faced with power supply capacity and space shortage to limit equipment capacity expansion, and the heat dissipation design of the equipment room is not enough to increase power loss. Therefore, in order to improve conversion efficiency and reduce the operating cost of the data center, it is necessary to design a smaller-sized equipment power supply. At the same time, the relevant energy-saving regulations in Europe and the United States require that the equipment power supply should meet the standards when it is lightly loaded and converted. On the other hand, the new container-type cloud data center can save a great deal of space and cost, and reduce all equipment room equipment to 20-inch containers, which has the advantage of flexibility for enterprise users.

The Company actively invests its efforts in the power supply of cloud equipment. In addition to the use of servers and storage systems, it also invests in the development of Netcom power. Through cooperation with relevant domestic and foreign manufacturers, we have obtained a number of patents of power management and lead the industry to propose various solutions to improve the power efficiency of equipment. For example, the use of bridgeless AC/DC circuit architecture and zero switching loss technology. Through the application of SiC components and integrated magnetic components, this effectively improves the overall efficiency and increases power density, and challenges various high-performance, high-power models. In order to reduce the time in the development design phase, we use analog software analysis circuits, 3D models, and heat flow, and long-term technical cooperation with academic institutions around the world, such as the University of Virginia Power Center (CPES). It is expected to bring academic trends into line with future R&D priorities.

In the future, in the design and development of cloud equipment power supply, it is especially necessary to increase the proportion of software design applications, and focus on the power supply monitoring unit and digital power control, such as the power supply of the home security monitoring system. In the face of cloud service technology needs, the Company's power management solutions will continue to be launched, and challenges of future power supply design will be dealt with.

E. LED Lighting Equipment of Power Supply:

R&D and innovation models are driven by customer needs and market orientation while continuing to control product optimization and quality enhancement for optomechanical heat. In order to provide a solution for overall system energy-saving lighting, and to meet the lighting environment design of human factors engineering, intelligent lighting has become one of the cores of research and development. The Company develops power modules that include intelligent lighting and wireless adjustment control and achieve their goal by virtue of the independent research and development of power supply. In order to meet the needs of rapid product development and the diversity of lighting products in the future, the key objective of LED lighting product research and development is to continually improve the product quality with the goal of modularization of the light source, power module, and production automation, and constantly improve product quality and production yield.

F. Machine Tool and Garden Equipment Charger:

Combining digital intelligent tool machines to drive the growth of the machine tool industry, in the field of garden equipment, gasoline and diesel are currently used. Because of the rising awareness of environmental protection and convenient considerations, it has begun to gradually move in the electric direction to drive the demand for medium power charging equipment.

G. Car LED Headlight:

Automotive LED Adaptive Headlight Module: In response to the trend of automotive electronics development, the use of LED headlights is an inevitable trend of current development. In order to increase driving safety and enhance the comfort of car users, the Company expects to develop LED adaptive lamp (ADB) modules this year. ADB design reduces the glare of the oncoming car by automatically detecting the external environment and converting the light pattern, and the light type conversion is performed in accordance with the road environment conditions.

Laser High Beam Auxiliary Light Module: By using the precise and direct characteristics of the laser, we can design a more compact high beam auxiliary light module and give the car factory greater flexibility in the exterior design. And the laser can meet the projection distance of 400-600m, which can bring sufficient reaction time to the driver and increase safety.

(4) Long and Short-term Business Development Plans

1. Short-term Business Development Plan

(1) To expand continually the market share of products such as keyboards, images (lens modules, DV products, IP CAM, driving recorders, etc.), and power supplies.

(2) To focus on OEM/ODM business, in addition to increasing the number of existing models of new customers and new product lines, and actively seek new customers, and to expand continually the market share.

(3) In order to make the Company's turnover and profitability grow steadily, the market share of existing competitive products will be expanded, and the proportion of sales of high value-added products will be increased.

(4) To expand markets in emerging markets such as China, South America, and India, as well as Korean markets.

(5) The Company's direct investments of Chicony Power Co., Ltd, actively develop

smartphones, smart homes, AI technology, and the Internet of Things, and other high value-added products business.

(6) In addition to augmenting the existing customer EMS product line business, the direct investments company, XAVi Technologies Co., Ltd, actively promoted the three first-line customer groups including Europe, America, and China.

(7) In order to meet the needs of customers' products and maximize the Company's benefits, and continue to integrate the Group's marketing and global operations resources, ONE STOP SHOPPING is adopted for customers.

(8) The group integrates key technology in imaging, WIFI, power control, and software, and develops new product areas such as smart home, security, AI, and the Internet of Things.

2. Long-term Business Development Plan

(1) In order to maintain the Company's competitiveness, the Company continues to look for talents and strengthen its marketing, research and development, production, and global operations capabilities.

(2) To develop actively non-traditional PC products such as e-sports, servers, game consoles, AI technology, smart homes, and the Internet of Things.

(3) To expand the original international sales locations in the US and Japan.

2. Marketing, production, and sales overview

(1) Market Analysis

1. Sales Market for Primary Products

Distribution of Primary Products and Services in Major Markets and Distribution Methods:

Purpose of	Primary Market	Distribution Method
Electronical Parts and Components, Consumer and Other Electronic Products, etc.	America, Europe, Asia	Domestic Sales, Export Sales, Indirect Sales

2. Market Share of Product

The Company sells many computer information peripheral products, including keyboards, digital cameras, mobile phone camera modules, notebook computer built-in camera modules, smart home-related products, the subsidiary company, Xavi Technologies Corporation, and subsidiaries Netcom products of Zhanda Communication, etc. From internal company and customers of statistics, the Chicony Group is ranked number 1 in the world market share in many products, such as PC/NB keyboards, NB power supply, PC lens modules, network surveillance cameras, and sports type cameras (Sport DV).

3. The Supply, Demand, and Growth in the Market of the Future

The Company's current major products are positively related to the consumer electronics market, such as keyboards, videos (lens modules, DV products, IP CAM, driving recorders, etc.), power supplies, and global PCs, NBs, smart Mobile phones, game consoles, smart homes, etc. In the PC market, enterprises must update the edge of computing PC hardware equipment to response to the development of artificial intelligence (AI) and big data, so the PC shipments increase offsetting the reduced demand of PCs by consumers through smartphones. The mobile phone market is close to saturation in the tablet PC and smartphone markets, and the impact on NB continues to slow down. The results of market organization statistics show that NB compound growth in 2023 was more than 0.6%. In addition, e-sports and mobile workstations were regarded as a niche market and has become the focus of various layouts. In addition to maintaining the original PC/NB keyboard products, Chicony continues to gain benefit from the sales of these products, such as high-priced 2 in 1 devices and ultra-thin, Type-NB, e-sport keyboards, and backlit keyboard products. In terms of supply, the primary manufacturers of keyboard modules, computer cameras, and notebook computer built-in camera modules are around 2-3.

The global smartphone market is highly correlated with the lens module in the imaging products, because mobile phone brand manufacturers continually launch the upgrade of mobile phone functions, including multi-lens, 3D sensing, AR, AI applications, so that the number of lenses that mobile phones need to be equipped with is increased. In the future, it may be possible to equip each smart phone with more than 5 Or 6 lenses, which will be the driving force for the continued growth of the lens module, and 5G is expected to start with a larger number of commercial applications in 2021. Before applications and services began operation, the average consumer did not have a large demand for replacement. It is estimated that the mobile phone will only maintain single-digit growth between 2019 and 2022; the quality of video recording still has advantages. In addition to the emphasis on anti-shake, power, and storage specifications, the Company also develops new products that meet various special needs, such as sports video cameras, drones, and wearable devices. The use of the DV industry will lead to more professional development, but the digital camera (DV) market continues to be squeezed by smartphones. The application of smart home applications is becoming more and more extensive, such as: connected home appliances, smart speakers, smart doorbells, and video surveillance. In order to meet market demand, DV and IP CAM products can also provide more comprehensive image information content. Currently, on the supply side, the main manufacturers of each product (lens modules, DV products, IP CAM) are maintained at 2-3.

In addition to the global PC and NB booms, servers and game consoles are also the primary markets for us. The Company enters the update cycle of server equipment, coupled with strong demand for cloud service providers. The global server market will grow by about 12% compared with last year based on results by research institutions. As the Company continues to invest in next-generation IT infrastructure and large-scale data centers, it will continue to adopt new processor platforms and adopt better equipment, and lead the average selling price to increase; despite the decline in sales volume of PS4 and XBOX, Switch Nintendo sales are still very high. In the current hardware field of video games, PCs, game consoles, and mobile phones are dominating the world. Most of the console games are high-end and for professional players. VR, haptic systems, and instant messaging performance are getting higher and higher, so the service revenue of game players is steadily growing in game software and subscription. It is estimated that the scale of game consoles will still be maintained at around 27% in 2019-2021. In terms of supply, there are currently two or three major manufacturers of power supplies in Taiwan.

Smart commercial buildings may be the future direction of IoT development, such as sensing lighting, portal security network cameras, climate control systems, thermostats, fire monitoring detectors, and other automation systems, which are expected to generate high revenues. The benefits of building and intelligent management of new products will be included in the group.

4. Competitive Niche and the Impact of Favorable Factors and Unfavorable Factors on the Future Development of the Company

(1) Competitive Niche and Favorable Factors

A. Economies of Scale Benefit

The Group manufactures and sells a wide range of products with economies of scale and industrial position. The related products are PC/NB keyboards, NB power supplies, PC lens modules, network surveillance cameras, and Sport DVs, and they have reached number one in the product markets. The sales continue growth and shape the economies of scale and also create barriers to entry for this industry.

B. Great Product Manufacturing Experience in ODM/OEM

In addition to the three primary production factories of Suzhou, Tungwan, and Chongqing in China, we have accumulated more than 30 years of experience in ODM/OEM product manufacturing and quality control. To use the information provided by EDI and ERP systems, the VMI system (supplier managed inventory system) has been strengthened. Then, we built the system of global immediate delivery with customers that help us to reduce inventory costs and increase the flexibility of delivery, preparation, and production, speed, and the customer are also satisfied with the current situation. In order to effectively improve manufacture efficiency and continuously add the automation ratio and develop new processes, and expand the locations in Southeast Asian outside the mainland.

C. Strong Customers

The primary customer base of keyboard and notebook computer built-in camera module products and power supply sold by the Company and Chicony Power Co., Ltd. are the top ten computer factories in the world, and we are also the designated assembly plant. Famous computer and system vendors are also our primary customers; sales to customers account for more than 50% of the total operating income, which can stabilize the Company's operating income and profit sources, and help to upgrade the product development level.

D. New High Value-added Products are Constantly Being Launched

In addition to continually maintaining good relationships with global electronics manufacturers, it is also committed to the development of high value-added products, and in response to the development trend of the future technology industry, the Group will integrate key technology in image, WIFI, power control, and software technology, and actively develop new products such as smart home, security control, smart speakers, AI, and the Internet of Things. In order to keep the performance and profitability of the Company continually growing, except to expand the original international sales base in the United States and Japan and also expand the domestic market for each product line in China.

E. Provide Customers for One Stop Shopping Service

The keyboards, computer cameras, and NB CAM products of the Company have the same primary customers as Chicony Power Co., Ltd. (indirect investment company). In order to save purchasing cost for customers and improve efficiency, the Company provides the One Stop Shopping service, and at the same time it can also increase operating revenue.

F. Complete Global Logistics and Supply System

In order to play the role of a complete global logistics planning system and closely maintain our relationships with customers, from 1996, the Company has installed quick delivery warehouses in the US and Europe to meet customers' needs. Because customers of ODM/OEM are increasing more and more, the Company has built many factories around the world.

G. Strong Management Team

The management team of the Company has complete academic and practical experience, focusing on the industry, the stable operation style, and have an average of more than 15 years of experience in the Company. The composition includes managers with more than 20 years of relevant experience in manufacturing, sales, management, research and development, and accounting.

H. Research and Development Center of Industry-Academia Cooperation

The Company established the “Chicony R&D Scholarship” and cooperates with the Taipei University of Technology and responds to the government-sponsored policy of integrating industry and education, and established the Taipei University of Technology R&D Center at the Taipei University of Technology. The Company cooperates with the students of the Department of Electrical Engineering and Automation by appointing engineers. Divided into a few groups, the group has the power group, electronic research group, automation and vision research group, software development group, etc., they jointly develop, and share research resources and results with each other. In order to allow outstanding talents to join the Company, and to create a model of Taiwan's industry-university upgrades and respond to the government-sponsored industry-university policy, we participated in the ranks of the first P-TECH school of the junior college of the Ministry of Education.

(2) Unfavorable Factors and Response Strategies:

A. The sales prices of computer and digital imaging industry products have fallen because of rapid market changes, fierce competition, and falling prices.

B. The production of the China factory faces the pressure of rising labor wages and a lack of workers.

C. China's electronic component industry has a local advantage, and Chinese companies continue to upgrade technology and accelerate the construction of the supply chain.

D. The global economy is slowly recovering and affecting the terminal consumer market.

E. The traditional PC (including NB) market is already saturated and there is limited growth.

Response Strategies:

－To develop new technologies, new design abilities, and seek cooperation with more suppliers. In addition to continuously integrating the materials in the Group for common purchase, and also expanding cooperation with China suppliers to reduce the purchasing materials cost.

－In order to maintain revenue and profit, the Company continued to develop high added value products, and increased sales proportion by ourselves, and continuously expanded market share.

－In order to deal with the pressure of rising labor costs per year in China and effectively improve production efficiency, the Company has increased the automation ratio and developed new processes.

－In order to stabilize the source of supply and increase the gross profit margin, and strengthen vertical integration and to increase the ratio of self-made major components.

－The Company continues to expand its operations to maximize economies of scale.

－In order to obtain more outstanding R&D talents and enhance R&D strength, we have established a “Chicony R&D Excellence Scholarship” at the school.

－In order to reduce the impact on production, we have established a good relationship with suppliers, and maintain at least 2 or 3 suppliers for each raw material, and focus on the supplier situation at all times, and provide assistance at all times.

- In order to reduce the debt ratio of the Company's consolidated statements, save interest expenses, and increase the Company's cash flow, it is necessary to strictly control the inventory and reduce the accounts receivable and fixed assets of capital expenditure.
- To expand non-PC industry products such as game consoles, sports cameras, and camera modules for smartphones, and to actively develop the Internet of Things (IOT and virtual reality (VR)-related products, and Blue Ocean market products for the Smart Home. In order to effectively create new customers and develop more business opportunities in the Blue Ocean market, the ratio of new products in the non-PC industry has surpassed the ratio of PC products.
- In order to make production more flexible, deliver quickly and with quality control that can meet the customer's demand, the Company strengthens the supplier management system and the customer's immediate shipping system.

(2) Primary Purpose of the Products and Production Process

1. Primary Use:

(1) Keyboard: The keyboard is an indispensable input device, and it is also the most important interface tool for people to communicate with the computer system. It is also a personal computer, a computer workstation, a test device word processor, a Chinese computer, etc.

(2) Digital Camera, Computer Camera, and Camera Module: Capture scenes and record images.

(3) Smart Home: Uses smart phones and other connected devices to enter the home market, such as smart doorbells, smart speakers, smart lights, etc.

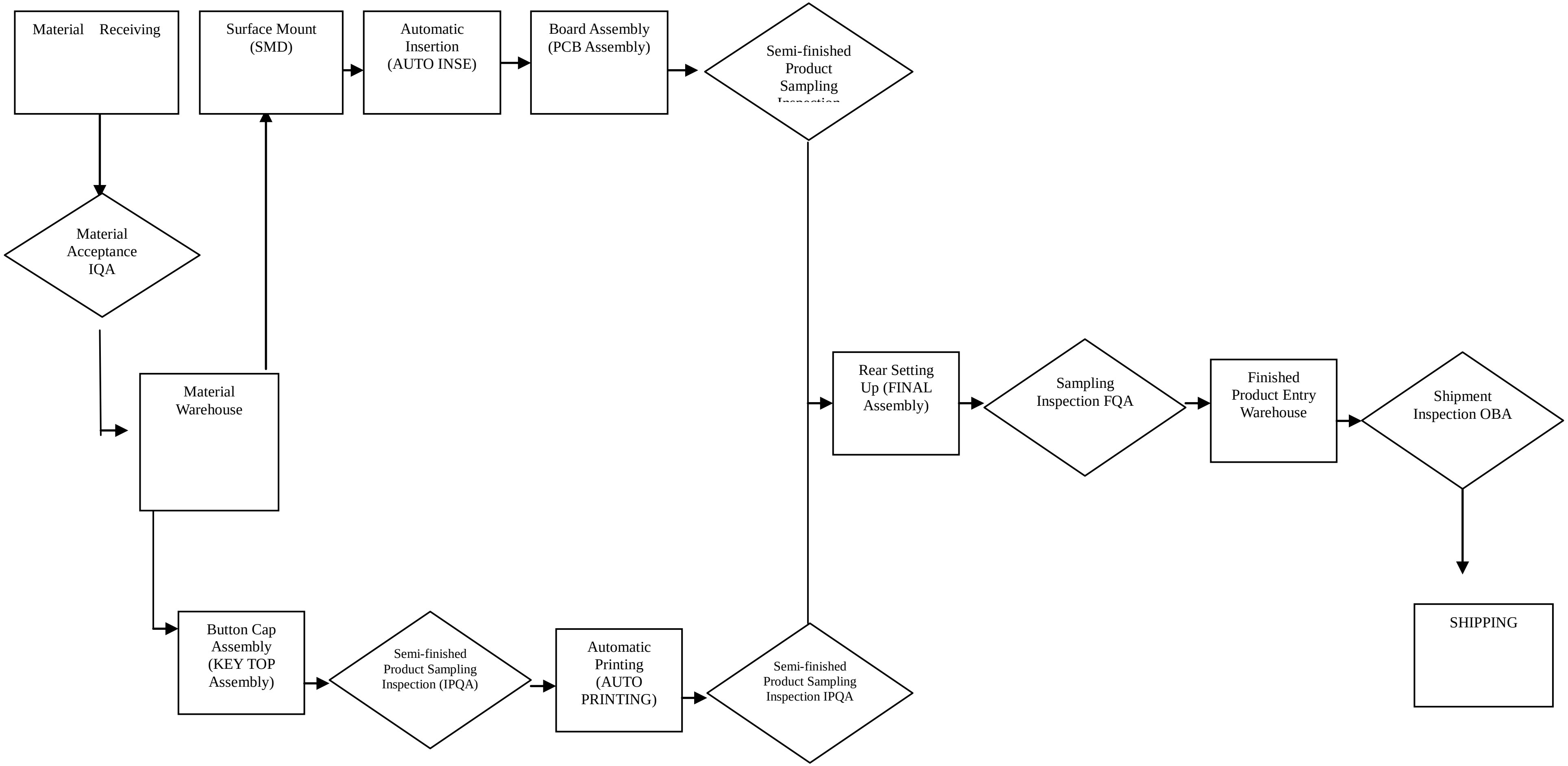
(4) Power Supply and LED Lighting Equipment:

Product	Function	Major Products
Desktop PC Power	AC voltage is 90-132VAC and 180-265 VAC, converted to single or multiple sets of output, the primary force is 180W, 200 W, 250 W, 300 W, 350W, and 400W, 950W, 1000W, and 1400W.	To use for desktop PCs.
Notebook Computer Power Supply (Adapter and e-sport PC power supply)	AC is a full range of 90 - 265 VAC voltage, and the primary output is 19V, 20V, greater than 75W, and placed into the power factor correction circuit, the output various from 30W to 400W.	PC power supply for general notebook and AIO, more than 150W for notebook workstations.
Game Console Power Supply	The AC is a full range of 90~265 VAC voltage. The primary power supply is 12V output, and the power factor correction circuit is placed so that output ranges from 100W to 500W.	Mainly used for game consoles.
Set-top Box Power Supply	Divided into built-in and external (Adapter) type, due to convenient maintenance, it is gradually changed to the external (Adapter) type, AC is the full range or 115 range, the output by depending the requirements of the set-top box, below 60W.	Various Types of Set-top Boxes
LED Drive Power	1. The AC is from 85VAC to 265VAC, or from 180VAC to 265VAC, and to provides a constant current to match the number of LEDs and brightness requirements. 2. AC directly drives the LED Module's new technology.	To provide a large number of indoor bulbs, line lights, ceiling lights, projection lights, and outdoor street lights, and patio lights.
Inkjet Printer and Laser Printer Power System	The AC is 85VAC to 135VAC or 180VAC to 265VAC, all outputs are manufactured depending on the need of the printer and have an electric laser engine drive.	To provide the different functions and use of large laser printers.
Cloud Servo Power System and Data Center Power System	Ultra-High Rate Density Full Digital Control (N+1 / N+N) Redundant power system with monitoring of input AC/output DC, and power from 500W to several kilowatts of output. The communication power supply is generally 48V output, and the storage/server/AI server are 12V or 54.5V single/multiple output monitoring system.	To provide communication system storage devices and servo computers for use.

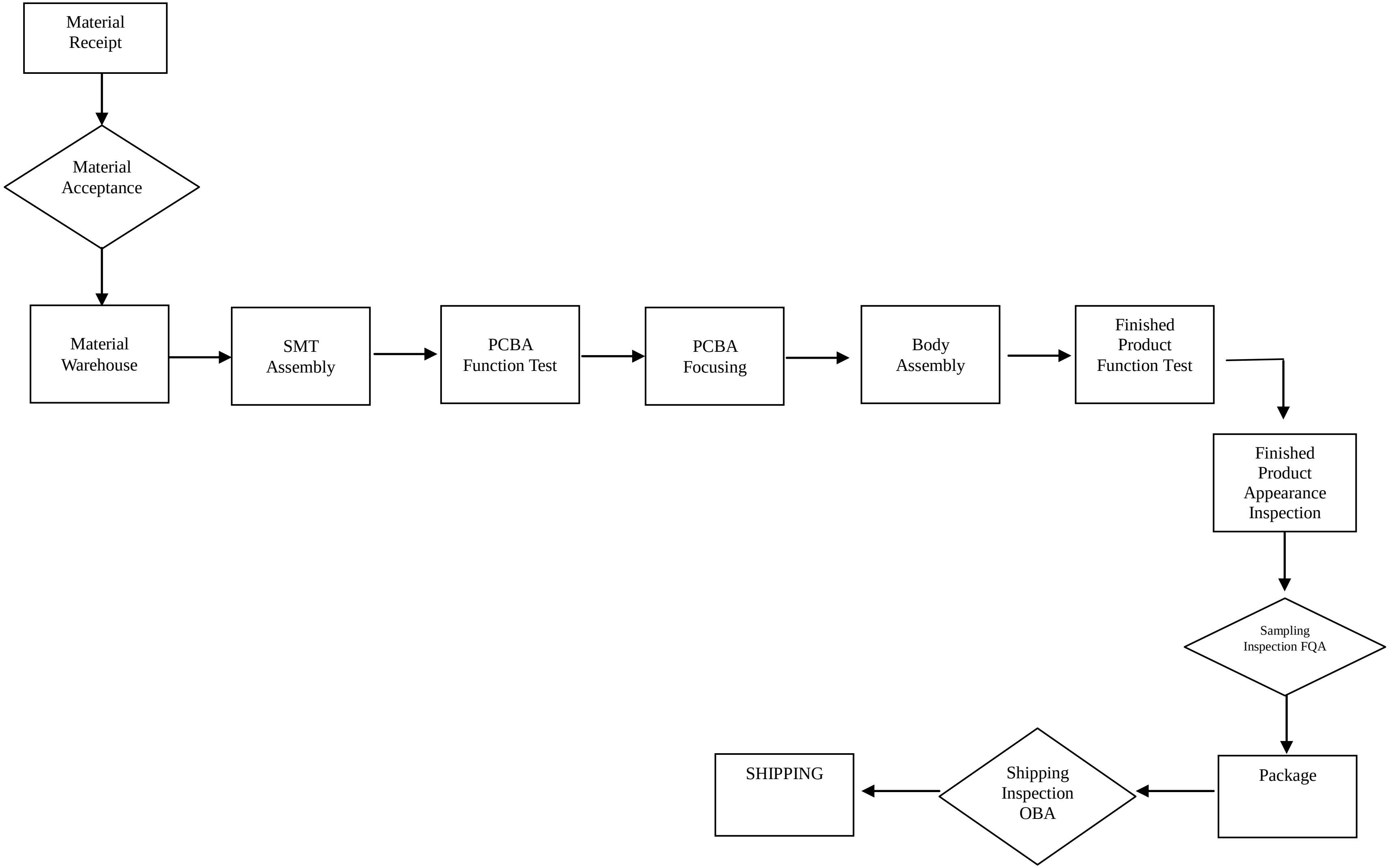
Product	Function	Major Products
Charging Device Internet of Things (IOT) Power Supply USB Type C Power Supply	Charge lithium compound batteries.	To provide a variety of tablet charging. UAV charging station, electric vehicles, and other charging devices.

2. Production Process:

(1) Keyboard

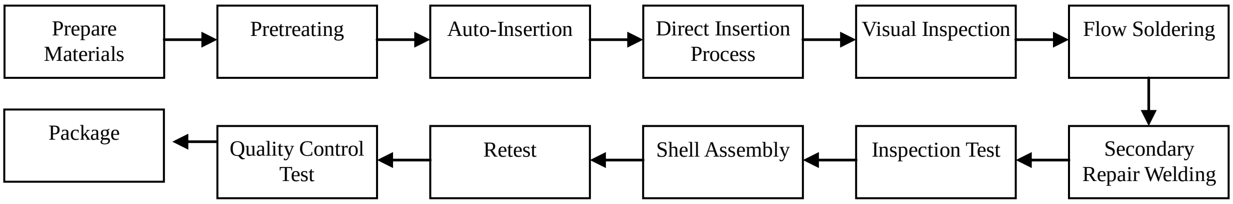


(2) Digital Camera, Computer Camera, and Camera Module:

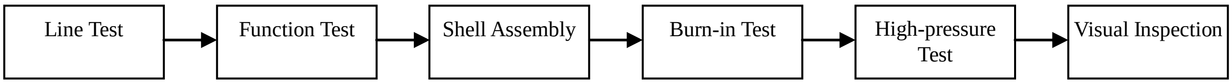


(3) Switching Power Supply (including LED drive power):

a. Production Process



b. Test Process



(3) Supply of Key Materials

In order to reduce production costs, keyboards, computer cameras, mobile phone camera modules, NB built-in camera modules, digital cameras, and cloud cameras are made by Chicony Power (Tungwan) Co., Ltd, Chicony Power (Suzhou) Co., Ltd, Mao Rui Co., Ltd. (Tungwan), and Chicony Power (Chongqing) Co., Ltd., which are the 100% indirect investment of our Company. Primary raw materials required [Keyboard: KEY TOP keycap, membrane switch rubber button, and IC integrated circuit, etc.; Digital Camera, Computer Camera, Camera Module: sensor, DSP/ASIC digital processor, LCD screen, lens, DDR memory, and flash memory, etc.,] and purchase price, etc. are set up by our Unified Purchasing Center, then subsidiaries make the order by themselves. Due to long-term strategic cooperation with our primary suppliers, we have established a good relationship with suppliers. Since most of the material manufacturers have more than two, if there is any supply and demand imbalance in the market there is no impact to our operation. It is beneficial development to the long-term of our Company.

The primary raw materials of the power supply are power lines, capacitors, fans, heat sinks, semiconductors, transformers, molded cases, printed circuit boards, insulating sheets, and sockets. In order to reduce production costs, Chicony Power (Tungwan) Co., Ltd, Chicony Power (Suzhou) Co., Ltd, and Chicony Power (Chongqing) Co., Ltd which are the indirect investment of our Company are responsible for the production of primary materials for us, and the purchasing price is set up by the Company strategic procurement department, then Chicony Power International Inc. and subsidiaries make the order by themselves. Since there are more than two material manufacturers for most of the materials, and we have a good relationship with suppliers, and the source and quality are stable, so there is no impact to our operation.

(4) The names of the customers accounting for more than 10% of the total purchase (sales) in any of the last two years, and the amount of purchase (sale) in proportion to total purchase (sales), and the reasons for the changes, if applicable:

1. Key Supplier Information

Key Supplier Information in the Consolidated Financial Reports (names of the customers accounting for more than 10% of the total purchase in any of the last two years):

None

2. Key Customers Information

Key Customers Information in the Consolidated Financial Reports (names of the customers accounting for more than 10% of the total net sale in any of the last two years)

None

(5) Production Volume Table

Unit: NT$ 1,000

Year	2017					2018				
Production Volume and Value / Premium Products	Production Capacity	Production Volume	Production Value	Purchasing Volume	Purchasing Value	Production Capacity	Production Volume	Production Value	Purchasing Volume	Purchasing Value
Electronic Parts and Components	330,136	265,936	39,262,803	-	-	354,504	261,979	42,036,718	-	-
Consumer and Other Electronic Products	139,448	133,017	40,702,479	2,100	2,441,586	144,857	145,505	49,365,125	2,878	1,948,355
Others	-	2,445	218,717	-		32	1,957	226,355	-	
Total			80,183,999		2,441,586			91,628,198		1,948,355

(6) Sales Volume Table

Unit: NT$ 1,000

Year	2017 (Note 1)				2018 (Note 2)			
Sales Volume and Value / Premium Products	Domestic Sale		Export Sales		Domestic Sale		Export Sales	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Electronic Parts and Components	21,465	2,674,772	155,778	36,294,689	15,837	2,920,295	159,367	38,989,634
Consumer and Other Electronic Products	2,374	2,699,305	87,783	35,640,562	5,198	3,678,705	84,639	40,892,721
Other	2	479,825	5	366,533	1	498,286	3	280,765
Total		5,853,902		72,301,784		7,097,286		80,163,120

Note 1: The consolidated operating revenue for 2017 is NT$78,155,686 thousand.

2: The consolidated operating revenue for 2018 is NT$87,260,406 thousand.

3. Number of Employees, Average Years of Service, Average Age, and Education Distribution

Taiwan Employee Data During the Past Two Years and Up to March 31, 2019 [Consolidation]

Year		2017	2018	3/31/2019
Number of Employees	Direct Staff	28,455	25,523	23,883
	Indirect Staff	5,222	5,294	5,239
	Total	33,677	30,817	29,122
Average Age		29.59	30.01	30.35
Average Years of Service		2.62	3.31	3.50
Education Distribution (%)	PhD	0.03	0.05	0.05
	Master's Degree	1.82	2.05	2.13
	University	11.10	11.38	12.07
	Senior High School	16.00	23.96	23.49
	Senior High School and Below	71.05	62.56	62.26

4. Information on environmental protection spending

(I) Losses Caused by Environmental Pollution During 2018 and up to March 31, 2019: None.

(II) Response Strategies:

The Company's primary products are the research and development, manufacturing, and sales of computer peripherals. Therefore, there is no pollution problem. The overseas production location has purchased inspection equipment for ICP-inspectable materials, perform related personnel training, and have acquired the local government certification, so the Company has complied with the Restriction of Hazardous Substances (RoHS) by EU since July 2006. The Company has also imported related control software systems to ensure related control operations.

As of March 31, 2019, the raw materials required for the manufacture of our products have adopted the international environmental standards and to meet customer requirements.

Our Company thinks the maintenance of environmental quality, and the implementation of safety and sanitation work in various production factories are very important, and continues to strengthen the environmental quality and protection of employee's health. In the spirit of entrepreneurial social responsibility, the Company focuses on environmental protection. In order to improve the overall image of the Company, the Suzhou factory has a dedicated unit responsible for the project, and promoting the product process wastewater recycling system.

(III) Sizable Expenditures for Environmental Protection Expected in the Future: None.

5. Labor Relations

(I) Employee Benefit Policy:

1. In addition to the labor law and related laws and regulations, the Company's employee welfare includes group insurance (including life insurance, medical insurance, anti-cancer insurance, accident medical insurance, and accident insurance), regular health checks, education and training subsidies, and emergency counseling. Because of the above welfare, employees will commit more for the Company.
2. The Company established the Employee Welfare Committee based on the employee welfare law. The Company regularly holds domestic and foreign travel, community activities, and birthday parties, it regularly issues birthday and annual vouchers, and urgent for employees, work-related injury, marriage, funeral, sickness, and birth allowances are also given.
3. In order to adjust the employees' condition in mind and body and establish the employees' centripetal force to the Company, we regularly hold various employee networking activities.
4. The Company provides related training in the profession, management, and languages, etc. for employees.

(II) Continuing Education and Training for the Employees:

In order to develop the working ability of employees, the Company cultivates professional knowledge and skills for employees and increases work efficiency by establishing management methods. The methods can also allow employees to ensure the quality of work and to achieve the Company's goal of sustainable business and development. In addition to new staff education and training, newcomers can quickly integrate into the organization team. The department heads and employees can also organize whole Company departmental training courses, seminars, etc. to meet the needs of the Company's internal and external environmental trends, and to strengthen and enhance the professional competence and core competitiveness of employees by training and study channels.

(III) Retirement System and Implementation Status:

1. The Company appropriates 2% of the total salary as pension and stores it in the Taiwan Bank Labor Retirement Reserve account of the Company, and the Company recognizes pension expenses as the net refund cost base on the actuary assessment report every month; In July 2005, the Company performed and compiled the “Labor Pension Act”, and the Company appropriates 6% to the personal accounts of the employees supervised by the Labor Insurance Bureau based on the employees choice new system.
2. The standard of pension application and the method of payment shall be processed in accordance with the provisions of the Law on Labor and the new system of retiring.

(IV) Important Agreement Between Labor and Management:

The rights and obligations of both employers and employees are processed based on the Company's working rules and personnel administrative rules and regulations. (The work rules of the Company and the personnel administrative rules and regulations are based on the labor law and related laws and regulations, and the work rules have been reported to the local authorities.)

(V) Status of Various Employees Rights of Maintenance Measures:

The Company has established relevant management measures and systems, and clearly defined employee rights, obligations, and welfare items, and regularly reviews and revises relevant measures and systems to maintain the rights and benefits for all employees.

(VI) Since the establishment of the Company on February 22, 1983, the Company has maintained a harmonious relationship with employees, so there is no loss caused by labor disputes. In order to maintain a harmonious relationship with employees, the management of the Company is very concerned with the smooth communication between the employer and the employee, and implements a humanized management system. The Company performs the concept of respect, trust, quality, and innovation, and implements the advancement of quality, and the development of new products. The Company's team is fully committed to achieving the organization's and the Company's operational goals to create a better future.

(VII) Net Losses Suffered by the Company (including affiliated enterprises) Due to Labor Disputes from 2018 to March 31, 2019, and that it May Suffer in the Future: None.

6. Vital contracts

Number	Nature of the Contracts	Contracting Parties	Term of the Contracts	Principal Content	Restriction Clause
1	Bank Credit Contract	E.SUN.BANK Co., Ltd.	11/1/2018-11/1/2023 5-year Period	NT$2 Billion Medium-term Guarantee Loan Quota	The collateral is set as 14F-25F., No. 69, Sec. 2, Kuangfu Rd., Sanchung Dist., New Taipei City (Chicony Headquarters Building).
2	Bank Credit Contract	LAND BANK OF TAIWAN CO., LTD.	From December 28, 2018 to December 28, 2023 5-year Period	NT$1 Billion Medium-term Guarantee Loan Quota	The collateral is set as 8F-13F., No.69, Sec. 2, Kuangfu Rd., Sanchung Dist., New Taipei City (Chicony Headquarters Building).
3	Bank Credit Contract	HUN NAN BANK CO., LTD.	From December 28, 2018 to December 28, 2023 5-year Period	NT$1 Billion Medium-term Guarantee Loan Quota	The collateral is set as 2F-7F., No.69, Sec. 2, Kuangfu Rd., Sanchung Dist., New Taipei City (Chicony Headquarters Building).
4	Joint Credit Contract (Note)	TAIWAN COOPERATIVE BANK CO., LTD. First Bank CO., LTD. E.SUN.BANK Co., Ltd. CHANG HWA BANK CO., LTD. LAND BANK OF TAIWAN CO., LTD. HUN NAN BANK CO., LTD. BANK OF TAIWAN CO., LTD. Taipei Branch of Bangkok Bank Co., Ltd. Mega Bank Co., Ltd. TAIWAN BUSINESS BANK CO., LTD. Yuanta Bank Co., Ltd. Taipei Fubon Bank Co., Ltd. Shin Kong Bank Co., Ltd. Far Eastern International Bank Co., Ltd.	From the date of first use to the expiration of five years. Date of Signing the Contract: October 30, 2015 Date of First Use: January 20, 2016	The credit quota is equivalent to NT$4.5 billion, which is used cyclically. The portion of the qualified account receivables of the Company shall be transferred to the management bank from the date of signing the joint credit contract, and the balance of the eligible account receivables plus the designated special account shall exceed 50% of the total amount of the credit granted.	Financial Ratio of the Original Commitment that Should be Maintained:
5	Sales Contract (Note)	Company A	This contract is effective for the Company from June 1, 2009. This contract remains in continual effect if one party fails to notify the other party in writing of the termination of the contract by 90 days before the scheduled termination date.	The requirements and details of the purchase of the Company's products are listed in the contract and in the attachment.	Contract Content Confidential by Contract
6	Independent Contractor (Note)	Suzhou Weiye Group Construction Development Co., Ltd.	12.28.2018 - End of Warranty Responsibility	Regarding engineering-related rights and obligations, the Company signed this contract, and performed related projects by handing over the “New Construction Project of Wujiang Economic Development Zone in Suzhou City, Jiangsu Province” to Suzhou Weiye Group Construction Development Co., Ltd.	-

Note: Contracts 4-6 were signed by Chicony Power Technology Co., Ltd. [stock code 6412], which is a direct investment of 48.12% by the Company.

VII.Financial Highlights

1. Most Recent 5-Year Concise Financial Information

(I) 1. Concise Consolidated Balance Sheet

Unit: NT$ 1,000

Item \ Year		Most Recent 5-Year Concise Financial Information (Note 1)					Financial information from the Current Year to March 31, 2019
		2014	2015	2016	2017	2018	
Current Assets		38,519,783	36,417,796	39,822,492	43,470,794	46,422,143	43,577,838
Property, Plant, and Equipment (Note 2)		14,204,652	15,461,482	13,495,266	13,554,882	12,371,429	12,574,644
Intangible Assets		246,430	263,118	255,143	249,404	233,688	221,817
Other Assets (Note 3)		4,028,893	6,827,699	10,724,875	10,179,300	9,904,648	10,354,204
Total Assets		56,999,758	58,970,095	64,297,776	67,454,380	68,931,908	66,728,503
Current Liabilities	Before Distribution	30,456,782	30,223,111	33,064,768	36,873,474	39,182,202	35,252,394
	After Distribution	33,687,906	33,249,494	36,100,321	40,095,158	(Note 4)	(Note 4)
Non-current Liabilities		716,334	2,632,556	2,708,075	2,305,511	1,568,182	931,966
Total Liabilities	Before Distribution	31,173,116	32,855,667	35,772,843	39,178,985	40,750,384	36,184,360
	After Distribution	34,404,240	35,882,050	38,808,396	42,400,669	(Note 4)	(Note 4)
Shareholders Equity Attributable to the Parent Company		22,130,452	22,278,297	24,159,007	23,793,637	24,078,155	26,217,090
Capital Stock		6,948,654	7,038,101	7,120,820	7,206,051	7,303,799	7,303,799
Additional Paid-in Capital		3,602,741	4,090,426	4,629,152	5,136,660	5,633,933	5,579,023
Retained Earnings	Before Distribution	11,943,320	12,416,132	12,862,540	13,792,778	14,934,034	16,468,439
	After Distribution	8,677,453	9,354,558	9,791,275	10,534,895	(Note 4)	(Note 4)
Other Equity		(52,986)	(955,085)	63,660	(1,824,687)	(3,065,027)	(2,405,587)
Treasure Shares		(311,277)	(311,277)	(517,165)	(517,165)	(728,584)	(728,584)
Uncontrolled Equity		3,696,190	3,836,131	4,365,926	4,481,758	4,103,369	4,327,053
Total Equity	Before Distribution	25,826,642	26,114,428	28,524,933	28,275,395	28,181,524	30,544,143
	After Distribution	22,560,775	23,052,854	25,453,668	25,017,512	(Note 4)	(Note 4)

Note 1: The financial information of each of the above years is audited by the CPA; the first quarter of 2019 is the reviewed amount by the CPA.

Note 2: The asset revaluation has not been processed in each of the above years.

Note 3: Assets revaluation has not been processed in 2014-2015.

From 2016 to 2018: Investment Property is recognized by the acquisition cost, and the subsequent measurement uses the fair value model. The gains or losses from changes in the fair value of the investment property are recognized in profit or loss in the period in which they happen.

Note 4: The above-mentioned distribution amounts are based on the resolutions of the Shareholders' Meeting in the next year; in the first quarter of 2018 and 2019, there was no earnings distribution resolution of the Shareholders' Meeting.

(I) 2. Separate Condensed Balance Sheet:

Unit: NT$ 1,000

Item \ Year		Most Recent 5-Year Concise Financial Information (Note 1)				
		2014	2015	2016	2017	2018
Current Assets		12,557,206	11,328,075	10,607,153	10,621,312	10,612,030
Property, Plant, and Equipment (Note 2)		4,550,817	5,445,330	3,062,806	3,298,479	1,968,170
Intangible Assets		52,726	22,031	21,474	21,027	18,179
Other Assets (Note 3)		27,392,570	30,317,660	36,416,022	35,369,493	39,819,737
Total Assets		44,553,319	47,113,096	50,107,455	49,310,311	52,418,116
Current Liabilities	Before Distribution	21,800,801	23,038,870	23,965,858	24,230,229	27,348,158
	After Distribution	25,031,925	26,065,253	27,001,411	27,451,913	(Note 4)
Non-current Liabilities		622,066	1,795,929	1,982,590	1,286,445	991,803
Total Liabilities	Before Distribution	22,422,867	24,834,799	25,948,448	25,516,674	28,339,961
	After Distribution	25,653,991	27,861,182	28,984,001	28,738,358	(Note 4)
Shareholders Equity Attributable to the Parent Company		22,130,452	22,278,297	24,159,007	23,793,637	24,078,155
Capital Stock		6,948,654	7,038,101	7,120,820	7,206,051	7,303,799
Additional Paid-in Capital		3,602,741	4,090,426	4,629,152	5,136,660	5,633,933
Retained Earnings	Before Distribution	11,943,320	12,416,132	12,862,540	13,792,778	14,934,034
	After Distribution	8,677,453	9,354,558	9,791,275	10,534,895	(Note 4)
Other Equity		(52,986)	(955,085)	63,660	(1,824,687)	(3,065,027)
Treasure Shares		(311,277)	(311,277)	(517,165)	(517,165)	(728,584)
Uncontrolled Equity		-	-	-	-	-
Total Equity	Before Distribution	22,130,452	22,278,297	24,159,007	23,793,637	24,078,155
	After Distribution	18,864,585	19,216,723	21,087,742	20,535,754	(Note 4)

Note 1: The financial information of each of the above years is audited by the CPA.

Note 2: The asset revaluation has not been processed in each of the above years.

Note 3: Assets revaluation has not been processed in 2014-2015.

From 2016 to 2018: Investment Property is recognized by the acquisition cost and the subsequent measurement uses the fair value model. The gains or losses arising from changes in the fair value of investment property are recognized as losses or benefits in the period when it happens.

Note 4: The post-allocation figures mentioned above are based on the resolution of the Shareholders Meeting of the next year; the 2018 annual earning distribution allocation case has not yet been transferred to the Shareholders' Meeting for resolution.

(II) 1. Concise Consolidated Statement of Comprehensive Income

Unit: NT$ 1,000 (Except for the unit of earnings per share, which is “dollars”)

Year / Item	Most Recent 5-Year Financial Information (Note) [reasons and conditions of correction or restatement must be described]					Financial information from the Current Year to March 31, 2019
	2014	2015	2016	2017	2018	
Operating Revenue	80,110,692	80,663,369	77,018,060	78,155,686	87,260,406	19,177,441
Gross Profit	12,546,250	12,251,817	13,517,449	13,454,337	12,616,764	2,895,907
Operating Income	4,681,669	4,605,263	5,028,077	4,569,330	4,649,536	420,878
Non-operating Income and Expenses	924,188	614,476	331,284	1,520,689	385,936	1,908,612
Earnings Before Taxation	5,605,857	5,219,739	5,359,361	6,090,019	5,035,472	2,329,490
Net Income of Continued Operations	5,605,857	5,219,739	5,359,361	6,090,019	5,035,472	2,329,490
Loss From Discontinued Operations (value after deducting income tax)	-	-	-	-	-	-
Net Income (loss) in Current Period	4,655,830	4,393,240	4,309,071	4,872,216	3,978,909	1,870,371
Other Comprehensive Income in Current Period (net income)	(378,189)	(970,589)	979,506	(2,403,270)	(517,092)	614,819
Total Comprehensive Income in Current Period	4,277,641	3,422,651	5,288,577	2,468,946	3,461,817	2,485,190
Net Income Attributable to Shareholders of the Parent Company	4,080,939	3,761,498	3,531,068	4,021,529	3,590,711	1,646,639
Net Income Attributable to Uncontrolled Equity	574,891	631,742	778,003	850,687	388,198	223,732
Total Comprehensive Income Attributable to the Parent Company	3,699,702	2,836,580	4,526,727	2,113,156	3,203,987	2,193,845
Comprehensive Income Attributable to Uncontrolled Equity	577,939	586,071	761,850	355,790	257,830	291,345
Earnings per Share	6.19	5.63	5.21	5.89	5.22	2.39

Note: The above annual financial information is audited by the CPA; the first quarter of 2019 is the reviewed amounts of the CPA.

(II) 2.Separate Condensed Comprehensive Income Statement

Unit: NT$ 1,000 (Except for the unit of earnings per share, which is “dollars”)

Year / Item	Most Recent 5-Year Financial Information (Note) [reasons and conditions of correction or restatement must be described]				
	2014	2015	2016	2017	2018
Operating Revenue	32,320,270	33,498,853	24,819,362	23,309,518	24,501,048
Gross Profit	3,594,337	3,526,181	4,317,560	4,136,135	4,172,651
Operating Income	1,143,310	1,069,916	1,488,756	1,147,835	1,011,352
Non-operating Income and Expenses	3,273,717	2,907,946	2,326,485	3,387,272	2,729,615
Earnings Before Taxation	4,417,027	3,977,862	3,815,241	4,535,107	3,740,967
Net Income of Continued Operations	4,417,027	3,977,862	3,815,241	4,535,107	3,740,967
Discontinued Operation Loss (value after deducting income tax)	-	-	-	-	-
Net Income (loss) in Current Period	4,080,939	3,761,498	3,531,068	4,021,529	3,590,711
Other Comprehensive Income in Current Period (net income)	(381,237)	(924,918)	995,659	(1,908,373)	(386,724)
Total Comprehensive Income in Current Period	3,699,702	2,836,580	4,526,727	2,113,156	3,203,987
Net Income Attributable to Shareholders of the Parent Company	3,699,702	3,761,498	3,531,068	4,021,529	3,590,711
Net Income Attributable to Uncontrolled Equity	-	-	-	-	-
Total Comprehensive Income Attributable to the Parent Company	3,699,702	2,836,580	4,526,727	2,113,156	3,203,987
Comprehensive Income Attributable to Uncontrolled Equity	-	-	-	-	-
Earnings per Share	6.19	5.63	5.21	5.89	5.22

Note 1: The financial information of each of the above years is audited by the CPA.

(III) Audit Situation for the CPA

Name of the CPA and Audit Comments in the Past Five Years

Year	Name of CPA	Audit Opinions
2014	Wang, Hui-Hsien/Lin, Chun-Yao	Modified Unqualified Opinions
2015	Wang, Hui-Hsien/Lin, Chun-Yao	Modified Unqualified Opinions
2016	Wang, Hui-Hsien/Lin, Chun-Yao	Unqualified Opinions
2017	Lin, Chun-Yao/Weng, Shih-Jung	Unqualified Opinions
2018	Weng, Shih-Jung/Chen, Chin-Chang	Unqualified Opinions

Change of the CPA in the Most Recent Five Years:

Internal adjustment of the PricewaterhouseCoopers CPA firm. Since 2017, the Company has replaced Chun Yao Lin CPA and Hui Hsien Wang CPA with Chin Chang Chen CPA and Weng Shirong CPA; In the first quarter of 2018, the Company replaced Chun Yao Lin CPA and Shih Jung Weng CPA with Shih Jung Weng CPA and Chin Chang Chen CPA.

2. Financial Analysis of the Recent 5 years

(1) 1. The Financial Ratio Analysis of Consolidated Financial Statements (if there is a stand-alone financial report, the financial ratio analysis of stand-alone financial statement should be edited)

Analytical Item \ Year		Most Recent 5-Year Financial Analysis (Note 1) (one season before the date of printing)							As of this year of March 31, 2019 (Note 1)
		2014	2015	2016	2017	2018	Change in 2018 Compared to 2017 %	Description of Reason	
Financial Structure	Liabilities to Assets Ratio (%)	54.69	55.72	55.64	58.08	59.12	1.78		54.23
	Long-term Capital to Property, Plant and Equipment Ratio (%)	160.84	161.12	199.09	192.54	207.30	7.67		215.90
Ability to Repay Debts	Current Ratio (%)	126.47	120.50	120.44	117.89	118.48	0.50		123.62
	Quick Ratio (%)	89.20	85.66	85.03	80.16	70.94	-11.51		81.50
	Debt Service Coverage Ratio	121.33	69.49	69.72	59.17	36.20	-38.81	1	56.94
Utility	A/R Turnover (times)	4.27	4.30	4.04	4.04	4.68	15.96		4.38
	Average Days of Payment Collection	86	85	90	90	78	-13.76		83
	Inventory Turnover (times) (Note 9)	6.18	6.10	5.70	5.09	4.90	- 3.80		4.16
	A/P Turnover (Times)	3.71	3.51	3.16	3.05	3.35	9.70		3.17
	Average Days of Sale	59	60	64	72	75	3.95		88
	Property, Plants, and Equipment Turnover (times)	6.17	5.43	5.31	5.77	6.72	16.41		6.13
	Total Assets Turnover (times)	1.48	1.39	1.25	1.18	1.28	7.78		1.13
Profitability	ROA (%)	7.64	6.60	5.83	6.24	5.43	-12.88		9.91
	ROE (%)	18.92	16.94	15.21	16.77	15.00	-10.56		26.19
	EBIT to Paid-in Capital Ratio (%) (note 7)	80.67	74.16	75.26	84.51	68.94	-18.42		127.58
	Net Profit Margin (%)	5.10	4.67	4.59	5.15	4.12	-19.97	2	8.59
	Earnings per Share (NTD)	6.19	5.63	5.21	5.89	5.22	-11.83		2.39
Cash Flows	Cash Flow Ratio (%)	23.78	27.47	23.60	17.19	16.67	- 3.03		N/A
	Cash Flow Adequacy Ratio (%)	89.89	103.41	115.77	110.74	101.31	-8.51		N/A
	Cash Reinvestment Ratio (%)	11.95	14.43	14.00	9.80	9.73	- 0.64		N/A
Leverage	Operational Leverage	3.71	3.85	3.63	3.84	3.90	1.50		9.72
	Financial Leverage	1.01	1.02	1.02	1.02	1.03	0.81		1.11

Please describe the reasons for the changes in the financial ratios in the recent two years. (exempt from analysis if the increase or decrease of change is less than 20%)

In 2018, the increase or decrease from 2017 was more than 20%, as described below:

1. Due to decrease of profit-before-tax and increase of interests caused by increasing of loan amount.

2.Due to revenue of the year has been increased while the profit has been decreased.

Note 1: The financial information of each of the above years is audited by the CPA; the first quarter of 2019 is the reviewed amount by the CPA.

Note 2: The calculated formula of the important financial ratios in the above table: same as (I) 2. Note 2.

Note 3: The calculated formula of the earnings per share mentioned above should be specially considered when measuring the use of this formula: same as (1I) 2. Note 3.

Note 4: The special considerations for measuring the use of cash flow analysis are as follows: same as (I) 2. Note 4.

(1) 2. The Financial Ratio Analysis of Stand-alone Financial Statements (if there is a stand-alone financial report, the financial ratio analysis of stand-alone financial statement should be edited)

Analytical Item \ Year		Most Recent 5-Year Financial Analysis (Note 1)						
		2014	2015	2016	2017	2018	Change in 2018 Compared to 2017 %	Description of Reason
Financial Structure	Liabilities to Assets Ratio (%)	50.33	52.71	51.79	51.75	54.07	4.48	
	Long-term Capital to Property, Plant and Equipment Ratio (%)	499.97	442.11	853.52	760.35	1,273.77	67.52	1
Ability to Repay Debts	Current Ratio (%)	57.60	49.17	44.26	43.83	38.80	-11.48	
	Quick Ratio (%)	52.53	43.22	39.13	38.74	32.89	-15.10	
	Debt Service Coverage Ratio	176.36	150.24	552.02	163.95	88.51	-46.02	2
Utility	A/R Turnover (times)	5.16	5.51	4.61	4.57	6.12	33.98	3
	Average Days of Payment Collection	71	66	79	80	60	-25.36	3
	Inventory Turnover (times) (Note 9)	28.03	22.89	14.84	15.00	14.13	-5.83	
	A/P Turnover (Times)	2.16	1.82	1.14	1.07	1.08	0.70	
	Average Days of Sale	13	16	25	24	26	6.19	
	Property, Plants, and Equipment Turnover (times)	9.00	6.60	5.67	7.11	8.89	24.93	4
	Total Assets Turnover (times)	0.78	0.72	0.50	0.46	0.46	1.08	
Profitability	ROA (%)	10.03	8.26	7.28	8.14	7.13	-12.41	
	ROE (%)	18.92	16.94	15.21	16.77	15.00	-10.56	
	EBIT to Paid-in Capital Ratio (%)	63.57	56.52	53.58	62.93	51.22	-18.61	
	Net Profit Margin (%)	12.86	11.41	14.64	17.78	15.35	-13.68	
	Earnings per Share (NTD)	6.19	5.63	5.21	5.89	5.22	11.83	
Cash Flows	Cash Flow Ratio (%)	20.55	24.45	10.63	8.87	19.08	115.00	5
	Cash Flow Adequacy Ratio (%)	99.56	112.11	106.07	89.89	93.81	4.36	
	Cash Reinvestment Ratio (%)	5.97	10.47	-2.57	-4.99	12.41	- 348.87	6
Leverage	Operational Leverage	1.73	1.77	1.61	1.70	1.98	16.12	
	Financial Leverage	1.02	1.03	1.00	1.02	1.04	1.88	

Please describe the reasons for the changes in the financial ratios in the recent two years. (exempt from analysis if the increase or decrease of change is less than 20%)
In 2018, the increase or decrease from 2017 was more than 20%, as described below:

1. Due to Employee Building transfers from Property, Plant and Equipment to invested real estate.
2. Due to decrease of profit-before-tax and increase of interests caused by increasing of loan amount.
3. Due to the amount of A/R has been decreased.
4. Due to Employee Building transfers from Property, Plant and Equipment to invested real estate.
5. Due to cash flow has been increased compared to last year, the cash flow ratio increased as well.
6. Due to cash flow has been increased compared to last year, the cash reinvestment ratio increased as well.

Note 1: The financial information of each of the above years is audited by the CPA.
Note 2: The calculated formula of the important financial ratios in the above table, listed below:

1. Financial Structure
   (1) Liabilities to assets ratio = total liabilities/total assets.
   (2) Long-term capital to property, plant, and equipment ratio = (total equity + non-current liabilities)/net property, plant, and equipment.
2. Ability to Repay Debts
   (1) Current ratio = current assets/current liabilities.
   (2) Quick ratio = (current assets – inventory – prepayments)/current liabilities.
   (3) Debt service coverage ratio = EBIT/interest expense in current period.
3. Utility
   (1) Receivables turnover (including account receivables and note receivables from operation) = net sale/the balance of average receivables in each period including account receivables and note receivables from operation.
   (2) Average days of payment collection = 365/receivable turnover.
   (3) Inventory turnover = cost of goods sold/average inventory.
   (4) Payables turnover (including account payables and note payables from operation) = net sale/the balance of average payables in each period including account payables and note payables from operation.
   (5) Average days of sale = 365/inventory turnover.
   (6) Property, plant, and equipment turnover = net sale/net average property, plant, and equipment.
   (7) Total assets turnover = net sale/total average assets.
4. Profitability
   (1) Return on Assets (ROA) = [net income + interest expense x (1 – tax rate)]/average total assets.
   (2) Return on Equity (ROE) = net income/total average equity.
   (3) Net profit rate = net income/net sales.
   (4) Earnings per share = (income attributable to the shareholders of the parent company – dividend of preferred shares)/weighted average quantity of outstanding shares. (Note 3)
5. Cash Flows
   (1) Cash flow ratio = net cash flows from operation/current liabilities.
   (2) Net cash flow adequacy ratio = net cash flow from operation in the last 5 years/(capital expenditures + increase in inventory + cash dividend) in the last 5 years.
   (3) Cash reinvestment ration = (net cash flow from operation – cash dividend)/(gross property, plant, and equipment + long-term investment + other non-current assets + working capital). (Note 4)
6. Leverage:
   (1) Operational leverage = (net operating income – variable operating cost and expense)/operating income (Note 5).
   (2) Financial leverage = operating income/(operating income – interest expenses).

Note 3: Pay attention to the following in measurement with the aforementioned equation of the earnings per share in the calculation:

1. Based on the weighted average quantity of common shares, not the outstanding quantity of shares at the end of the year.
2. Consider the period of circulation for transactions with the offering of new shares for raising capital or repurchase of treasury shares in the calculation of the weighted average quantity

of outstanding shares.

3. If there is capitalization of retained earnings or capitalization of additional paid-in capital into new shares, make adjustment in the calculation of earnings per share of the previous year and on semi-annual basis in retrospect of the increase in the size of capital irrespective of the period of capitalization.
4. If the preferred shares are unconvertible accumulative preferred shares, the dividend of the year (released or not) shall be deducted from net income, or added to net loss after tax. If the preferred shares are not accumulative, and there is the net income, dividends for preferred shares shall be deducted from net income. If there is net loss, no adjustment is necessary.

Note 4: Pay attention to the following in the measurement of cash flow in the analysis:

1. Net cash flow from operation is the net cash inflow from operation as presented in the statement of cash flows.
2. Capital expenditure shall be the cash outflow from annual capital investment.
3. The increase of inventory is only included in the calculation when the balance at the ending of the period is greater than the balance at the beginning of the period. If there is a decrease of inventory at year end, calculate on the basis of zero.
4. Cash dividends includes the cash dividends for common shares and preferred shares.
5. Gross property, plant, and equipment are the total property, plant, and equipment before accumulated depreciations.

Note 5: Issuers shall classify operating costs and expenses by purpose of use as fixed or variable. If estimation or subjective judgment is involved, make sure it is rational and consistent.

Note 6: If the stock issued by the Company bears no face value, or the face value is not NT$10/share, the calculation of the aforementioned ratio to paid-in capital shall be based on the ratio of the equity attributable to the parent company of the balance sheet.

3. Supervisor Audit Report in the Financial Report in 2018

Chicony Electronics CO., Ltd.
Supervisors' Review Report

We hereby confirm

The Board of Directors of Chicony Electronics Co., Ltd prepared and presented the 2018 business report, consolidated financial statements and individual financial statements, and the statement of retained earnings. The financial statements were audited by the PwC Taiwan, appointed by Board, and an independent auditor's report was issued by it.

Supervisors have audited the above-mentioned reports that were composed and presented by the Board of Directors. They have been audited and it is concluded the reports are presented fairly according to Corporate Law and other related regulation ; therefore, a Supervisor's Report is hereby issued in accordance with Company Law Article 219.

For your review
To

Shareholders' Meeting 2019

Supervisor:
Huang, Chin-Hsuan

Supervisor:
Huang, Chen-Chih

Supervisor:
Tong Ling Investment Co., Ltd.
Representative of the Legal Entity: Chang, Su-Tien

March 7, 2019

4.Consolidated Financial Report Audited by the CPA in 2018

CHICONY ELECTRONICS CO., LTD. AND SUBSIDIARIES

1.CONSOLIDATED FINANCIAL STATEMENTS AND

REPORT OF INDEPENDENT ACCOUNTANTS

2.DECEMBER 31, 2018 AND 2017

1.For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of CHICONY ELECTRONICS CO., LTD.

Opinion

We have audited the accompanying consolidated balance sheets of Chicony Electronics Co., Ltd. and its subsidiaries (the "Group") as at December 31, 2018 and 2017, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other independent accountants (refer to "Other matter" section of our report), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018 and 2017, 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 the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" and generally accepted auditing standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. Based on our audits and reports of other independent accountants, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, 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, we do not provide a separate opinion on these matters.

Key audit matters for the Group's consolidated financial statements of the current period are stated as follows:

Appropriateness of warehouse operating revenue cut-off

Description

Refer to Notes 4(31) and 6(23) for policies on revenue recognition and details of revenue.

The Group's revenue arises from sales of goods, consisting mainly of factory direct shipment and warehouse sales revenue. Warehouse sales revenue is recognised when the goods are dispatched from the warehouses (transfer of control of products) and it is based on the reports and other relevant information provided by the warehouse custodians. The Group's warehouses are located in multiple countries, and the revenue recognition process involves several manual operations. Thus, we determine the warehouse sales revenue cut off as one of the key areas of focus for this fiscal year's audit.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

Evaluated the internal controls for regular reconciliation between the Group and its warehouse custodians.

Performed the revenue recognition cut-off tests, including obtaining sufficient appropriate audit evidences from the warehouse custodians and reviewing the reconciliations of the Group's accounting records.

Conducted warehouse inventory audit by using physical counts or using confirmation letters to validate inventory balances with the warehouse custodians.

Valuation of inventory

<u>Description</u>

Refer to Notes 4(12), 5(2) and 6(6) for the description of accounting policy, critical accounting estimates, uncertainty of assumptions and details of accounts.

The Group's main inventories are keyboard, power supplies, camera modules and other electronic products. The prices of such inventories are affected by market demand and the rapid technological changes. Therefore, there is higher risk of market decline. As the assessment of net realisable value of inventories is subject to management judgement, we consider the valuation of inventory as a key audit matter.

<u>How our audit addressed the matter</u>

We performed the following audit procedures on the above key audit matter:

1.Assessed whether the Group's accounting policies comply with the relevant standards and the Group’s industry practice and the reasonableness of management’s evaluation process, including the determination of net realisable value of inventories, the sales expenses and the judgement of obsolete inventories. Checked whether the provision policies were consistently adopted in the reporting periods.

Obtained net realisable value statement of inventories to confirm whether the calculation logic was adopted consistently, and tested the data sources of selected samples which includes inventory price or purchase price to verify whether the net realisable value used by the management was in compliance with its policies, and recalculated the accuracy of allowance for inventory valuation losses.

Other matter - Audit of other independent accountants

We did not audit the financial statements of certain consolidated subsidiaries and investments accounted for under the equity method that are included in the consolidated financial statements. Those financial statements were audited by other independent accountants, whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included in the financial statements and the information disclosed in Note 13 was based solely on the reports of other independent accountants. Total assets (including investments accounted for under the equity method) of NT$1,450,280 thousand and NT$1,334,746 thousand, constituted 2.10% and 1.98% of consolidated total assets as of December 31, 2018 and 2017, respectively. Total sales revenue of NT$2,815,523 thousand and NT$2,786,115 thousand, constituted 3.23% and 3.56% of consolidated total sales revenue for the years ended December 31, 2018 and 2017, respectively.

Other matter - Parent company only financial reports

We have audited and expressed an unmodified opinion on the parent company only financial statements of Chicony Electronics Co., Ltd. as at and for the years ended December 31, 2018 and 2017.

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 the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, 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 Supervisors, are responsible for overseeing the Group's financial reporting process.

Independent accountant's 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 auditor's 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 ROC GAAS 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 ROC GAAS, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

3. 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 controls.
4. Obtain an understanding of internal controls 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 controls.
5. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
6. 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 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 report. However, future events or conditions may cause the Group to cease to continue as a going concern.
7. 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.
8. 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 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 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.

Chen, Chin-Chang Weng, Shih-Jung

For and on behalf of PricewaterhouseCoopers, Taiwan

March 7, 2019

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

CHICONY ELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

	Assets	Notes	December 31, 2018	December 31, 2017
	Current assets			
1100	Cash and cash equivalents	6(1)	$ 1,952,439	$ 2,679,941
1110	Financial assets at fair value through profit or loss - current	6(2) and 12(4)	4,316,587	412,311
1120	Financial assets at fair value through other comprehensive income - current	6(3)	2,920,108	-
1125	Available-for-sale financial assets - current	12(4)	-	6,734,294
1150	Notes receivable, net	6(4)	360,995	842,816
1170	Accounts receivable, net	6(4)	17,615,816	18,060,476
1180	Accounts receivable - related parties	7	314,182	325,997
1200	Other receivables		314,508	503,149
130X	Inventories, net	6(6)	15,078,468	12,458,261
1410	Prepayments		1,591,001	1,401,826
1460	Non-current assets classified as held for sale, net	6(11)	1,956,546	-
1470	Other current assets	8	1,493	51,723
11XX	**Total current assets**		46,422,143	43,470,794
	Non-current assets			
1510	Financial assets at fair value through profit or loss – non-current	6(2)	1,993,760	-
1517	Financial assets at fair value through other comprehensive income – non-current	6(3)	858,124	-
1523	Available-for-sale financial assets – non-current	12(4)	-	883,509
1543	Financial assets carried at cost – non-current	12(4)	-	2,266,656
1550	Investments accounted for under equity method	6(7)	31,755	45,719
1600	Property, plant and equipment, net	6(8) and 8	12,371,429	13,554,882
1760	Investment property - net	6(9) and 8	5,537,730	5,517,981
1780	Intangible assets	6(10)	233,688	249,404
1840	Deferred income tax assets	6(29)	97,958	162,296
1900	Other non-current assets	6(12) and 8	1,385,321	1,303,139
15XX	**Total non-current assets**		22,509,765	23,983,586
1XXX	**Total assets**		$ 68,931,908	$ 67,454,380

(Continued)

CHICONY ELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

	Liabilities and Equity	Notes	December 31, 2018	December 31, 2017
	Current liabilities			
2100	Short-term borrowings	6(13) and 8	$ 5,643,630	$ 4,246,383
2120	Financial liabilities at fair value through profit or loss - current	6(2) and 12(4)	70,777	488,548
2130	Contract liabilities - current		145,243	-
2150	Notes payable		1,720	2,187
2170	Accounts payable	6(14)	22,713,760	20,737,567
2180	Accounts payable - related parties	7	300,503	482,419
2200	Other payables	6(15)	8,307,849	9,125,867
2230	Current income tax liabilities		1,490,003	1,564,325
2300	Other current liabilities	6(16)	508,717	226,178
21XX	**Total current liabilities**		39,182,202	36,873,474
	Non-current liabilities			
2540	Long-term borrowings	6(16) and 8	1,006,224	1,831,281
2570	Deferred income tax liabilities	6(29)	297,554	230,809
2600	Other non-current liabilities	6(17)	264,404	243,421
25XX	**Total non-current liabilities**		1,568,182	2,305,511
2XXX	**Total liabilities**		40,750,384	39,178,985
	Equity attributable to owners of parent			
	Share capital	6(19)		
3110	Share capital - common stock		7,303,799	7,206,051
	Capital surplus	6(20)		
3200	Capital surplus		5,633,933	5,136,660
	Retained earnings	6(21)		
3310	Legal reserve		4,617,199	4,215,046
3320	Special reserve		1,861,304	433,524
3350	Unappropriated retained earnings		8,455,531	9,144,208
	Other equity interest	6(22)		
3400	Other equity interest		(3,065,027)	(1,824,687)
3500	**Treasury stocks**	6(19) and 8	(728,584)	(517,165)
31XX	**Equity attributable to owners of the parent**		24,078,155	23,793,637
36XX	**Non-controlling interest**		4,103,369	4,481,758
3XXX	**Total equity**		28,181,524	28,275,395
	Significant contingent liabilities and unrecognised contract commitments	9		
	Significant events after the balance sheet date	11		
3X2X	**Total liabilities and equity**		$ 68,931,908	$ 67,454,380

The notes are an integral part of these consolidated financial statements.

CHICONY ELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)

	Items	Notes	Years ended December 31, 2018	2017
4000	**Sales revenue**	6(23), 7 and 12(5)	$ 87,260,406	$ 78,155,686
5000	**Operating costs**	6(6)(27)(28) and 7	(74,643,642)	(64,701,349)
5900	**Net operating margin**		12,616,764	13,454,337
	Operating expenses	6(27)(28)		
6100	Selling expenses		(3,140,664)	(3,544,903)
6200	General and administrative expenses		(2,162,176)	(2,390,500)
6300	Research and development expenses		(2,515,632)	(2,949,604)
6450	Impairment loss determined in accordance with IFRS 9	12(2)	(148,756)	-
6000	**Total operating expenses**		(7,967,228)	(8,885,007)
6900	**Operating profit**		4,649,536	4,569,330
	Non-operating income and expenses			
7010	Other income	6(24)	799,617	780,659
7020	Other gains and losses	6(25)	(255,145)	969,738
7050	Finance costs	6(26)	(143,035)	(104,700)
7060	Share of loss of associates and joint ventures accounted for under equity method	6(7)	(15,501)	(125,008)
7000	**Total non-operating income and expenses**		385,936	1,520,689
7900	**Profit before income tax**		5,035,472	6,090,019
7950	Income tax expense	6(29)	(1,056,563)	(1,217,803)
8200	**Profit for the year**		$ 3,978,909	$ 4,872,216

(Continued)

CHICONY ELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)

	Items	Notes	Years ended December 31, 2018	2017
	Other comprehensive income			
	Components of other comprehensive income (loss) that will not be reclassified to profit or loss			
8311	Actuarial loss on defined benefit plan	6(17)	($ 13,253)	($ 23,363)
8312	Gains on revaluation	6(9)	155,281	-
8316	Unrealised loss on equity instruments at fair value through other comprehensive income		(493,547)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss		(161,893)	-
8310	**Other comprehensive loss that will not be reclassified to profit or loss**		(513,412)	(23,363)
	Components of other comprehensive income (loss) that will be reclassified to profit or loss			
8361	Financial statements translation differences of foreign operations		(5,217)	(1,110,924)
8362	Unrealised loss on valuation of available-for-sale financial assets		-	(1,264,999)
8370	Share of other comprehensive income (loss) of associates and joint ventures accounted for using equity method		1,537	(3,984)
8360	**Other comprehensive loss that will be reclassified to profit or loss**		(3,680)	(2,379,907)
8300	**Total other comprehensive loss for the year**		($ 517,092)	($ 2,403,270)
8500	**Total comprehensive income for the year**		$ 3,461,817	$ 2,468,946
	Profit attributable to:			
8610	Owners of the parent		$ 3,590,711	$ 4,021,529
8620	Non-controlling interest		$ 388,198	$ 850,687
	Comprehensive income attributable to:			
8710	Owners of the parent		$ 3,203,987	$ 2,113,156
8720	Non-controlling interest		$ 257,830	$ 355,790
	Earnings per share	6(30)		
9750	**Basic earnings per share**		$ 5.22	$ 5.89
9850	**Diluted earnings per share**		$ 5.15	$ 5.81

The notes are an integral part of these consolidated financial statements.

CHICONY ELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in thousands of New Taiwan dollars)

		Equity attributable to owners of the parent											
				Retained Earnings			Other Equity Interest						
	Notes	Share capital - common stock	Total capital surplus, additional paid-in capital	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Asset revaluation increment	Treasury stocks	Total	Non-controlling interest	Total equity
Year ended December 31, 2017													
Balance at January 1, 2017		$ 7,120,820	$ 4,629,152	$ 3,861,939	$ 951,488	$ 8,049,113	$ 55,011	($ 1,379,630)	$ 1,388,279	($ 517,165)	$ 24,159,007	$ 4,365,926	$ 28,524,933
Profit for 2017		-	-	-	-	4,021,529	-	-	-	-	4,021,529	850,687	4,872,216
Other comprehensive loss for 2017	6(22)	-	-	-	-	(20,026)	(1,064,485)	(823,862)	-	-	(1,908,373)	(494,897)	(2,403,270)
Total comprehensive income (loss)		-	-	-	-	4,001,503	(1,064,485)	(823,862)	-	-	2,113,156	355,790	2,468,946
Appropriations of 2016 earnings	6(21)												
Legal reserve		-	-	353,107	-	(353,107)	-	-	-	-	-	-	-
Reversal of special reserve		-	-	-	(517,964)	517,964	-	-	-	-	-	-	-
Stock dividends		35,712	-	-	-	(35,712)	-	-	-	-	-	-	-
Cash dividends		-	-	-	-	(3,035,553)	-	-	-	-	(3,035,553)	-	(3,035,553)
Employees’ stock dividends		49,519	310,481	-	-	-	-	-	-	-	360,000	-	360,000
Cash dividends paid to the subsidiaries		-	157,218	-	-	-	-	-	-	-	157,218	-	157,218
Difference between proceeds from addition and disposal of subsidiary and book value		-	7	-	-	-	-	-	-	-	7	(7)	-
Adjustments to share of changes in equity of associates and joint ventures		-	111,028	-	-	-	-	-	-	-	111,028	335,297	446,325
Changes in equity of associates and joint ventures accounted for using equity method		-	(71,229)	-	-	-	-	-	-	-	(71,229)	-	(71,229)
Cash dividends distributed by subsidiaries		-	-	-	-	-	-	-	-	-	-	(570,579)	(570,579)
Others (overdue dividends)		-	3	-	-	-	-	-	-	-	3	-	3
Non-controlling interest adjustment		-	-	-	-	-	-	-	-	-	-	(4,669)	(4,669)
Balance at December 31, 2017		$ 7,206,051	$ 5,136,660	$ 4,215,046	$ 433,524	$ 9,144,208	($ 1,009,474)	($ 2,203,492)	$ 1,388,279	($ 517,165)	$ 23,793,637	$ 4,481,758	$ 28,275,395
Year ended December 31, 2018													
Balance at January 1, 2018		$ 7,206,051	$ 5,136,660	$ 4,215,046	$ 433,524	$ 9,144,208	($ 1,009,474)	($ 2,203,492)	$ 1,388,279	($ 517,165)	$ 23,793,637	$ 4,481,758	$ 28,275,395
Effect of retrospective application and restatement	3(1)	-	-	-	-	860,203	-	(905,391)	-	-	(45,188)	(8,690)	(53,878)
Balance at January 1, 2018 after adjustments		7,206,051	5,136,660	4,215,046	433,524	10,004,411	(1,009,474)	(3,108,883)	1,388,279	(517,165)	23,748,449	4,473,068	28,221,517
Profit for 2018		-	-	-	-	3,590,711	-	-	-	-	3,590,711	388,198	3,978,909
Other comprehensive income (loss) for 2018	6(22)	-	-	-	-	(8,143)	23,660	(395,629)	(6,612)	-	(386,724)	(130,368)	(517,092)
Total comprehensive income (loss)		-	-	-	-	3,582,568	23,660	(395,629)	(6,612)	-	3,203,987	257,830	3,461,817
Appropriations of 2017 earnings	6(21)												
Legal reserve		-	-	402,153	-	(402,153)	-	-	-	-	-	-	-
Special reserve		-	-	-	1,427,780	(1,427,780)	-	-	-	-	-	-	-
Stock dividends		36,199	-	-	-	(36,199)	-	-	-	-	-	-	-
Cash dividends		-	-	-	-	(3,221,684)	-	-	-	-	(3,221,684)	-	(3,221,684)
Employees’ stock dividends		61,549	391,451	-	-	-	-	-	-	-	453,000	-	453,000
Purchase of treasury share		-	-	-	-	-	-	-	-	(211,419)	(211,419)	-	(211,419)
Cash dividends paid to the subsidiaries		-	165,439	-	-	-	-	-	-	-	165,439	-	165,439
Difference between proceeds from addition and disposal of subsidiary and book value		-	(134,690)	-	-	-	-	-	-	-	(134,690)	134,690	-
Adjustments to share of changes in equity of associates and joint ventures		-	73,905	-	-	-	-	-	-	-	73,905	56,433	130,338
Cash dividends distributed by subsidiaries		-	-	-	-	-	-	-	-	-	-	(630,314)	(630,314)
Disposal of investments in equity instruments at fair value through other comprehensive income		-	-	-	-	(43,632)	-	43,632	-	-	-	(7,675)	(7,675)
Non-controlling interest adjustment		-	-	-	-	-	-	-	-	-	-	(180,663)	(180,663)
Others (overdue dividends)		-	1,168	-	-	-	-	-	-	-	1,168	-	1,168
Balance at December 31, 2018		$ 7,303,799	$ 5,633,933	$ 4,617,199	$ 1,861,304	$ 8,455,531	($ 985,814)	($ 3,460,880)	$ 1,381,667	($ 728,584)	$ 24,078,155	$ 4,103,369	$ 28,181,524

The notes are an integral part of these consolidated financial statements.

CHICONY ELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)

	Notes	Years ended December 31, 2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 5,035,472	$ 6,090,019
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(8)(27)	2,043,512	1,969,888
Intangible assets amortisation	6(10)(27)	78,488	71,006
Other non-current assets recognised as expenses	6(27)	57,839	56,895
Long-term prepaid rent expense	6(12)(27)	10,119	8,281
Reversal of allowance for uncollectible accounts		-	(7,620)
Impairment loss determined in accordance with IFRS 9	12(2)	148,756	-
Share-based payments	6(18)	16,077	51,951
Interest income	6(24)	(50,882)	(38,665)
Dividend income	6(24)	(231,228)	(186,211)
Interest expense	6(26)	143,035	104,700
Net (gain) loss on financial assets and liabilities at fair value - derivative instruments	6(2)(25) and 12(4)	(449,292)	949,378
Net loss on financial assets and liabilities at fair value - other	6(25)	530,390	-
Share of loss of associates accounted for using equity method	6(7)	15,501	125,008
Gain on disposal of investments accounted for using equity method		-	(776,362)
Loss (gain) on disposal of property, plant and equipment	6(25)	15,161	(30,484)
Gain on disposal of investments	6(25)	-	(654,696)
Impairment loss on non-financial assets	6(10)(25)	-	96
Gain on fair value adjustment of investment property	6(9)(25)	(31,930)	(51,789)
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets and liabilities at fair value through profit or loss - current		93,580	(729,010)
Notes receivable		481,821	(175,581)
Accounts receivable		295,904	838,053
Accounts receivable - related parties		11,815	147,679
Other receivables		197,006	(39,103)
Inventories		(2,620,207)	(2,164,065)
Prepayments		(189,175)	(153,324)
Other current assets		50,230	(25,441)
Changes in operating liabilities			
Contract liabilities - current		(21,746)	-
Notes payable		(467)	(4,632)
Accounts payable		1,976,193	555,037
Accounts payable - related parties		(181,916)	(122,975)
Other payables		(78,501)	1,350,540
Other current liabilities		32,572	(38,085)
Other non-current liabilities		20,983	(13,723)
Cash inflow generated from operations		7,399,110	7,106,765
Interest received		50,905	39,314
Dividends received		231,228	186,211
Interest paid		(137,734)	(104,720)
Income tax paid		(1,011,559)	(888,393)
Net cash flows from operating activities		6,531,950	6,339,177

(Continued)

CHICONY ELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)

	Notes	Years ended December 31, 2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease in other current assets		$ -	$ 139,351
Acquisition of available-for-sale financial assets		-	(3,737,027)
Proceeds from disposal of available-for-sale financial assets		-	2,751,917
Acquisition of financial assets carried at cost		-	(624,605)
Acquisition of financial assets and liabilities at fair value through profit or loss - Other		(4,082,081)	-
Disposal of financial assets and liabilities at fair value through profit or loss - Other		3,018,862	-
Disposal of financial assets at fair value through other comprehensive income		67,341	-
Proceeds from disposal of assets carried at cost		-	69,211
Acquisition of investments accounted for using equity method		-	(279,814)
Acquisition of property, plant and equipment	6(31)	(2,214,556)	(2,364,589)
Proceeds from disposal of property, plant and equipment		128,909	193,375
Acquisition of investment property	6(9)	(33,763)	(588)
Acquisition of intangible assets	6(10)	(62,267)	(70,529)
Increase in other non-current assets		(756,838)	(653,086)
Proceeds from disposal of investments accounted for using equity method		-	120,454
Increase in refundable deposits		(40,305)	(15,675)
Net cash flows used in investing activities		(3,974,698)	(4,471,605)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in short-term borrowings		1,397,247	2,145,206
Increase in long-term borrowings		-	401,853
Decrease in long-term borrowings		(480,000)	(874,381)
Treasury stock transferred to employees		29,119	141,171
Change in non-controlling interests		(296,568)	(4,669)
Cash dividends distributed by subsidiaries		(630,314)	(570,579)
Payment of cash dividends		(3,056,245)	(2,878,335)
Payments to acquire treasury shares		(211,419)	-
Overdue stock dividends		1,168	3
Net cash flows used in financing activities		(3,247,012)	(1,639,731)
Effect of exchange rate changes		(37,742)	(624,507)
Net decrease in cash and cash equivalents		(727,502)	(396,666)
Cash and cash equivalents at beginning of year	6(1)	2,679,941	3,076,607
Cash and cash equivalents at end of year	6(1)	$ 1,952,439	$ 2,679,941

The notes are an integral part of these consolidated financial statements.

CHICONY ELECTRONICS CO., LTD. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

(Expressed in thousands of New Taiwan dollars,
except as otherwise indicated)

HISTORY AND ORGANISATION

Chicony Electronics Co., Ltd. (the "Company") was incorporated in 1983 as a company limited by shares under the provisions of the Company Law of the Republic of China. The Company has been a listed company since 1999. The Company and its subsidiaries (collectively referred herein as the "Group") are engaged in the manufacturing and sales of keyboards and other computer peripheral components.

THE DATE OF AUTHORISATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

These consolidated financial statements were authorised for issuance by the Board of Directors on March 7, 2019.

APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards ("IFRS") as endorsed by the Financial Supervisory Commission ("FSC")

New standards, interpretations and amendments endorsed by FSC effective from 2018 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 2, 'Classification and measurement of share-based payment transactions'	January 1, 2018
Amendments to IFRS 4, 'Applying IFRS 9, Financial instruments with IFRS 4, Insurance contracts'	January 1, 2018
IFRS 9, 'Financial instruments'	January 1, 2018
IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
Amendments to IFRS 15, 'Clarifications to IFRS 15, Revenue from contracts with customers'	January 1, 2018
Amendments to IAS 7, 'Disclosure initiative'	January 1, 2017
Amendments to IAS 12, 'Recognition of deferred tax assets for unrealised losses'	January 1, 2017
Amendments to IAS 40, 'Transfers of investment property'	January 1, 2018
IFRIC 22, 'Foreign currency transactions and advance consideration'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle - Amendments to IFRS 1, 'First-time adoption of International Financial Reporting Standards'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle - Amendments to IFRS 12, 'Disclosure of interests in other entities'	January 1, 2017
Annual improvements to IFRSs 2014-2016 cycle - Amendments to IAS 28, 'Investments in associates and joint ventures'	January 1, 2018

Except for the following, the above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

IFRS 9, 'Financial instruments'

A. Classification of debt instruments is driven by the entity's business model and the contractual cash flow characteristics of the financial assets, which would be classified as financial asset at fair value through profit or loss, financial asset measured at fair value through other comprehensive income or financial asset measured at amortised cost. Equity instruments would be classified as financial asset at fair value through profit or loss, unless an entity makes an irrevocable election at inception to present subsequent changes in the fair value of an investment in an equity instrument that is not held for trading in other comprehensive income.

B. The impairment losses of debt instruments are assessed using an 'expected credit loss' approach. An entity assesses at each balance sheet date whether there has been a significant increase in credit risk on that instrument since initial recognition to recognise 12-month expected credit losses or lifetime expected credit losses (interest revenue would be calculated on the gross carrying amount of the asset before impairment losses occurred); or if the instrument that has objective evidence of impairment, interest revenue after the impairment would be calculated on the book value of net carrying amount (i.e. net of credit allowance). The Group shall always measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables that do not contain a significant financing component.

When adopting the new standards endorsed by the FSC effective from 2018, the Group has elected not to restate prior period financial statements using the modified retrospective approach under IFRS 9 and IFRS 15. The Group applied retrospectively IFRS 15 only to incomplete contracts as of January 1, 2018, by adopting an optional transition expedient. The significant effects of applying the new standards as of January 1, 2018 are summarised below:

Affected items	2017 version IFRSs amount	Effect of adoption of new standards	2018 version IFRSs amount	Remark
January 1, 2018				
Financial assets at fair value through profit or loss - current	$ 412,311	$ 3,352,971	$ 3,765,282	A、B
Available-for-sale financial assets - current	6,734,294	(6,734,294)	-	"
Financial assets at fair value through other comprehensive income - current	-	3,381,323	3,381,323	"
Financial assets at fair value through profit or loss - non-current	-	2,178,876	2,178,876	"
Available-for-sale financial assets - non-current	883,509	(883,509)	-	"
Financial assets at fair value through other comprehensive income - non-current	-	917,411	917,411	"
Financial assets carried at cost - non-current	2,266,656	(2,266,656)	-	"
Total affected assets	$ 10,296,770	($ 53,878)	$ 10,242,892	

Affected items	2017 version IFRSs amount	Effect of adoption of new standards	2018 version IFRSs amount	Remark
Contract liabilities - current	$ -	$ 166,989	$ 166,989	F
Other current liabilities	226,178	(166,989)	59,189	"
Total affected liabilities	226,178	-	226,178	
Retained earnings	13,792,778	860,203	14,652,981	A、B、C、D
Other equity interest	(1,824,687)	(905,391)	(2,730,078)	"
Non-controlling interest	4,481,758	(8,690)	4,473,068	A、B
Total affected equity	16,449,849	(53,878)	16,395,971	
Total affected liabilities and equity	$ 16,676,027	($ 53,878)	$ 16,622,149	

Explanation:

A. In accordance with IFRS 9, the Group reclassified available-for-sale financial assets – current, available-for-sale financial assets – non-current and financial assets carried at cost – non-current in the amounts of $3,381,323, $64,592 and $949,409, respectively, and made an irrevocable election at initial recognition on equity instruments not held for dealing or trading purpose, by increasing financial assets at fair value through other comprehensive income – current, financial assets at fair value through other comprehensive income – non-current, decreasing other equity interest and non-controlling interest in the amounts of $3,381,323, $917,411, $96,232 and $358, respectively.

B. In accordance with IFRS 9, the Group reclassified available-for-sale financial assets - current, available-for-sale financial assets - non-current and financial assets carried at cost - non-current in the amounts of $3,352,971, $818,917 and $1,317,247, respectively, by increasing financial assets at fair value through profit or loss - current, financial assets at fair value through profit or loss - non-current, decreasing retained earnings, increasing other equity interest and decreasing non-controlling interest in the amounts of $3,352,971, $2,178,876, $239,786, $290,830 and $ 8,332, respectively.

C. In accordance with IFRS 9, the Group transferred impairment loss on available-for-sale financial assets recognised under IAS 39 into other equity interest by decreasing other equity interest and increasing retained earnings in the amounts of $1,099,989 and $1,099,989, respectively.

D. The reconcilation of allowance for impairment from December 31, 2017, as these are impaired under IAS 39, to January 1, 2018, as these are expected to be impaired under IFRS 9, are as follows:

	Available-for-sale - current	Available-for-sale - non-current	
	Measured at fair value through other comprehensive income – current	Measured at fair value through other comprehensive income – non-current	Total
IAS 39	$ 81,264	$ 1,018,725	$ 1,099,989
Impairment loss adjustment	(81,264)	(1,018,725)	(1,099,989)
IFRS 9	$ -	$ -	$ -

E. Please refer to Note 12(4) for other disclosures in relation to the first application of IFRS 9.

F. Presentation of contract assets and liabilities

Due to applicable to IFRS 15 requirements, the Group changed the presentation of accounts in the balance sheet. Under IFRS 15, liabilities in relation to contracts are recognised as contract liabilities, but were previously presented as advance sales receipts (shown as 'other current liabilities') in the balance sheet. The balance amounted to $166,989 on January 1, 2018.

Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group

New standards, interpretations and amendments endorsed by the FSC effective from 2019 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 9, ‘Prepayment features with negative compensation’	January 1, 2019
IFRS 16, ‘Leases’	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
IFRIC 23, ‘Uncertainty over income tax treatments’	January 1, 2019
Annual improvements to IFRSs 2015-2017 cycle	January 1, 2019

Except for the following, the above standards and interpretations have no significant impact to the Group’s financial condition and operating result based on the Group’s assessment.

IFRS 16, ‘Leases’

IFRS 16, ‘Leases’, replaces IAS 17, ‘Leases’ and related interpretations and SICs. The standard requires lessees to recognise a ‘right-of-use asset’ and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.

The Group expects to recognise the lease contract of lessees in line with IFRS 16. However, the Group does not intend to restate the financial statements of prior period (referred herein as the “modified retrospective approach”). On January 1, 2019, it is expected that ‘right-of-use asset’ and lease liability will be increased by $913,892 and $470,130, and long-term prepaid rents (shown as ‘other non-current assets’) will be decreased by $443,762.

IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 1 and IAS 8, 'Disclosure Initiative-Definition of Material'	January 1, 2020
Amendments to IFRS 3, 'Definition of a business'	January 1, 2020
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2021

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs").

Basis of preparation

A. Except for the following items, these consolidated financial statements have been prepared under the historical cost convention:

(a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

(b) Financial assets at fair value through other comprehensive income/ Available-for-sale financial assets measured at fair value.

(c) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of financial statements in compliance with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

C. In adopting IFRS 9 and IFRS 15 effective January 1, 2018, the Group has elected to apply modified retrospective approach whereby the cumulative impact of the adoption was recognised as retained earnings, other equity or non-controlling interest as of January 1, 2018 and the financial statements for the year ended December 31, 2017 were not restated. The financial statements for the year ended December 31, 2017 were prepared in compliance with International Accounting Standard 39 ('IAS 39'), International Accounting Standard 18 ('IAS 18') and related financial reporting interpretations. Please refer to Notes 12(4) and (5) for details of significant accounting policies and details of significant accounts.

Basis of consolidation

A. Basis for preparation of consolidated financial statements:

(a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, 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. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.

(b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

(c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed 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.

(d) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.

(e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognised in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership (%) December 31, 2018	Ownership (%) December 31, 2017	Description
Chicony Electronics Co., Ltd. (CEC)	Chicony Overseas Inc. (COI)	Sales of computer peripherals and management of overseas acquisitions and investments	100%	100%	
"	Unikey Electronics Co., Ltd. (UNIKEY)	Manufacturing and sales of computers and computer peripherals	100%	100%	
"	Hipro Overseas (BVI) Inc. (HOI)	Sales of switching power supplies and other electronic parts and management of overseas acquisitions and investments	100%	100%	
"	Hipro Electronics Ltd. (HEC)	Sales of switching power supplies and other electronic parts	100%	100%	
"	XAVi Technology Corp. (XAVi)	Researching, manufacturing and sales of DSL bridges and routers	44.30%	42.69%	Note A
"	Chicony Electronics (Thailand) Co., Ltd. (CET)	Manufacturing and sales of computer peripherals	100%	100%	
"	Chicony Global Inc. (CGI)	Sales of computer peripherals	100%	100%	
"	Chicony Power Technology Co., Ltd. (CP)	Manufacturing and sales of plastic goods	49.08%	47.85%	Note A
"	Had Eri Iou Industrial Inc. Ltd. (HEI)	Manufacturing and sales of plastic goods	-	50.25%	Note B
COI	Chicony America Inc. (CAI)	Sales of computer peripherals	100%	100%	
"	Chicony Electronics(Dong Guan) Co., Ltd. (CEM2)	Manufacturing and sales of computers and computer peripherals	100%	100%	

Name of investor	Name of subsidiary	Main business activities	Ownership (%) December 31, 2018	Ownership (%) December 31, 2017	Description
COI	Mao-Feng International Inc. (Mao-Feng)	Sales of computer peripherals and management of overseas acquisitions and investments	100%	100%	
"	Chicony Electronics (Suzhou) Co., Ltd. (CEM3)	Manufacturing and sales of computers and computer peripherals	100%	100%	
"	Global Faith Inc. (GFI)	Sales of computer peripherals and management of overseas acquisitions and investments	60%	60%	
"	Real Young Electronics Co., Ltd. (Real Young)	Design and sales of computer peripherals and management of overseas acquisitions and investments	100%	100%	
"	Mao-Ray Electronics (DongGuan) Co., Ltd. (Mao-Ray)	Manufacturing of electronic parts, keyboards and plastic products	100%	100%	
"	Suzhou Mao-Qun Electronics Co., Ltd. (Mao-Qun)	Manufacturing of electronic parts, keyboards and plastic products	60%	60%	
"	Chicony Electronics CEZ s.r.o. (CEZ)	Sales of computer peripherals	100%	100%	
"	Suzhou Qun-Yang Electronics Co., Ltd. (Qun-Yang)	Manufacturing and sales of electronic parts, keyboard and plastic products	60%	60%	
"	Chicony Electronics Japan Co., Ltd. (CEJ)	Sales of computer peripherals	100%	100%	

Name of investor	Name of subsidiary	Main business activities	Ownership (%) December 31, 2018	Ownership (%) December 31, 2017	Description
COI	Kuang Mao International Inc. (Kuang Mao)	Sales of computer peripherals and management of overseas acquisitions and investments	100%	100%	
"	Chicony America Group Inc. (CAGI)	Internet solution for E-Commerce solution	100%	100%	
"	Chicony Electronics (Chong-Qing) Co., Ltd. (CEM5)	Manufacturing and sales of computer peripherals	100%	100%	
"	Hikari Investment GK (Hikari)	Investment holdings	99%	99%	
HEC	Quansun Investment Corp. Ltd. (Quansun)	Investment holdings	100%	100%	
"	Qun-Jing Power Co., Ltd. (Qun-Jing)	Sales of computer peripherals and consumer equipment	100%	100%	
CP	Chicony Power Holdings Inc. (CPH)	Investment holdings	100%	100%	
"	Chicony Power International Inc. (CPI)	Manufacturing and sales of switching power supplies and other electronic parts	100%	100%	
"	Chicony Power USA Inc. (CPUS)	Manufacturing and sales of switching power supplies and other electronic parts	100%	100%	
"	Chicony Power Technology HongKong Limited (CPHK)	Research and development centre	100%	100%	

Name of investor	Name of subsidiary	Main business activities	Ownership (%) December 31, 2018	Ownership (%) December 31, 2017	Description
CP	WitsLight Technology Co., Ltd. (WTS)	Design, research and development, manufacturing and sale of LED lighting modules	78.125%	78.125%	
WTS	WitsLight Technology Co., Ltd. (WT)	Design, research and development of LED lighting modules and international trade	100%	100%	
"	WitsLight Technology (Kunshan) Co., Ltd. (WTK)	Manufacturing and sales of LED lighting modules	100%	100%	
"	Zhuzhou Torch Auto Lamp CO., Ltd. (Zhuzhou Torch)	Production and sales of automotive and motorcycle components, electric machine and device, lamps and plastic products	100%	100%	
"	Carlight Technology Co., Ltd. (CT)	Design, researching and developing and sales of automotive and motorcycle lamps and other components	100%	100%	
CPHK	Chicony Power Technology (DongGuan) Co., Ltd. (CPDG) (Formerly Hipro Electronics (Dong Guan) Co., Ltd.)(HDG)	Manufacturing and sales of switching power supplies and other electronic parts	100%	100%	

Name of investor	Name of subsidiary	Main business activities	Ownership (%) December 31, 2018	Ownership (%) December 31, 2017	Description
CPHK	Chicony Power Technology (Suzhou) Co., Ltd. (CPSZ)	Production and sales of electronic equipment (high-performance power supply, power module and voltage transformer) and LED lighting equipment	100%	100%	
"	Quang Sheng Electronics (Nanchang) Co., Ltd. (GSE)	Production and sales of electronic equipment (magnetic element, circuit board and keyboard) and voltage transformer	100%	100%	
"	Chicony Power Technology (Chong-Qing) Co., Ltd. (CPCQ)	Production and sales of electronic equipment (high-performance power supply, power module and voltage transformer) and LED lighting equipment	100%	100%	
"	Chicony Energy Saving Technology (Shanghai) Co., Ltd. (CPSH)	Sales of LED lighting equipments	100%	100%	
"	Trading (Dong Guan) Co., Ltd. (CPDGT)	Importing and exporting of switching power supplies, LED lighting equipment, and other electronics	100%	100%	
XAVi	Directmax International Ltd. (Directmax)	Management of overseas acquisitions and investments	100%	100%	
"	XAVi Overseas Ltd. (XAVi Overseas)	Management of overseas acquisitions and investments	100%	100%	

Name of investor	Name of subsidiary	Main business activities	Ownership (%) December 31, 2018	Ownership (%) December 31, 2017	Description
XAVi	Systemax Development Ltd. (Systemax)	Sales of DSL bridges and routers	100%	100%	
"	XAVi Technologies (Suzhou) Co., Ltd.	Manufacturing and sales of DSL bridges and routers	100%	100%	

Note A: Although the Company holds less than 50% of the voting shares directly or indirectly, it meets the criteria of having control power that is reported in the consolidated financial statements.

Note B: On January 15, 2018, the shareholders resolved to liquidate HEI, and the company was dismissed on January 24, 2018, and the company was deregistered in October 2018.

C. Subsidiaries not included in the consolidated financial statements: None.

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Significant restrictions: None.

F.. Subsidiaries that have non-controlling interests that are material to the Group:

As of December 31, 2018 and 2017, the non-controlling interest amounted to $4,103,369 and $4,481,758, respectively. The information on non-controlling interest and respective subsidiaries is as follows:

		Non-controlling interest			
		December 31, 2018		December 31, 2017	
Name of subsidiary	Principal place of business	Amount	Ownership (%)	Amount	Ownership (%)
Chicony Power Technology Co., Ltd.	Taiwan	$ 3,718,030	50.92%	$3,911,459	52.15%

Summarised financial information of the subsidiaries:

Balance sheets

	Chicony Power Technology Co., Ltd.	
	December 31, 2018	December 31, 2017
Current assets	$ 17,955,003	$ 16,560,484
Non-current assets	3,920,715	3,849,167
Current liabilities	(14,440,152)	(12,679,961)
Non-current liabilities	(95,722)	(183,209)
Total net assets	$ 7,339,844	$ 7,546,481

Statements of comprehensive income

	Chicony Power Technology Co., Ltd.	
	Years ended December 31,	
	2018	2017
Revenue	$ 31,292,361	$ 27,874,928
Profit before income tax	1,334,666	1,934,691
Income tax expense	(311,266)	(372,453)
Profit for the year	1,023,400	1,562,238
Other comprehensive loss, net of tax	(267,987)	(567,359)
Total comprehensive income for the year	$ 755,413	$ 994,879
Comprehensive income attributable to non-controlling interest	$ 380,757	$ 518,611
Dividends paid to non-controlling interest	$ 619,916	$ 533,135

Statements of cash flows

	Chicony Power Technology Co., Ltd.	
	Years ended December 31,	
	2018	2017
Net cash provided by operating activities	$ 579,849	$ 2,466,208
Net cash used in investing activities	(925,301)	(1,558,254)
Net cash provided by (used in) financing activities	128,839	(883,347)
Effect of exchange rates on cash and cash equivalents	(37,158)	22,464
(Decrease) increase in cash and cash equivalents	(253,771)	47,071
Cash and cash equivalents, beginning of year	958,789	911,718
Cash and cash equivalents, end of year	$ 705,018	$ 958,789

Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan dollars, which is the

Company’s functional and the Group’s presentation currency.

A. Foreign currency transactions and balances

(a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are measured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.

(b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.

(c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

(d) All other foreign exchange gains and losses based on the nature of those transactions are presented in the statement of comprehensive income within other gains and losses.

B. Translation of foreign operations

(a) The operating results and financial position of all the group entities, associates and joint arrangements that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;

(ii) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and

(iii) All resulting exchange differences are recognised in other comprehensive income.

(b) When the foreign operation partially disposed of or sold is an associate or joint arrangements, exchange differences that were recorded in other comprehensive income are proportionately reclassified to profit or loss as part of the gain or loss on sale. In addition, even when the Group still retains partial interest in the former foreign associate or joint arrangements after losing significant influence over the former foreign associate, or losing joint control of the former joint arrangements, such transactions should be accounted for as disposal of all interest in these foreign operations.

(c) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, even when the Group still retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.

(d) Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing exchange rates at the balance sheet date.

Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

   (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;

   (b) Assets held mainly for trading purposes;

   (c) Assets that are expected to be realised within twelve months from the balance sheet date;

   (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

   (a) Liabilities that are expected to be settled within the normal operating cycle;

   (b) Liabilities arising mainly from trading activities;

   (c) Liabilities that are to be settled within twelve months from the balance sheet date;

   (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

Financial assets and liabilities at fair value through profit or loss

Effective 2018

A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.

B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.

C. At initial recognition, the Group measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.

D. The Group recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Financial assets at fair value through other comprehensive income

Effective 2018

A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income and debt instruments which meet all of the following criteria:

(a) The objective of the Group's business model is achieved both by collecting contractual cash flows and selling financial assets; and

(b) The assets' contractual cash flows represent solely payments of principal and interest.

B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using trade date accounting.

C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value:

(a) The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(b) Except for the recognition of impairment loss, interest income and gain or loss on foreign exchange which are recognised in profit or loss, the changes in fair value of debt instruments are taken through other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.

Accounts receivable

Effective 2018

A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.

B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

C. The Group's operating pattern of accounts receivable that are expected to be factored is for the purpose of selling, and the accounts receivable are subsequently measured at fair value, with any changes in fair value recognised in profit or loss.

Impairment of financial assets

Effective 2018

For debt instruments measured at fair value through other comprehensive income including accounts receivable that have a significant financing component, at each reporting date, the Group recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable that do not contain a significant financing component, the Group recognises the impairment provision for lifetime ECLs.

Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

The Group derecognizes a financial asset when one of the following conditions is met:

A. The contractual rights to receive the cash flows from the financial asset expire.

B. The contractual rights to receive cash flows of the financial asset have been transferred and the Group has transferred substantially all risks and rewards of ownership of the financial asset.

C. The contractual rights to receive cash flows of the financial asset have been transferred; however, the Group has not retained control of the financial asset.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

Operating leases (lessor)

Lease income from an operating lease (net of any incentives given to the lessee) is recognised in profit or loss on a straight-line basis over the lease term.

Investments accounted for using equity method / associates

A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.

B. The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

C. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Group's ownership percentage of the associate, the Group recognizes change in ownership interests in the associate in 'capital surplus' in proportion to its ownership.

D. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

E. In the case that an associate issues new shares and the Group does not subscribe or acquire new shares proportionately, which results in a change in the Group's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and 'investments accounted for under the equity method' shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Group's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.

F. Upon loss of significant influence over an associate, the Group remeasures any investment retained in the former associate at its fair value. Any difference between fair value and carrying amount is recognised in profit or loss.

G. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

H. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised as capital surplus in relation to the associate are transferred to profit or loss. If it retains significant influence over this associate, the amounts previously recognised as capital surplus in relation to the associate are transferred to profit or loss proportionately.

Property, plant and equipment

A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.

B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. 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 must be depreciated separately.

D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives for the buildings and structures are 20~55 years, the machinery and testing equipment are 1~10 years, the molding equipment are 1~5 years and the other equipment are 1~20 years.

Investment property

An investment property is stated initially at its cost and measured subsequently using the fair value model. A gain or loss arising from a change in the fair value of investment property is recognised in profit or loss.

Operating leases (lessee)

Payments made under an operating lease (net of any incentives received from the lessor) are recognised in profit or loss on a straight-line basis over the lease term.

Intangible assets

A. Trademarks and licenses

Separately acquired trademarks and licenses are stated at historical cost. Trademarks and licenses acquired in a business combination are recognised at fair value at the acquisition date.

Trademarks and licenses have a finite useful life and are amortised on a straight-line basis over their estimated useful lives of 1~10 years.

B. Computer software

Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 1~10 years.

C. Goodwill

Goodwill arises in a business combination accounted for by applying the acquisition method.

D. Other intangible assets are mainly technical skill and amortised on a straight-line basis over its estimated useful life of 2~14 years.

Impairment of non-financial assets

A. The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

B. The recoverable amounts of goodwill, intangible assets with an indefinite useful life and intangible assets that have not yet been available for use shall be evaluated periodically. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognised in profit or loss shall not be reversed in the following years.

C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is/are expected to benefit from the synergies of the business combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Non-current assets held for sale

Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction rather than through continuing use, and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell, except for an investment property is measured subsequently using the fair value model.

Borrowings

A. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

B. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Notes and accounts payable

Notes and accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. However, short-term accounts payable without bearing interest are subsequently measured at initial invoice amount as effect of discounting is immaterial.

Financial liabilities at fair value through profit or loss

Effective 2018

A. Financial liabilities at fair value through profit or loss are financial liabilities held for trading or financial liabilities designated as at fair value through profit or loss on initial recognition. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorised as financial liabilities held for trading unless they are designated as hedges.

Financial liabilities that meet one of the following criteria are designated as at fair value through profit or loss on initial recognition:

(a) Hybrid (combined) contracts; or

(b) They eliminate or significantly reduce a measurement or recognition inconsistency; or

(c) They are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management policy.

B. Financial liabilities at fair value through profit or loss are initially recognised at fair value. Related transaction costs are expensed in profit or loss. These financial liabilities are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial liabilities are recognised in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability specified in the contract is discharged or cancelled or expires.

Non-hedging and embedded derivatives

Non-hedging derivatives are initially recognised at fair value on the date a derivative contract is entered into and recorded as financial assets or financial liabilities at fair value through profit or loss. They are subsequently remeasured at fair value and the gains or losses are recognised in profit or loss.

Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognised as expenses in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognised as pension expenses when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plans

i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the employment benefit obligations.

ii. Remeasurements arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.

iii. Past service costs are recognised immediately in profit or loss.

C. Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the Group’s decision to terminate an employee’s employment before the normal retirement date, or an employee’s decision to accept an offer of redundancy benefits in exchange for the termination of employment. The Group recognizes expense as it can no longer withdraw an offer of termination benefits or it recognizes relating restructuring costs, whichever is earlier.

Benefits that are expected to be due more than 12 months after balance sheet date shall be discounted to their present value.

D. Employees' compensation and directors' and supervisors' remuneration

Employees' compensation and directors' and supervisors' remuneration are recognised as expenses and liabilities, provided that such recognition is required under legal obligation or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is distributed by shares, the Group calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

Employee share-based payment

A. For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-market vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. And ultimately, the amount of compensation cost recognised is based on the number of equity instruments that eventually vest.

B. Restricted stocks:

(a) Restricted stocks issued to employees are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period.

(b) For restricted stocks where those stocks do not restrict distribution of dividends to employees and employees are not required to return the dividends received if they resign during the vesting period, the Group recognizes the fair value of the dividends received by the employees who are expected to resign during the vesting period as compensation cost at the date of dividends declared.

(c) For restricted stocks where employees do not need to pay to acquire those stocks, if employees resign during the vesting period, the Company will redeem at no consideration and retire those stocks.

Income tax

A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

C. Deferred income tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

D. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognised and recognised deferred income tax assets are reassessed.

E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.

F. A deferred tax asset shall be recognised for the carryforward of unused tax credits resulting from acquisitions of equipment or technology, research and development expenditures, employees' training costs and equity investments to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilized.

Share capital

A. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

B. Where the Company repurchases the Company's equity share capital that has been issued, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders. Where such shares are subsequently reissued, the difference between their book value and any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

Dividends

Dividends are recorded in the Company's financial statements in the period in which they are approved by the Company's shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

Revenue recognition

Effective 2018

A. Sales of goods
   (a) Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion 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, or the Group has objective evidence that all criteria for acceptance have been satisfied.
   (b) According to the contracts with customers, as the time interval between the transfer of committed goods or service and the payment of customer does not exceed one year, the Group does not adjust the transaction price to reflect the time value of money.
   (c) A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

B. Incremental costs of obtaining a contract

   Given that the contractual period lasts less than one year, the Group recognises the incremental costs of obtaining a contract as an expense when incurred although the Group expects to recover those costs.

Government grants

Government grants are recognised at their fair value only when there is reasonable assurance that the Group will comply with any conditions attached to the grants and the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognizes expenses for the related costs for which the grants are intended to compensate. Government grants related to property, plant and equipment are presented by deducting the grants from the asset's carrying amount and are amortised to profit or loss over the estimated useful lives of the related assets as reduced depreciation expense.

Business combinations

A. The Group uses the acquisition method to account for business combinations. The consideration transferred for an acquisition is measured as the fair value of the assets transferred, liabilities incurred or assumed and equity instruments issued at the acquisition date, plus the fair value of any assets and liabilities resulting from a contingent consideration arrangement. All acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. For each business combination, the Group measures at the acquisition date components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to the proportionate share of the entity's net assets in the event of liquidation at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other non-controlling interests should be measured at the acquisition-date fair value.

B. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previous equity interest in the acquiree over the fair value of the identifiable assets acquired and the liabilities assumed is recorded as goodwill at the acquisition date.

Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision-Maker. The Chief Operating Decision-Maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

(1) Critical judgements in applying the Group's accounting policies - Evaluation of investment property

The Group follows the guidance of IAS 40 'Investment property' to determine the assets to be measured at fair value. The Group's investment properties are mainly land and buildings. Their fair value is determined by an external appraiser and the fair value may be adjusted by the judgement of the external appraiser.

Critical accounting estimates and assumptions

A. Impairment assessment of goodwill

The impairment assessment of goodwill relies on the Group’s subjective judgement, including identifying cash-generating units, allocating assets and liabilities as well as goodwill to related cash-generating units, and determining the recoverable amounts of related cash-generating units.

B. Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Group must determine the net realisable value of inventories on balance sheet date using judgements and estimates.

Due to the rapid technology innovation, the Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

C. Evaluation of investment property

The Group's investment properties are measured at fair value. The fair value is evaluated using the income approach by an external appraiser. It involves critical assumptions including occupancy rate, rent growth rate, discount rate, etc.. Those assumptions may be affected by the economic conditions, market needs, etc. that may change.

DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2018	December 31, 2017
Cash on hand and revolving funds	$ 29,338	$ 38,966
Checking accounts and demand deposits	1,485,538	2,013,715
Time deposits	437,563	627,260
	$ 1,952,439	$ 2,679,941

A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. Details of cash and cash equivalents pledged as collateral are provided in Note 8.

Financial assets and liabilities at fair value through profit or loss

Effective 2018

Items	December 31, 2018
Current items:	
Financial assets mandatorily measured at fair value through profit or loss	
Listed stocks	$ 4,021,134
Emerging stocks	125,097
Beneficiary certificates	660,722
Corporate bonds	321,774
Non-hedging derivatives	
Forward exchange contracts	350,252
	5,478,979
Valuation adjustment	(1,162,392)
	$ 4,316,587

Items	December 31, 2018
Financial liabilities mandatorily measured at fair value through profit or loss	
Non-hedging derivatives	
Forward exchange contracts	$ 68,161
Exchange rate swaps	2,616
	$ 70,777

Non-current items:	
Financial assets mandatorily measured at fair value through profit or loss	
Unlisted stocks	$ 584,409
Beneficiary certificates	1,232,628
	1,817,037
Valuation adjustment	176,723
	$ 1,993,760

A. Amounts recognised in profit or loss in relation to financial assets at fair value through profit or loss are listed below:

	December 31, 2018
Financial assets and liabilities mandatorily measured at fair value through profit or loss	
Equity instruments	($ 272,814)
Debt instruments	(1,893)
Beneficiary certificates	(255,683)
Derivatives	449,292
	($ 81,098)

B. The Group entered into contracts relating to derivative financial assets and liabilities which were not accounted for under hedge accounting. The information is listed below:

	December 31, 2018		
Derivative instruments	Contract amount (Notional Principal) (In thousands)		Due Date
Forward foreign exchange contracts			
—SELL NTD/BUY USD	USD	572,000	2019.01.03~2019.12.20
—SELL RMB/BUY USD	USD	110,762	2019.01.03~2019.01.31
—SELL USD/BUY RMB	USD	296,000	2019.01.03~2019.12.31
—SELL USD/BUY NTD	USD	5,000	2019.02.25
—Currency products	USD	4,198	2019.03.18~2019.03.27
Exchange rate swaps			
—SELL NTD/BUY USD	USD	36,000	2019.01.02~2019.01.03

Forward foreign exchange contracts / Foreign exchange swap contracts

The Group entered into forward foreign exchange contracts and foreign exchange swap contracts to buy (sell) foreign exchange swap and interest rate swap to hedge exchange rate risk of import and export proceeds. However, these forward foreign exchange contracts and foreign exchange swap contracts are not accounted for under hedge accounting.

C. The Group has no financial assets and liabilities at fair value through profit or loss pledged to others.

Financial assets at fair value through other comprehensive income

Effective 2018

Items	December 31, 2018
Current items:	
Listed stocks	$ 5,739,109
Valuation adjustment	(2,819,001)
	$ 2,920,108
Non-current items:	
Listed stocks	$ 1,281,850
Unlisted stocks	967,709
	2,249,559
Valuation adjustment	(1,391,435)
	$ 858,124

A. The Group has elected to classify equity investments that are considered to be strategic investments and have steady dividend income as current and non-current financial assets at fair value through other comprehensive income in the amount of $2,920,108 and $858,124 as at December 31, 2018, respectively.

B. Aiming to satisfy the capital needs, the Group sold $67,341 equity investments at fair value which resulted in cumulative losses on disposal of $51,307 during the year ended December 31, 2018.

C. Amounts recognised in profit or loss and other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

	2018
Equity instruments at fair value through other comprehensive income	
Fair value change recognised in other comprehensive income	($ 493,547)
Cumulative losses reclassified to retained earnings due to derecognition	$ 51,307
Dividend income recognised in profit or loss held at end of period	$ 111,308

D. The Group has no financial assets at fair value through other comprehensive income pledged to others.

E. Information relating to credit risk of financial assets at fair value through other comprehensive income is provided in Note 12(2).

F. Information on available-for-sale financial assets and financial assets at cost as of December 31, 2017 is provided in Note 12(4).

Accounts receivable

	December 31, 2018	December 31, 2017
Notes receivable	$ 360,995	$ 842,816
Accounts receivable	$ 17,844,440	$ 18,162,030
Less: Allowance for uncollectible accounts	(228,624)	(101,554)
	$ 17,615,816	$ 18,060,476

A. The ageing analysis of accounts receivable and notes receivable that were past due but not impaired is as follows:

	December 31, 2018		December 31, 2017	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Not past due	$ 17,003,966	$ 360,995	$ 17,632,745	$ 842,816
1 to 30 days	334,648	-	301,530	-
31 to 120 days	441,145	-	168,665	-
121 to 215 days	11,453	-	4,769	-
Over 360 days	53,228	-	54,321	-
	$ 17,844,440	$ 360,995	$ 18,162,030	$ 842,816

The above ageing analysis was based on past due date.

B. The Group has no notes or accounts receivable pledged to others as collateral.

C. As at December 31, 2018 and 2017, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents notes and accounts receivable held by the Group was equal to carrying amount.

D. Information relating to credit risk of accounts receivable and notes receivable is provided in Note 12(2).

E. The information on December 31, 2017 is provided in Note 12(4).

Transfer of financial assets - Transferred financial assets that are derecognised in their entirety

A. The Group entered into a factoring agreement with financial institutions to sell its accounts receivable. Under the agreement, the Group is not obligated to bear the default risk of the transferred accounts receivable and does not have any continuing involvement in the transferred accounts receivable. Thus, the Group derecognised the transferred accounts receivable. As of December 31, 2018, details of the guarantee notes issued for the factoring agreement are provided in Note 9(2).

B. As of December 31, 2018 and 2017, the outstanding accounts receivable sold were as follows:

December 31, 2018					
Purchaser of accounts receivable	Accounts receivable transferred	Amount derecognised	Facilities	Amount advanced	Interest rate of amount advanced
E. SUN BANK	$ 1,619,443	$ 1,619,443	$ 2,626,075	$ 1,619,443	3.33%~3.47%

December 31, 2017					
Purchaser of accounts receivable	Accounts receivable transferred	Amount derecognised	Facilities	Amount advanced	Interest rate of amount advanced
E. SUN BANK	$ 435,037	$ 435,037	$ 447,000	$ 391,274	1.98%~2.03%
Ta Chong Bank	329,832	329,832	476,800	295,318	2.00%~2.43%
	$ 764,869	$ 764,869	$ 923,800	$ 686,592	

Inventories

	December 31, 2018		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 5,436,621	($ 513,406)	$ 4,923,215
Work in progress	2,210,890	(206,626)	2,004,264
Finished goods	8,877,437	(726,448)	8,150,989
	$ 16,524,948	($ 1,446,480)	$ 15,078,468

	December 31, 2017		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 5,226,263	($ 452,092)	$ 4,774,171
Work in progress	2,017,507	(210,128)	1,807,379
Finished goods	6,497,450	(620,739)	5,876,711
	$ 13,741,220	($ 1,282,959)	$ 12,458,261

The cost of inventories recognised as expense for the year:

	For the years ended December 31,	
	2018	2017
Cost of goods sold	$ 74,091,054	$ 64,138,219
Loss on decline in market value	580,053	578,202
Others	(27,465)	(15,072)
	$ 74,643,642	$ 64,701,349

The other gains represent income from sale of scraps and wastes and the gain on physical count.

Investments accounted for using equity method

A. Investments accounted for under the equity method were as follows:

	December 31, 2018	December 31, 2017
Associate:		
Sky-Fine Investment Limited (Sky-Fine)	$ 31,755	$ 45,719

B. The share of profit (loss) of associates accounted for using equity method are as follows for the years ended December 31, 2018 and 2017:

	Years ended December 31,	
	2018	2017
Associates:		
Newmax Technology Co., Ltd. (Newmax)	$ -	($ 108,013)
Sky-Fine Investment Limited (Sky-Fine)	(15,501)	(16,995)
	($ 15,501)	($ 125,008)

The amount of profit or loss of associates and other comprehensive profit or loss of the above associate accounted for using equity method, Sky - Fine Investment Limited, is evaluated based on its financial statements audited by independent accountants for the same reporting period.

C. Associates

(a) On May 22, 2017, the shareholders of Newmax Technology Co., Ltd. ("Newmax") adopted a resolution during their meeting to raise additional cash through private placement of its common shares, resulting in the decrease in the Group's ownership stake in Newmax from 22.38% to 17.76%. Subsequently, the number of Board members representing the Group decreased from three to one, after the re-election of Directors during the Board meeting held on October 31, 2017. The Group no longer has significant influence over Newmax as of October 31, 2017, and the investment in Newmax is remeasured at fair value.

(b) As of December 31, 2018 and 2017, the carrying amount of the Group's individually immaterial associates amounted to $31,755 and $45,719, respectively. The Group's share of the operating results are summarised below:

	For the years ended December 31,	
	2018	2017
Loss for the year from continuing operations	($ 15,501)	($ 16,995)
Other comprehensive income (loss), net of tax	1,537	(3,984)
Total comprehensive loss	($ 13,964)	($ 20,979)

Property, plant and equipment

	Land	Buildings	Machinery	Tooling equipment	Testing equipment	Construction in progress	Others	Total
At January 1, 2018								
Cost	$ 1,350,384	$ 7,008,820	$ 6,965,235	$ 5,468,324	$ 2,084,777	$ 710,447	$ 3,793,133	$ 27,381,120
Accumulated depreciation and impairment	-	(1,807,634)	(3,541,705)	(4,264,091)	(1,600,120)	-	(2,612,688)	(13,826,238)
	$ 1,350,384	$ 5,201,186	$ 3,423,530	$ 1,204,233	$ 484,657	$ 710,447	$ 1,180,445	$ 13,554,882
2018								
Opening net book amount	$ 1,350,384	$ 5,201,186	$ 3,423,530	$ 1,204,233	$ 484,657	$ 710,447	$ 1,180,445	$ 13,554,882
Additions	-	127,694	717,531	308,307	228,856	406,296	460,409	2,249,093
Disposals	-	-	(72,735)	(52,921)	(4,376)	-	(14,038)	(144,070)
Reclassifications	(730,627)	52,369	329,965	186,336	43,385	(1,024,457)	133,541	(1,009,488)
Depreciation	-	(254,938)	(629,078)	(490,328)	(206,796)	-	(462,372)	(2,043,512)
Net exchange differences	1,313	(53,542)	(72,811)	(38,153)	(9,656)	(1,093)	(61,534)	(235,476)
Closing net book amount	$ 621,070	$ 5,072,769	$ 3,696,402	$ 1,117,474	$ 536,070	$ 91,193	$ 1,236,451	$ 12,371,429
At December 31, 2018								
Cost	$ 621,070	$ 7,098,611	$ 7,590,657	$ 5,243,730	$ 2,234,291	$ 91,193	$ 4,169,865	$ 27,049,417
Accumulated depreciation and impairment	-	(2,025,842)	(3,894,255)	(4,126,256)	(1,698,221)	-	(2,933,414)	(14,677,988)
	$ 621,070	$ 5,072,769	$ 3,696,402	$ 1,117,474	$ 536,070	$ 91,193	$ 1,236,451	$ 12,371,429

	Land	Buildings	Machinery	Tooling equipment	Testing equipment	Construction in progress	Others	Total
At January 1, 2017								
Cost	$ 1,353,790	$ 7,011,926	$ 6,858,863	$ 5,571,793	$ 1,906,483	$ 491,461	$ 3,493,181	$ 26,687,497
Accumulated depreciation and impairment	-	(1,577,770)	(3,336,988)	(4,349,837)	(1,471,628)	-	(2,456,008)	(13,192,231)
	$ 1,353,790	$ 5,434,156	$ 3,521,875	$ 1,221,956	$ 434,855	$ 491,461	$ 1,037,173	$ 13,495,266
2017								
Opening net book amount	$ 1,353,790	$ 5,434,156	$ 3,521,875	$ 1,221,956	$ 434,855	$ 491,461	$ 1,037,173	$ 13,495,266
Additions	-	48,581	476,710	375,324	211,644	437,584	468,317	2,018,160
Disposals	-	(373)	(50,080)	(63,716)	(3,029)	(27,900)	(17,793)	(162,891)
Reclassifications	-	-	120,916	197,530	36,647	(188,668)	99,557	265,982
Depreciation	-	(248,080)	(615,472)	(518,391)	(191,123)	-	(396,822)	(1,969,888)
Net exchange differences	(3,406)	(33,098)	(30,419)	(8,470)	(4,337)	(2,030)	(9,987)	(91,747)
Closing net book amount	$ 1,350,384	$ 5,201,186	$ 3,423,530	$ 1,204,233	$ 484,657	$ 710,447	$ 1,180,445	$ 13,554,882
At December 31, 2017								
Cost	$ 1,350,384	$ 7,008,820	$ 6,965,235	$ 5,468,324	$ 2,084,777	$ 710,447	$ 3,793,133	$ 27,381,120
Accumulated depreciation and impairment	-	(1,807,634)	(3,541,705)	(4,264,091)	(1,600,120)	-	(2,612,688)	(13,826,238)
	$ 1,350,384	$ 5,201,186	$ 3,423,530	$ 1,204,233	$ 484,657	$ 710,447	$ 1,180,445	$ 13,554,882

A. Amount of borrowing costs capitalised as part of property, plant and equipment and the range of the interest rates for such capitalisation are as follows:

	For the years ended December 31,	
	2018	2017
Amount capitalised	$ 16,209	$ 15,886
Interest rate	0.96%~1.32%	0.96%~2.04%

B. Information about the property, plant and equipment that were pledged to others as collateral is provided in Notes 6(16) and 8.

C. As the management intends to sell the Group's land and residential compound building located in Sanchong District, New Taipei City after construction completion, the Group reclassified "Land" and "Construction in progress" to "Investment property", amounting to $1,656,343 (the original book value). To promptly reflect the fair value information, the Group has undertaken a revaluation of the aforementioned properties in accordance with the regulations on revaluation at fair value when transferred to investment property at fair value in the fourth quarter of 2018. The revaluation surplus amounted to $155,281 which was recognised as other comprehensive income – revaluation surplus on the day of change in use of the property. After deduction of deferred tax liabilities recognised due to revaluation amounting to $150,136, the remaining balance of $5,145 was added to revaluation surplus of shareholders' equity.

Investment property

	2018	2017
At January 1	$ 5,517,981	$ 5,547,494
Additions－from subsequent expenditures	33,763	588
Reclassifications－transfer out	(1,956,546)	-
Reclassifications－transfer in	1,811,624	-
Gain on fair value adjustment	31,930	51,789
Net exchange differences	98,978	(81,890)
At December 31	$ 5,537,730	$ 5,517,981

A. Rental income from investment property and direct operating expenses arising from investment property are shown below:

	Years ended December 31,	
	2018	2017
Rental income from investment property	$ 163,925	$ 134,039
Direct operating expenses arising from the investment property that generated rental income during the year	$ 90,340	$ 61,999
Direct operating expenses arising from the investment property that did not generate rental income during the year	$ 33,596	$ 36,561

B. Basis of investment property at fair value:

The Group's investment properties are land and buildings of office building and residential compound building. Office buildings are located in Tokyo City, Sanchong District and Wugu District in New Taipei City. They mainly earn from rental revenue with rental periods ranging from 1 to 7 years. Residential compound building is located in Sanchong District in New Taipei City and mainly for the purpose of selling. The assumptions used for the years ended December 31, 2018 and 2017 are as follows:

(a) Details of the Group's investment property are as follows:

	December 31, 2018		
The subject	CEC Headquarter	Wugu Building	Residential Compound Building
Location	Sanchong District, New Taipei City	Wugu District, New Taipei City	Sanchong District, New Taipei City
Valuation method	Income approach	Income approach	Income approach
Valuation firm	Panasia	Panasia	Panasia
Valuer	Shao You, Chung	Wei Yuan, Cheng	Shao You, Chung
Evaluation basis date	November 30, 2018 (Note)	October 22, 2018 (Note)	October 30, 2018 (Note)

	December 31, 2017		
The subject	CEC Headquarter	Wugu Building	Shinkawa Building
Location	Sanchong District, New Taipei City	Wugu District, New Taipei City	Tokyo, Japan
Valuation method	Income approach	Income approach	Income approach
Valuation firm	Panasia	Panasia	Panasia
Valuer	Shao You, Chung	Wei Yuan, Cheng	Shao You, Chung
Evaluation basis date	November 30, 2017 (Note)	November 30, 2017 (Note)	November 30, 2017 (Note)

Note: We obtained effective statements of appraisal report on December 31, 2018 and 2017 from appraiser.

(b) The Company's office buildings' (including car parks) fair value was evaluated using the discounted cash flow analysis of income approach.

The estimation process of the valuation method involves differentiating between rented and not yet rented. The former is calculated by contract rent and the latter is calculated by market price. It also considers comparative rent information of similar properties to determine annual growth range of rent; includes idle loss, decoration offset loss, and the closing balance of disposal value of that property to calculate future cash inflow, then discounted by an appropriated discount rate accumulated until the valuation date. Future cash outflow which consists of expenses directly related to operations, i.e. land tax, house tax, insurance fee, management fee, maintenance fee, replacement allocation, amortization of agent fee, etc., is estimated based on the actual expenses incurred in the current year, considering the Company's current operating results and changes which may occur in the future.

(c) The rent, occupancy rate and income of past year of the Group's office buildings (including car parks) and comparative rent information of similar properties are as follows:

	Estimated rent ($/3.3m^2/month)	Similar comparative subject in local or market	Occupancy rate	Income of past year
Year ended December 31, 2018				
CEC Headquarter	$521~$1,076	Equivalent to estimated rent	21.45%	$ 23,803
Wugu Building	$291~$713	Equivalent to estimated rent	100.00%	22,040
Shinkawa Building (Note)	$2,173~$6,519	Equivalent to estimated rent	100.00%	118,082
Residential Compound Building	$838~$993	Equivalent to estimated rent	–	-
Year ended December 31, 2017				
CEC Headquarter	$521~$1,000	Equivalent to estimated rent	10.72%	$ 12,845
Wugu Building	$291~$713	Equivalent to estimated rent	25.00%	-
Shinkawa Building	$2,165~$6,496	Equivalent to estimated rent	100.00%	121,194

Note: It was reclassified to non-current assets held for sale at December 26, 2018 as described in Note 6 (11).

(d) Rent growth rate is evaluated by considering the lease contract and actual market situation. Discount rate is evaluated by risk premium approach which takes the return rate on investment of the most general goods as standard, adopted the floating interest rate on a 2-year time deposits of a small amount, as posted by the Chunghwa Post Co., Ltd. plus 0.75 percentage points; and explore the liquidity, risk level, value-added level and the ease of management of the subject. The rent growth rates and discount rates are as follows:

	December 31, 2018		
	CEC Headquarter	Wugu Building	Residential Compound Building
Rent growth rate	1.00%	0.50%	1.00%
Discount rate	3.75%	4.05%	3.05%

	December 31, 2017		
	CEC Headquarter	Wugu Building	Shinkawa Building
Rent growth rate	1.00%	0.50%	1.00%
Discount rate	3.75%	4.05%	4.10%

C. The fair value information about the investment property is provided in Note 12(3).

D. Impairment of investment property: None.

E. Information about the investment property that was reclassified is provided in Notes 6(8) and (11).

F. Information about the investment property that was pledged to others as collateral is provided in Notes 6(16) and 8.

Intangible assets

	Trademarks and patents	Software	Goodwill	Others	Total
At January 1, 2018					
Cost	$ 38,294	$ 251,452	$ 136,612	$ 66,494	$ 492,852
Accumulated amortisation and impairment	(24,004)	(178,468)	-	(40,976)	(243,448)
	$ 14,290	$ 72,984	$ 136,612	$ 25,518	$ 249,404
2018					
Opening net book amount	$ 14,290	$ 72,984	$ 136,612	$ 25,518	$ 249,404
Additions	15,889	46,378	-	-	62,267
Reclassifications	-	148	-	-	148
Amortisation	(13,471)	(58,417)	-	(6,600)	(78,488)
Net exchange differences	-	(245)	341	261	357
Closing net book amount	$ 16,708	$ 60,848	$ 136,953	$ 19,179	$ 233,688
At December 31, 2018					
Cost	$ 54,183	$ 272,703	$ 136,953	$ 67,720	$ 531,559
Accumulated amortisation and impairment	(37,475)	(211,855)	-	(48,541)	(297,871)
	$ 16,708	$ 60,848	$ 136,953	$ 19,179	$ 233,688

	Trademarks and patents	Software	Goodwill	Others	Total
At January 1, 2017					
Cost	$ 24,766	$ 199,885	$ 142,637	$ 68,772	$ 436,060
Accumulated amortisation and impairment	(13,327)	(131,197)	-	(36,393)	(180,917)
	$ 11,439	$ 68,688	$ 142,637	$ 32,379	$ 255,143
2017					
Opening net book amount	$ 11,439	$ 68,688	$ 142,637	$ 32,379	$ 255,143
Additions	15,140	54,912	-	477	70,529
Disposals－cost	(1,612)	(4,561)	-	-	(6,173)
Disposals－accumulated amortisation	1,612	4,561	-	-	6,173
Impairment loss	-	-	(96)	-	(96)
Reclassifications	-	1,282	-	-	1,282
Amortisation	(12,289)	(52,279)	-	(6,438)	(71,006)
Net exchange differences	-	381	(5,929)	(900)	(6,448)
Closing net book amount	$ 14,290	$ 72,984	$ 136,612	$ 25,518	$ 249,404
At December 31, 2017					
Cost	$ 38,294	$ 251,452	$ 136,612	$ 66,494	$ 492,852
Accumulated amortisation and impairment	(24,004)	(178,468)	-	(40,976)	(243,448)
	$ 14,290	$ 72,984	$ 136,612	$ 25,518	$ 249,404

A. Details of amortisation on intangible assets are as follows:

	For the years ended December 31,	
	2018	2017
Operating costs	$ 4,080	$ 3,749
Selling expenses	3,570	5,460
Administrative expenses	21,302	15,768
Research and development expenses	49,536	46,029
	$ 78,488	$ 71,006

B. Goodwill is allocated to the Group's cash-generating units identified according to operating segment as follows:

	December 31, 2018	December 31, 2017
Asia	$ 71,944	$ 73,540
America	65,009	63,072
	$ 136,953	$ 136,612

C. Goodwill is allocated to the Group's cash-generating units identified according to operating segment. The recoverable amount is calculated using the value-in-use. The value-in-use is calculated using estimated cash flow before tax in the financial budget approved by management. For the years ended December 31, 2018 and 2017, the Group recognised impairment loss on goodwill amounting to $0 and $96, respectively.

Non-current assets held for sale

On December 26, 2018, the Group determined to sell investment property held by Hikari in line with future business plans under the resolution of Board of Directors. The asset was then reclassified as held for sale. The transaction is expected to be completed in January 2019. Its book value measured at fair value amounting to $1,956,546 on December 31, 2018.

A. Basis at fair value:

The Group's non-current assets held for sale are office building land and buildings. Office buildings are located in Tokyo City. They mainly earn from rental revenue. The assumptions used for the year ended December 31, 2018 are as follows:

(a) Details of the Group's non-current assets held for sale are as follows:

	December 31, 2018
The subject	Shinkawa Building
Location	Tokyo, Japan
Valuation method	Income approach
Valuation firm	Panasia
Valuer	Shao You, Chung
Evaluation basis date	November 30, 2018 (Note)

Note: We obtained effective statements of appraisal report on December 31, 2018 from appraiser.

(b) The Company's office buildings' (including car parks) fair value was evaluated using the discounted cash flow analysis of income approach.

The estimation process of the valuation method involves differentiating between rented and not yet rented. The former is calculated by contract rent and the latter is calculated by market price. It also considers comparative rent information of similar properties to determine annual growth range of rent; includes idle loss, decoration offset loss, and the closing balance of disposal value of that property to calculate future cash inflow, then discounted by an appropriated discount rate accumulated until the valuation date. Future cash outflow which consists of expenses directly related to operations, i.e. land tax, house tax, insurance fee, management fee, maintenance fee, replacement allocation, amortization of agent fee, etc., is estimated based on the actual expenses incurred in the current year, considering the Company's current operating results and changes which may occur in the future.

(c) Rent growth rate is evaluated by considering the lease contract and actual market situation. Discount rate is evaluated by risk premium approach which takes the return rate on investment of the most general goods as standard, adopted the floating interest rate on a 2-year time deposits of a small amount, as posted by the Chunghwa Post Co., Ltd. plus 0.75 percentage points; and explore the liquidity, risk level, value-added level and the ease of management of the subject. The rent growth rate and discount rate are as follows:

	December 31, 2018
	Shinkawa Building
Rent growth rate	1.00%
Discount rate	4.10%

B. The fair value information is provided in Note 12(3).

Other non-current assets

	December 31, 2018	December 31, 2017
Long-term prepaid rents - land use right	$ 443,762	$ 309,996
Guarantee deposits paid	100,234	59,929
Prepayments for business facilities	496,259	657,558
Others	345,066	275,656
	$ 1,385,321	$ 1,303,139

A. In April 2018, the Group signed a land use rights contracts located in Wujiang Development Zone WJ-G-2018-021, Suzhou City with Bureau of Land Resources for use of the land in the municipality of Wujiang District, Suzhou City with a term of 50 years. All rentals have been paid on the contract date.

B. As of December 31, 2018, the Group signed a land use right contract with Bureau of Land Resources for use of the land in municipality of Chongqing, WuJiang City of Jiangsu Province and Dongguan City of Guangdong Province with term of 50 years. All rentals had been paid on the contract date, shown as ‘Long-term prepaid rents - Land use right’. The grants received from the local government, as a reward for the local investment, were deducted from the cost of land use right.

C. The Group recognised rental expenses of $10,119 and $8,281 for the years ended December 31, 2018 and 2017, respectively.

D. Information on other non-current assets that were pledged to others as collateral is provided in Note 8.

Short-term borrowings

Type of borrowings	December 31, 2018	Interest rate range	Collateral
Bank unsecured borrowings	$ 5,643,630	0.45%～1.15%	None

Type of borrowings	December 31, 2017	Interest rate range	Collateral
Bank unsecured borrowings	$ 4,246,383	0.48%～1.10%	None

A. As of December 31, 2018, the Group had issued promissory notes as guarantee for the short-term loans. Please see Note 9(2).

B. Information about the short-term borrowings that were pledged to others as collateral is provided in Note 8.

Accounts payable

	December 31, 2018	December 31, 2017
Accounts payable	$ 18,078,035	$ 15,867,296
Estimated accounts payable	4,635,725	4,870,271
	$ 22,713,760	$ 20,737,567

Other payables

	December 31, 2018	December 31, 2017
Marketing allowance payable	$ 2,511,915	$ 2,867,882
Salary payable and annual bonus	1,636,551	1,735,476
Employees' dividends and directors' and supervisors' remuneration payable	775,716	947,492
Processing expense payable	668,721	718,931
Miscellaneous purchase payable	653,511	820,265
Construction and equipment expense payable	420,262	385,725
Others	1,641,173	1,650,096
	$ 8,307,849	$ 9,125,867

Long-term borrowings

Type of borrowings	Borrowing period and repayment term	Interest rate	Collateral	December 31, 2018
Long-term bank borrowings				
DBS Bank	Borrowing period is from December 1, 2017 to November 29, 2019; interest is repayable monthly until maturity of the principal.	0.57%	None	$ 416,956
Sumitomo Mitsui Banking Corporation (Secured borrowings)	Borrowing period is from March 13, 2015 to March 12, 2022; interest is repayable monthly until maturity of the principal.	0.78%	Investment property	1,006,224
Less: Current portion (shown as other current liabilities)				(416,956)
				$ 1,006,224

Type of borrowings	Borrowing period and repayment term	Interest rate	Collateral	December 31, 2017
Long-term bank borrowings				
E. Sun Bank (Series A)	Borrowing period is from March 20, 2014 to March 20, 2019; borrowing is repayable in installments by own funds or through refinancing at the maturity date of syndicated contract.	1.60%	None	$ 380,000
DBS Bank	Borrowing period is from December 1, 2017 to November 29, 2019; interest is repayable monthly until maturity of the principal.	0.57%	None	396,489
Sumitomo Mitsui Banking Corporation (Secured borrowings)	Borrowing period is from March 13, 2015 to March 12, 2022; interest is repayable monthly until maturity of the principal.	0.78%	Investment property	954,792
TCB Bank	Borrowing period is from December 20, 2017 to April 22, 2018; interest is repayable until maturity of the principal . (Note)	1.797%	None	100,000
				$ 1,831,281

Note: Revolving credit in five years starting from the first drawdown (January, 2016), each credit period is limited to 90 to 180 days.

A. As of December 31, 2018 and 2017, the Company's Chairman had issued promissory notes to guarantee the long-term loans, please see Note 9(2).

B. Information about the long-term borrowings that were pledged to others as collateral is provided in Note 8.

C. In the fourth quarter of 2018, the Company had signed individual credit contracts with E. Sun Commercial Bank, Land Bank of Taiwan and Hua Nan Commercial Bank for long-term operating use. The contract period is five years, and the loan facilities are $2,000,000, $1,000,000 and $1,000,000, respectively. As of December 31, 2018, the Company had not used the loan facility mentioned above. For the loan facility mentioned above, the Company had pledged partial floors of the headquarters building. For the information on pledged assets, please refer to Note 8.

D. A long-term syndicated construction loan facility amounting to $5,000,000 (Series A: $2,000,000 can be financed in batches but credit revolvable; Series B: $3,000,000, credit revolvable; Series C: USD 100,000,000, credit revolvable; the amount drawdown by Series B and Series C cumulatively must be below $3,000,000.). The contract period is five years, and the contract was signed by the Company with E. Sun Commercial Bank as the lead bank in January, 2014. The loan facility will be used for medium-term operations, and repayments will be in accordance with contract requirements. In September 2015, the credit amount of series A was renewed to $1,000,000, resulting in total loan facility amounting to $4,000,000. As of November 2018, the Company had fully paid the borrowings mentioned above in advance, and canceled the loan facility. The main contents of the contract are as follows:

(a) The Company should maintain financial ratios based on annual consolidated financial statements as follows:

i. Current ratio is above 100%,
ii. Financial liabilities divided by net tangible assets is under 200%,
iii. Time interest earned is above 300%, and
iv. Net tangible assets are above $15,000,000,

If the Company does not conform to the contract, the Company should adjust within nine months. If the adjusted financial ratios meet the requirements, there is no breach of contract.

(b) The Company should use the debts for its intended purpose (not for treasury stock, capital expenditures, cash dividends and investments) and prepare the appropriate books and records for cash disbursements for future examination. Lenders do not take responsibility for supervision.

(c) If the Company needs additional operating capital, the Company should issue stocks for cash, borrow from stockholders, or other means. If the borrower obtains capital from stockholders, the Company should get the commitment from stockholders that the creditors' rights are subordinated, and the interest rate should not be over the lowest rate mentioned in the contract. The borrower should repay the principal, interests, and all the related expenses before repaying the advances made by the borrower's stockholders.

(d) Parts of the credit rights of qualified accounts receivable of the Company should be transferred to the lead bank after the contract date. These qualified accounts receivable plus the balance of the special-purpose bank account should be over 45% of the facility of Series B and Series C as a whole.

As of December 31, 2017, the Company did not violate any of the above requirements.

E. A long-term syndicated loan facility amounting to $4,500,000 (can be drawndown in United States Dollars or New Taiwan Dollars within the total credit facility) for five years was signed by the Company, with Taiwan Cooperative Bank as the lead bank in October 2015. It is to be used for the operations.

The main contents of the contract are as follows:

(a) CP's annual consolidated financial statements should maintain financial ratios as follows:

i. Current ratio is above 100%,
ii. Financial liabilities divided by net tangible assets after subtracting cash and cash equivalents is under 250%,
iii. Time interest earned is above 300%, and
iv. Net tangible assets are above $4,000,000.

The above financial ratios are based on the annual financial statements. If the Company does not conform to the contract, the Company should increase capital by cash or by other means. From the next day of the managing bank's notification until the next interest paid date after the Company conforms to the contract, the lending rates will be increase by 0.125% of the used but unsettled amount of this contract, and it will not be considered a breach of contract. If CP could not adjust the financial ratios by next inspection day (subjected to the consolidated financial statements audited by independent accountants), the borrower is considered to have violated the contract.

(b) CP should maintain appropriate accounts receivable ratio, which means the total of qualified accounts receivable balance and the compensation accounts balance divided by the remainder of undrawn balance should be above 50%. The remainder of undrawn balance is CP's expected drawdown amounts plus the remainder of undrawn amounts. If the ratio cannot be maintained appropriately, CP should choose any of the following actions to make the accounts receivable ratio comply with the contract within seven days after the managing bank's notification:

i. Provide other qualified accounts receivable which was certified by the managing bank, or,
ii. Repay the loan before maturity, or,
iii. Repay or deposit in compensation accounts to maintain appropriate accounts receivable ratio above (or equal to) 50%.

(c) As part of the contract, the commitment fee should be calculated every three months, which begins six months after CP drawdowns the credit for the first time. During the commitment fee calculation period, if the average drawdown amounts are less than 60% of the total loan facility, the commitment fee should be calculated quarterly, using the difference of actual drawdown amounts and 50% of the total loan facility, multiplied by 0.1%, the annual fee rate, and then pay the managing bank every three months.

Pensions

A. Defined benefit plans: Employee contributions

(a) The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company and its domestic subsidiaries contribute monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company and its domestic subsidiaries would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company and its domestic subsidiaries will make contribution to cover the deficit by next March.

(b) The amounts recognised in the balance sheet are determined as follows:

	December 31, 2018	December 31, 2017
Present value of defined benefit obligations	($ 394,170)	($ 374,673)
Fair value of plan assets	187,285	174,478
Net defined benefit liability	($ 206,885)	($ 200,195)

(c) Movements in net defined benefit liabilities are as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2018			
Balance at January 1	($ 348,775)	$ 172,355	($ 176,420)
Current service cost	(3,049)	-	(3,049)
Interest (expense) income	(4,148)	2,073	(2,075)
	(355,972)	174,428	(181,544)
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	(318)	(318)
Change in demographic assumptions	(12,611)	-	(12,611)
Change in financial assumptions	(471)	-	(471)
Experience adjustments	(9,963)	-	(9,963)
	(23,045)	(318)	(23,363)
Pension fund contribution	-	4,712	4,712
Paid pension	4,344	(4,344)	-
Balance at December 31	($ 374,673)	$ 174,478	($ 200,195)

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2017			
Balance at January 1	($ 374,673)	$ 174,478	($ 200,195)
Current service cost	(2,685)	-	(2,685)
Interest (expense) income	(4,407)	2,048	(2,359)
	(381,765)	176,526	(205,239)
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	5,040	5,040
Change in demographic assumptions	(14,581)	-	(14,581)
Change in financial assumptions	(5,869)	-	(5,869)
Experience adjustments	2,157	-	2,157
	(18,293)	5,040	(13,253)
Pension fund contribution	-	11,607	11,607
Paid pension	5,888	(5,888)	-
Balance at December 31	($ 394,170)	$ 187,285	($ 206,885)

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the “Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund” (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorised by the Regulator. The Company and domestic subsidiaries have no right to participate in managing and operating that fund and hence the Company and domestic subsidiaries are unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2018 and 2017 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

(e) The principal actuarial assumptions used were as follows:

	2018	2017
Discount rate	0.900%~1.125%	1.125%~1.400%
Future salary increases	2.500%~3.000%	2.500%~3.000%

Future mortality rate was estimated based on the 5th Taiwan Standard Ordinary Experience Mortality Table.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2018				
Effect on present value of defined benefit obligation	($ 9,392)	$ 9,747	$ 9,412	($ 9,120)
December 31, 2017				
Effect on present value of defined benefit obligation	($ 8,989)	$ 9,333	$ 9,022	($ 8,736)

The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

The method and assumptions used for the preparation of sensitivity analysis during 2018 and 2017 are the same.

(f) Expected contributions to the defined benefit pension plans of the Group for the year ending

December 31, 2019 amount to $10,476.

(g) As of December 31, 2018, the weighted average duration of the retirement plan is 9.1~11.3 years. The analysis of timing of the future pension payment was as follows:

Within 1 year	$	24,371
1-2 year(s)		11,587
2-5 years		82,545
Over 5 years		121,353
	$	239,856

B. Defined contribution plans

(a) Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(b) The overseas subsidiaries of the Company have defined contribution plans.

(c) The Company's mainland China subsidiaries have a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People's Republic of China (PRC) are based on certain percentage of employees' monthly salaries and wages. Other than the monthly contributions, the Group has no further obligations.

(d) The pension costs under the defined contribution pension plans of the Group for the years ended December 31, 2018 and 2017 were $724,282 and $687,523, respectively.

Share-based payment

A. For the years ended December 31, 2018 and 2017, CP's share-based payment arrangements were as follows:

Type of arrangement	Grant date	Quantity granted	Contract period	Vesting conditions
Restricted stocks to employees	August 28, 2015	4,008 thousand shares	2 years	Note
"	March 16, 2016	1,910 thousand shares	"	"
Treasury stock transferred to employees	March 1, 2017	3,555 thousand shares	-	Vested immediately
"	March 6, 2018	746 thousand shares	-	"

Note: Vesting conditions:

i. The Company's overall operating performance in the previous year should meet the following indicators:

(A) Consolidated operating revenue shall grow by at least 10% higher than the average amount over past three years.

(B) Consolidated net income shall grow by at least 10% higher than the average amount over past three years.

(C) Return on equity shall be at least 15%.

ii. For the employees who have met the vesting conditions since the allocation of restricted stocks, the ratio of vested shares is as follows:

Vesting conditions	Ratio of vested shares
A month after the restricted stocks are kept at the trust	40% of the shares
September 30, 2016	30% of the shares
September 30, 2017	30% of the shares

The restricted shares issued by the Company cannot be sold, pledged, transferred, donated, collateralised, or disposed in any other method during the vesting period. Other rights including but not limited to dividends, the distribution rights of bonuses and capital surplus, and share options and voting rights of cash capital, etc., are the same as the Company's issued ordinary shares. At the date of resignation, retirement or termination, the restricted shares are considered as not meeting the vesting conditions if employees resign, retire or are terminated during the vesting period. The Company redeems at no consideration and retires the shares which do not meet the vesting condition. Employees are not required to return the dividends received.

B. Details of the share-based payment arrangements are as follows:

	2018		2017	
	No. of options	Weighted-average exercise price (in dollars)	No. of options	Weighted-average exercise price (in dollars)
Options outstanding at January 1	-	$ -	-	$ -
Stock options granted	746	39.15	3,555	39.83
Options exercised	(746)	39.15	(3,555)	39.83
Options outstanding at December 31	-	-	-	-
Options exercisable at December 31	-	-	-	-

C. For the years ended December 31, 2018 and 2017, the weighted average stock price of options on the exercise date was NT$61.91 and NT$48.98 (in dollars), respectively.

D. CP's fair value of stock options granted on grant date is measured using the Black-Scholes option-pricing model. Relevant information is as follows:

Type of arrangement	Grant date	Stock price	Exercise price	Expected price volatility	Expected option life	Expected dividends	Risk-free interest rate	Fair value per unit
Treasury stock transferred to employees	March 1, 2017	NTD 49.1	NTD 39.38	(Note)	0.0385	-	0.59%	NTD 9.279
"	March 6, 2018	NTD 61.2	NTD 39.15	"	0.0411	-	0.25%	NTD 22.050

Note: Expected price volatility rate was estimated by using the stock prices of the most recent period with length of this period approximate to the length of the stock options' expected life, and the standard deviation of return on the stock during this period.

E. The restricted stocks issued by CP were measured at their fair value which is the closing price of CP's shares at NT$34 and NT$37.85 (in dollars) on August 28, 2015 and March 16, 2016, respectively.

F. Expenses incurred on share-based payment transactions are shown below:

	2018	2017
Equity-settled	$ 16,077	$ 51,951

Share capital

A. As of December 31, 2018, the Company's authorised capital was $8,000,000, and the paid-in capital was $7,303,799 with a par value of $10 (in dollars) per share, and the outstanding common stock was 800 million shares.

Movements in the number of the Company's ordinary shares outstanding are as follows (shares in thousands.):

	2018 (Note)	2017 (Note)
At January 1	680,642	672,304
Common stock dividends	3,620	3,571
Employee share compensation	6,155	4,952
Repurchased shares as treasury stock	(3,591)	-
Subsidiary received stock dividend from parent company	(186)	(185)
At December 31	686,640	680,642

B. On September 13, 2018, the Company's Board of Directors during its meeting resolved to purchase treasury shares with the ceiling of 10 million shares to be reissued to employees. As of November 13, 2018 (the expiration of the execution period), the Company has purchased 3,591 thousand treasury shares.

C. The stockholders during their meeting held on June 5, 2018 had approved to issue common stock dividends amounting to $36,199. A total of 3,620 thousand shares had been issued and, the Company has obtained a letter of approval from the appropriate authorities. The issue date was set on July 25, 2018, and the Company had completed the related registration on August 8, 2018.

D. On March 9, 2018, the Company's Board of Directors approved the employees' stock bonus amounting to $453,000 at the previous closing price of $73.6 (in dollars) before the day of the Board of Directors' meeting, issuing 6,155 thousand shares. The Company has obtained a letter of approval from the appropriate authorities. The issue date was set on April 3, 2018, and the Company had completed the related registration on April 23, 2018.

E. The stockholders during their meeting held on June 7, 2017 had approved to issue common stock dividends amounting to $35,712. A total of 3,571 thousand shares had been issued and, the Company has obtained a letter of approval from the appropriate authorities. The issue date was set on July 18, 2017, and the Company had completed the related registration on August 4, 2017.

F. On March 10, 2017, the Company's Board of Directors approved the employees' stock bonus amounting to $360,000 at the previous closing price of $72.7 (in dollars) before the day of the Board of Directors' meeting, issuing 4,952 thousand shares. The Company has obtained a letter of approval from the appropriate authorities. The issue date was set on April 7, 2017, and the Company had completed the related registration on April 28, 2017.

G. Treasury stock

(a) Reason for stocks reacquisition and movements in the number of the Company's treasury stocks are as follows:

		December 31, 2018		
Name of company holding the shares	Reason for reacquisition	Number of shares (in thousands)	Carrying amount	Fair value (in dollars) (per share)
The Company	To be reissued to employees	6,377	$ 417,307	$ 62.60
UNIKEY	For investment	21,174	205,795	62.60
HEC	For investment	16,189	105,482	62.60
		43,740	$ 728,584	

Name of company holding the shares	Reason for reacquisition	December 31, 2017 Number of shares (in thousands)	Carrying amount	Fair value (in dollars) (per share)
The Company	To be reissued to employees	2,786	$ 205,888	$ 75.00
UNIKEY	For investment	21,069	205,795	75.00
HEC	For investment	16,108	105,482	75.00
		39,963	$ 517,165	

(b) Pursuant to the R.O.C. Securities and Exchange Law, the number of stocks bought back as treasury stock should not exceed 10% of the number of the Company's issued and outstanding stocks and the amount bought back should not exceed the sum of retained earnings, paid-in capital in excess of par value and realised capital surplus.

(c) Pursuant to the R.O.C. Securities and Exchange Law, treasury stocks should not be pledged as collateral and is not entitled to dividends before it is reissued.

(d) Pursuant to the R.O.C. Securities and Exchange Law, treasury stocks should be reissued to the employees within three years from the reacquisition date and shares not reissued within the three-year period are to be retired. Treasury shares to enhance the Company's credit rating and the stockholders' equity should be retired within six months of acquisition.

Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Law requires that the amount of capital surplus to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

A summary of the Company's capital surplus as of December 31, 2018 and 2017 is as follows:

	December 31, 2018	December 31, 2017
Share premium	$ 3,288,686	$ 2,897,235
Treasury share transactions	1,283,533	1,118,094
Difference between consideration and carrying amount of subsidiaries acquired or disposed	533,586	668,276
Changes in ownership interests in subsidiaries	526,957	453,052
Others	1,171	3
	$ 5,633,933	$ 5,136,660

Retained earnings

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses, if any; and then 10% of the remaining amount shall be set aside as legal reserve until the legal reserve equals the total capital stock balance and as special reserve in accordance to relevant regulations when necessary; and the remainder, if any, to be appropriated shall be presented by the Board of Directors and resolved by the stockholders at the stockholders' meeting.

B. The Company's dividend policy is summarised below: the Company is in the development of electronics industry, the dividend policy should be formulated by achieving both targets that supply the new products capital requirement and increase the return on shareholders' investment. Therefore, the total dividend each year cannot be above of the total distributable earnings, and the cash dividend cannot be less than 90% of the total dividend paid. The ratio is restricted until the total distributable common stock dividends reach $0.5 per share.

C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.

D. (a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

(b) The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Letter No. 1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently. The Company elected to reclassify the unrealised revaluation increment and cumulative translation adjustment to unappropriated earnings and accrue special reserve by $433,524 on initial application of IFRSs.

E. The appropriations of 2017 and 2016 earnings had been resolved at the shareholders' meeting on June 5, 2018 and June 7, 2017, respectively, and the details are summarised below:

	Years ended December 31,			
	2017		2016	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	$ 402,153		$ 353,107	
Special reserve (reversal)	1,427,780		(517,964)	
Stock dividends	36,199	$ 0.05	35,712	$ 0.05
Cash dividends	3,221,684	4.45	3,035,553	4.25

F. Subsequent events: The appropriation of 2018 earnings had been proposed at the Board of Directors' meeting on March 7, 2019. However, the appropriation of earnings for 2018 has not yet been resolved by the shareholders' in 2019. Details are summarised below:

	Year ended December 31, 2018	
	Amount	Dividends per share (in dollars)
Legal reserve	$ 359,071	
Special reserve	1,244,101	
Cash dividends	2,766,858	$ 3.80

G. For the information relating to employees' compensation and directors' and supervisors' remuneration, please refer to Note 6(28).

Other equity items

	2018				
	Currency translation	Available-for-sale investment	Unrealised gains (losses) on valuation	Revaluaion increment	Total
At January 1	($ 1,009,474)	($ 2,203,492)	$ -	$ 1,388,279	($ 1,824,687)
Effect of retrospective application and restatement	-	2,203,492	(3,108,883)	-	(905,391)
At January 1 after adjustments	(1,009,474)	-	(3,108,883)	1,388,279	(2,730,078)
Revaluation					
– Group	-	-	(395,629)	155,281	(240,348)
– Tax on Group	-	-	-	(161,893)	(161,893)
– Transfer	-	-	43,632	-	43,632
Currency translation differences:					
– Group	22,123	-	-	-	22,123
– Associates	1,537	-	-	-	1,537
At December 31	($ 985,814)	$ -	($ 3,460,880)	$ 1,381,667	($ 3,065,027)

	2017			
	Currency translation	Available-for-sale investment	Revaluaion increment	Total
At January 1	$ 55,011	($ 1,379,630)	$ 1,388,279	$ 63,660
Revaluation				
– Group	-	(406,721)	-	(406,721)
– Transfer	-	(417,141)	-	(417,141)
Currency translation differences:				
– Group	(1,060,518)	-	-	(1,060,518)
– Associates	(3,984)	-	-	(3,984)
– Transfer	17	-	-	17
At December 31	($ 1,009,474)	($ 2,203,492)	$ 1,388,279	($ 1,824,687)

Operating revenue

		Year ended December 31, 2018
Revenue from contracts with customers		
Electronic component products	$	41,909,929
Consumer electronic products and other electronic products		44,571,425
Others		779,052
	$	87,260,406

A. Contract liability balance at the beginning of 2018 was all included in the operating revenue.

B. Information on operating revenue for 2017 is provided in Note 12(5) B.

Other income

	Years ended December 31,			
	2018		2017	
Rental revenue	$	164,363	$	134,409
Interest income		50,882		38,665
Dividend income		231,228		186,211
Others		353,144		421,374
	$	799,617	$	780,659

Other gains and losses

	Years ended December 31,			
	2018		2017	
Net gain (loss) on financial assets and liabilities at fair value through profit or loss -derivative instruments	$	449,292	($	949,378)
Net loss on financial assets and liabilities at fair value through profit or loss -others	(	530,390)		-
Gain on doubtful debt recoveries		-		7,620
Net currency exchange (loss) gain	(	61,534)		481,992
(Loss) gains on disposal of property, plant and equipment	(	15,161)		30,484
Gain on disposal of investments		-		654,696
Gain on disposal of investments accounted for using equity method		-		776,362
Impairment on non-financial assets		-	(	96)
Gain on fair value adjustment of investment property		31,930		51,789
Others	(	129,282)	(	83,731)
	($	255,145)	$	969,738

Finance costs

	Years ended December 31,	
	2018	2017
Interest expense of bank borrowings	$ 159,244	$ 120,586
Less: Capitalisation of qualifying assets	(16,209)	(15,886)
	$ 143,035	$ 104,700

Expenses by nature

	Year ended December 31, 2018		
	Cost of revenue	Operating expense	Total
Employee benefit expense	$ 7,474,691	$ 3,812,901	$ 11,287,592
Depreciation on property, plant and equipment	1,741,026	302,486	2,043,512
Amortisation on intangible assets	4,080	74,408	78,488
Other non-current assets transferred to expense	32,849	24,990	57,839
Long-term lease amortisation	-	10,119	10,119

	Year ended December 31, 2017		
	Cost of revenue	Operating expense	Total
Employee benefit expense	$ 7,202,030	$ 3,772,475	$ 10,974,505
Depreciation on property, plant and equipment	1,664,476	305,412	1,969,888
Amortisation on intangible assets	3,749	67,257	71,006
Other non-current assets transferred to expense	33,574	23,321	56,895
Long-term lease amortisation	-	8,281	8,281

Employee benefit expense

	Year ended December 31, 2018		
	Cost of revenue	Operating expense	Total
Wages and salaries	$ 6,276,348	$ 3,378,625	$ 9,654,973
Labor and health insurance fees	78,088	148,825	226,913
Pension costs	575,269	154,056	729,325
Other personnel expenses	544,986	131,395	676,381
	$ 7,474,691	$ 3,812,901	$ 11,287,592

	Year ended December 31, 2017		
	Cost of revenue	Operating expense	Total
Wages and salaries	$ 6,202,737	$ 3,358,093	$ 9,560,830
Labor and health insurance fees	70,970	150,699	221,669
Pension costs	550,816	141,831	692,647
Other personnel expenses	377,507	121,852	499,359
	$ 7,202,030	$ 3,772,475	$ 10,974,505

A. According to the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors’ and supervisors’ remuneration. The ratio shall not be lower than 11% for employees’ compensation and shall not be higher than 1% for directors’ and supervisors’ remuneration.

B. For the years ended December 31, 2018 and 2017, employees’ compensation was accrued at $503,034 and $607,048, respectively; directors’ and supervisors’ remuneration was accrued at $31,252 and $37,714, respectively. The aforementioned amounts were recognised in salary expenses.

The employees’ compensation and directors’ and supervisors’ remuneration were estimated and accrued based on 11.77% and 0.73% of distributable profit of current year for the year ended December 31, 2018, respectively. The employees’ compensation and directors’ and supervisors’ remuneration resolved by the Board of Directors were $503,034 and $31,252, respectively, and the employees’ compensation will be distributed in the form of cash and shares.

Employees’ compensation of $607,048 and directors’ and supervisors’ remuneration of $37,714 for 2017 as resolved at the meeting of Board of Directors were in agreement with those amounts recognised in the 2017 financial statements. For the year ended December 31, 2017, 6,155 thousand shares of stock were issued as employee compensation, and the number of shares were calculated based on the closing price of $73.6 (in dollars) on the day before the Board of Directors’ meeting.

Information about employees’ compensation and directors’ and supervisors’ remuneration of the Company as resolved at the meeting of Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

Income tax

A. Income tax expense

(a) Components of income tax expense:

	Years ended December 31,	
	2018	2017
Current tax:		
Current tax on profits for the year	$ 1,163,272	$ 1,073,132
Tax on undistributed surplus earnings	-	61,966
Prior year income tax under estimation	(75,427)	(11,862)
Total current tax	1,087,845	1,123,236
Deferred tax:		
Origination and reversal of temporary differences	(20,125)	94,567
Impact of change on tax rate	(11,157)	-
Total deferred tax	(31,282)	94,567
Income tax expense	$ 1,056,563	$ 1,217,803

(b) The income tax (charge)/credit relating to components of other comprehensive income is as follows:

	Years ended December 31, 2018	Years ended December 31, 2017
Land value increment tax from revaluation	$ 150,136	$ -
Impact of change on tax rate	11,757	-
	$ 161,893	$ -

B. Reconciliation between income tax expense and accounting profit

	Years ended December 31, 2018	Years ended December 31, 2017
Tax calculated based on profit before tax and statutory tax rate (Note)	$ 1,070,893	$ 1,323,989
Effect from items adjusted in accordance with tax regulation	61,097	(156,290)
Prior year income tax overestimation	(75,427)	(11,862)
Undistributed earnings	-	61,966
Income tax expense	$ 1,056,563	$ 1,217,803

Note: The basis for computing the applicable tax rate are the rates applicable in the respective countries where the Group entities operate.

C. Amounts of deferred tax assets or liabilities as a result of temporary differences are as follows:

	2018			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences:				
－Deferred tax assets:				
Provision for inventory price decline	$ 17,987	$ 6,754	$ -	$ 24,741
Allowance for doubtful accounts in excess of tax limit	76	(76)	-	-
Unrealised accrued expenses	66,357	(44,658)	-	21,699
Unrealised compensation revenue	45,088	(2,148)	-	42,940
Impairment loss	565	(565)	-	-
Fair value adjustment of investment property	22,500	(22,500)	-	-
Others	9,723	(1,145)	-	8,578
	$ 162,296	($ 64,338)	$ -	$ 97,958

	2018			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
—Deferred tax liabilities:				
Fair value adjustment of investment property	($ 122,899)	($ 68)	($ 161,893)	($ 284,860)
Unrealised exchange gain	(104,967)	94,964	-	(10,003)
Temporary differences of fixed assets for tax and financial purposes	(2,943)	702	-	(2,241)
Others	(472)	22	-	(450)
	($ 231,281)	$ 95,620	($ 161,893)	($ 297,554)

	2017			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences:				
—Deferred tax assets:				
Provision for inventory price decline	$ 22,904	(4,917)	-	$ 17,987
Allowance for doubtful accounts in excess of tax limit	373	(297)	-	76
Unrealised accrued expenses	63,506	2,851	-	66,357
Unrealised compensation revenue	46,785	(1,697)	-	45,088
Impairment loss	565	-	-	565
Fair value adjustment of investment property	23,518	(1,018)	-	22,500
Others	1,736	7,987	-	9,723
	$ 159,387	$ 2,909	$ -	$ 162,296
—Deferred tax liabilities:				
Fair value adjustment of investment property	($ 106,529)	(16,370)	$ -	($ 122,899)
Reserve for land revaluation increment tax	(11,416)	(93,551)	-	(104,967)
Long-term investment gain	(12,205)	12,205	-	-
Temporary differences of fixed assets for tax and financial purposes	(3,183)	240	-	(2,943)
	($ 133,333)	($ 97,476)	$ -	($ 230,809)

D. Expiration dates of unused net operating loss carryforward and amounts of unrecognised deferred tax assets of domestic subsidiaries are as follows:

December 31, 2018

Year incurred	Amount filed/ assessed	Unused amount	Unrecognised deferred tax assets	Expiry year
2010	$ 13,233	$ 13,233	$ 13,233	2020
2011	12,688	12,688	12,688	2021
2012	10,162	10,162	10,162	2022
2013	8,559	8,559	8,559	2023
2014	7,873	7,873	7,873	2024
2015	14,500	14,500	14,500	2025
2016	7,867	7,867	7,867	2026
2017	1,188	1,188	1,188	2026

December 31, 2017

Year incurred	Amount filed/ assessed	Unused amount	Unrecognised deferred tax assets	Expiry year
2010	$ 13,233	$ 13,233	$ 13,233	2020
2011	12,688	12,688	12,688	2021
2012	10,162	10,162	10,162	2022
2013	8,559	8,559	8,559	2023
2014	7,873	7,873	7,873	2024
2015	14,500	14,500	14,500	2025
2016	7,867	7,867	7,867	2026

E. As of December 31, 2018 and 2017, the amounts of deductible temporary differences that were not recognised as deferred tax assets are as follows:

	December 31, 2018	December 31, 2017
Deductible temporary differences	$ 286,237	$ 175,856

F. The Company’s income tax returns through 2016 have been assessed and approved by the Tax Authority.

G. Under the amendments to the Income Tax Act which was promulgated by the President of the Republic of China on February 7, 2018, the Company’s applicable income tax rate was raised from 17% to 20% effective from January 1, 2018. The Group has assessed the impact of the change in income tax rate.

Earnings per share

	Year ended December 31, 2018		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 3,590,711	688,299	$ 5.22
Diluted earnings per share			
Employees' bonus	-	9,164	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 3,590,711	697,463	$ 5.15

	Year ended December 31, 2017		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 4,021,529	683,152	$ 5.89
Diluted earnings per share			
Employees' bonus	-	9,017	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 4,021,529	692,169	$ 5.81

The above weighted-average outstanding shares of common stock have been adjusted according to the earnings distribution approved by the Board of Directors and stockholders.

Supplemental cash flow information

Investing activities with partial cash payments

	Years ended December 31,	
	2018	2017
Purchase of property, plant and equipment	$ 2,249,093	$ 2,018,160
Add: Opening balance of payable on equipment	385,725	732,154
Less: Ending balance of payable on equipment	(420,262)	(385,725)
Cash paid during the year	$ 2,214,556	$ 2,364,589

RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

Names of related parties	Relationship with the Company
Newmax Technology Co., Ltd.	Other related party (Note)
Clevo Co.	Other related party
Hongwell	Other related party
Chicony Square	Other related party
Kapok Computer (Kunshan) Co., Ltd.	Other related party
Buynow Group (includinig Loyang, Anshan, Quanzhou, Zhengzhou, etc)	Other related party
Far win (Kunshan) Co., Ltd.	Other related party
Far win (Dong guan) Co., Ltd.	Other related party
ShunOn Electronic Co.	Other related party
Jiaxing Chunxiang Electronic Technology Co., Ltd.	Other related party
Chongqing Chunxiang Electronic Technology Co., Ltd.	Other related party
Jim Yu Plastic Electronic (Wujiang) Co., Ltd.	Other related party
Cheung Shun (Wujiang) Plastic Processing Technology Co., Ltd.	Other related party

Note：Newmax was an associate company before October 30, 2017, but the Group lost significant control over this company from October 31, 2017, please refer to Note 6(7).

Significant related party transactions

A. Operating revenue:

	Years ended December 31,	
	2018	2017
Sales of goods:		
Other related parties	$ 844,038	$ 775,412

The terms of the sales to related parties were the same as those to third parties, with reasonable discounts. In general, the collection periods ranged from 60 to 90 days.

B. Purchases:

	Years ended December 31,	
	2018	2017
Purchases of goods:		
Associates	$ -	$ 247,189
Other related parties	1,688,955	1,412,989
	$ 1,688,955	$ 1,660,178

The terms of the purchases from related parties were the same as those to third parties.

C. Receivables from related parties:

	December 31, 2018	December 31, 2017
Accounts receivable:		
Other related parties	$ 314,182	$ 325,997

The receivables from related parties arise mainly from sale transactions. The credit term is limited from 60 to 90 days after the date of transaction. The receivables are unsecured in nature and bear no interest. There was no allowance for doubtful accounts pertaining to accounts receivable from related parties.

D. Payables to related parties:

	December 31, 2018	December 31, 2017
Accounts payable:		
Other related parties	$ 300,503	$ 482,419

The payables from related parties arise mainly from purchase transactions. The credit term is limited from 60 to 90 days after the date of transaction. The payables are unsecured in nature and bear no interest.

E. Property transactions－acquisition of property, plant and equipment

For the year ended December 31, 2018: None.

	December 31, 2018	December 31, 2017
Other related parties	$ 243	$ -

F. Dividend income:

	December 31, 2018	December 31, 2017
Other related parties	$ 54,577	$ 52,393

Key management compensation

	Years ended December 31,	
	2018	2017
Salaries and other short-term employee benefits	$ 307,333	$ 402,017
Termination benefits	2,691	2,598
	$ 310,024	$ 404,615

PLEDGED ASSETS

(1)The Group's assets pledged as collateral are as follows:

Pledged asset	Book value December 31, 2018	Book value December 31, 2017	Purpose
Time deposits (shown as other current assets)	$ -	$ 28,338	Guarantee for taxes and social insurance and bank borrowings
Refundable deposits (shown as other non-current assets)	100,234	59,929	Deposits and guarantee for plant and operating leases
Property, plant and equipment	1,214,224	-	Long-term borrowings
Investment property (Note)	5,029,563	1,814,105	Long-term borrowings
	$ 6,344,021	$ 1,902,372	

Note: On December 26, 2018, it was reclassified as non-current assets classified as held for sale, net.

(2)As of December 31, 2018 and 2017, UNIKEY and HEC have pledged the Company's common stock (shown as "treasury stock") amounting to 8,500,000 and 12,600,000 shares, respectively, as pledge for loans.

SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) As of December 31, 2018, the Group had unused letters of credit for purchases of raw materials amounting to approximately $16,182.

(2) As of December 31, 2018, for bank loans, financing forward exchange contracts, bill purchased and accounts receivable factoring purposes, the Group provided standby promissory notes totaling $45,032,338 as security.

(3) On December 27, 2018, the subsidiaries Chicony Power Technology (Suzhou) Co., Ltd. and Suzhou Weiye Group Co., Ltd., signed a construction contract amounting to RMB 247,825 thousand dollars (NT$1,103,069) and the subcontract work will follow the construction schedule. As of December 31, 2018, capital expenditures for the contract but not yet incurred amounted to RMB 247,825 thousand dollars (NT$1,103,069).

(4) Apart from the above section (3), the amounts of unpaid payment for construction in progress and acquisition of machinery and equipment are as follows:

December 31, 2018	December 31, 2017
$ 685,353	$ 898,655

(5) Mao-Ray and Dong Guan Had Eri Iou Plastic Corporation have aggregate minimum commitments under the agreements with local government for the lease of land from 2006 to 2026. The related leasing and management fee each year is RMB 680 thousand.

(6) The Group’s leasing commitments are summarised below:

	December 31, 2018	December 31, 2017
No later than one year	$ 126,020	$ 80,356
Later than one year but no later than five years	308,242	198,161
Later than five years	133,788	129,651
	$ 568,050	$ 408,168

(7) The subsidiary, Hikari, accrued JPY 9.5 billion for selling the Shinkawa Building in Tokyo to Kyushu Railway Company under the agreement as resolved by Board of Directors on December 26, 2018. The investment property was valued around JPY 7.02－7.06 billion.

SIGNIFICANT DISASTER LOSS

None.

SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

Please see Notes 6(21) and 6(28) for the details on appropriation of the 2018 earnings.

OTHERS

Capital management

The Group’s objectives when managing capital are to safeguard the Group’s ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including ‘current and non-current borrowings’ as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as ‘equity’ as shown in the consolidated balance sheet plus net debt.

Financial instruments

A. Financial instruments by category

	December 31, 2018	December 31, 2017
Financial assets		
Financial assets mandatorily measured at fair value through profit or loss - current	$ 4,316,587	$ 412,311
Financial assets at fair value through other comprehensive income - current	2,920,108	-
Available-for-sale financial assets - current	-	6,734,294
Financial assets mandatorily measured at fair value through profit or loss - non-current	1,993,760	-
Financial assets at fair value through other comprehensive income - non-current	858,124	-
Available-for-sale financial assets - non-current	-	883,509
Financial assets at cost - non-current	-	2,266,656
Financial assets at amortised cost		
Cash and cash equivalents	1,952,439	2,679,941
Notes receivable	360,995	842,816
Accounts receivable (including related parties)	17,929,998	18,386,473
Other receivables	314,508	503,149
Guarantee deposits paid	100,234	59,929
Other financial assets	-	28,338
	$ 30,746,753	$ 32,797,416
Financial liabilities		
Financial liabilities at fair value through profit or loss - current	$ 70,777	$ 488,548
Financial liabilities at amortised cost		
Short-term borrowings	5,643,630	4,246,383
Notes payable	1,720	2,187
Accounts payable (including related parties)	23,014,263	21,219,986
Other accounts payable	8,307,849	9,125,867
Long-term borrowings (including current portion)	1,423,180	1,831,281
	$ 38,461,419	$ 36,914,252

B. Financial risk management policies

(a) The Group’s activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. To minimise any adverse effects on the financial performance of the Group, derivative financial instruments, such as foreign exchange contracts and foreign exchange swap contracts are used to hedge certain exchange rate risk. Derivatives are used exclusively for hedging purposes and not as trading or speculative instruments.

(b) Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

(c) Information about derivative financial instruments that are used to hedge certain exchange rate risk are provided in Note 6(2).

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

i. The Group operates internationally and is exposed to exchange rate risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the USD and RMB. Exchange rate risk arises from future commercial transactions and recognised assets and liabilities.

ii. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The companies are required to hedge their entire foreign exchange risk exposure with the Group treasury. Exchange rate risk is measured through a forecast of highly probable USD and RMB expenditures. Forward foreign exchange contracts are adopted to minimise the volatility of the exchange rate affecting cost of forecast inventory purchases.

iii. The Group hedges exchange rate risk by foreign exchange rate and foreign exchange swap rate. However, the Group does not adopt hedging accounting. Details of financial assets or liabilities at fair value through profit or loss are provided in Note 6(2).

iv. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: USD, RMB and HKD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	December 31, 2018			Year ended December 31, 2018		
				Sensitivity analysis		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)						
Financial assets						
Monetary items						
USD:NTD	USD 419,030	30.7150	$ 12,870,506	1%	$ 128,705	$ -
USD:RMB (Note)	USD 1,031,996	6.8668	31,697,757	1%	316,978	-
Financial liabilities						
Monetary items						
USD:NTD	USD 965,727	30.7150	$ 29,662,305	1%	$ 296,623	$ -
USD:RMB (Note)	USD 812,912	6.8668	24,968,592	1%	249,686	-
JPY:USD (Note)	JPY 3,930,437	0.0091	1,098,583	1%	10,986	-

	December 31, 2017			Year ended December 31, 2017		
				Sensitivity analysis		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)						
Financial assets						
Monetary items						
USD:NTD	USD 479,840	29.8000	$ 14,299,232	1%	$ 142,992	$ -
USD:RMB (Note)	USD 923,417	6.5179	27,517,827	1%	275,178	-
Financial liabilities						
Monetary items						
USD:NTD	USD 912,819	29.8000	$ 27,202,006	1%	$ 272,020	$ -
USD:RMB (Note)	USD 670,628	6.5179	19,984,714	1%	199,847	-
JPY:USD (Note)	JPY 3,922,439	0.0089	1,040,309	1%	10,403	-

Note: The functional currencies of certain subsidiaries belonging to the Group are not NTD, thus, this information has to be considered when reporting. For example, when a subsidiary’s functional currency is RMB, the subsidiary’s segments that are involved with USD have to be taken into consideration.

Total exchange gain, including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2018 and 2017, amounted to ($61,534) and $481,992, respectively.

Price risk

i. The Group’s equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and available-for-sale financial assets. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

ii. The Group’s investments in equity securities comprise shares and open-end funds issued by the domestic and foreign companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, post-tax profit for the years ended December 31, 2018 and 2017 would have increased/decreased by $56,416 and $0, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would have increased/decreased by $37,782 and $73,059, respectively, as a result of other comprehensive income classified as available-for-sale equity investment and equity investment at fair value through other comprehensive income.

Cash flow and fair value interest rate risk

The Group’s interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash and cash equivalents held at variable rates. During the years ended December 31, 2018 and 2017, the Group’s borrowings at variable rate were denominated in the NTD, USD and JPY.

At December 31, 2018 and 2017, if market interest rates had been 0.25% higher with all other variables held constant, other comprehensive income for the years ended December 31, 2018 and 2017 would have been $4,084 and $5,317 higher, respectively.

(b) Credit risk

i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortised cost and at fair value through profit or loss.

ii. According to the Group's internal management policy, the Group only trades with the good credit bank. According to the credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.

iii. The Group adopts the following assumption under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:

If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.

iv. The Group classifies customer's accounts receivable, contract assets and rents receivable in accordance with customer types. The Group applies the simplified approach using provision matrix, loss rate methodology to estimate expected credit loss under the provision matrix basis.

v. According to the Group's internal management policy, the default occurs when the contract payments are past due over 360 days.

vi. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:

(i)It becomes probable that the issuer will enter bankruptcy or other financial reorganisation due to their financial difficulties;

(ii)The disappearance of an active market for that financial asset because of financial difficulties;

(iii)Default or delinquency in interest or principal repayments;

(iv)Adverse changes in national or regional economic conditions that are expected to cause a default.

vii. The Group used the forecastability to adjust historical and timely information to assess the default possibility of accounts receivable, contract assets and rents receivable. On

December 31, 2018, the provision matrix is as follows:

	Expected loss rate	Total book value	Loss allowance
December 31, 2018			
Not past due	0%~0.6%	$ 17,003,966	$ 24,132
1-30 days past due	2%~18%	334,648	9,077
31-120 days past due	3%~30%	441,145	139,088
121-125 days past due	20%~30%	11,453	3,099
Over 360 days past due	100%	53,228	53,228
		$ 17,844,440	$ 228,624

viii. Movements in relation to the Group applying the simplified approach to provide loss allowance for accounts receivable are as follows:

	2018
	Accounts receivable
At January 1_IAS 39	$ 101,554
Adjustments under new standards	-
At January 1_IFRS 9	101,554
Provision for impairment	148,756
Effect of foreign exchange	(21,686)
At December 31	$ 228,624

(c) Liquidity risk

i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable external regulatory or legal requirements.

ii. Group treasury invests surplus cash in interest bearing current accounts, time deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head room as determined by the above mentioned forecasts. As at December 31, 2018 and 2017, the Group held money market position of $8,809,544 and $9,375,269, respectively, that are expected to readily generate cash inflows for managing liquidity risk.

iii. The Group has the following undrawn borrowing facilities:

	December 31, 2018	December 31, 2017
Floating rate:		
Expiring within one year	$ 19,294,552	$ 19,022,008
Expiring beyond one year	8,500,000	8,152,610
	$ 27,794,552	$ 27,174,618

iv. The table below analyses the Group's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

December 31, 2018

Non-derivative financial liabilities	Less than 1 year	Over 1 year
Short-term borrowings	$ 5,648,775	$ -
Notes payable	1,720	-
Accounts payable (including related parties)	23,014,263	-
Other payables (including related parties)	8,307,849	-
Long-term borrowings (including current portion)	419,124	1,031,220
Derivative financial liabilities:		
Financial liabilities at fair value through profit or loss	$ 70,777	$ -

December 31, 2017

Non-derivative financial liabilities	Less than 1 year	Over 1 year
Short-term borrowings	$ 4,249,273	$ -
Notes payable	2,187	-
Accounts payable (including related parties)	21,219,986	-
Other payables (including related parties)	9,125,867	-
Long-term borrowings (including current portion)	13,521	1,856,888
Derivative financial liabilities:		
Financial liabilities at fair value through profit or loss	$ 488,548	$ -

Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Group’s investment in listed stocks (including emerging stocks), beneficiary certificates and convertible bonds, is included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Group’s investment in most derivative instruments is included in Level 2.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Group’s investment in certain derivative instruments and investment property is included in Level 3.

B. The carrying amounts of cash and cash equivalents, notes receivable, accounts receivable (including related parties), other receivables (including related parties), short-term borrowings, accounts payable and other payables (including related parties) are approximate to their fair values.

C. The related information of financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities at December 31, 2018 and 2017 are as follows:

(a)The related information of the nature of the assets and liabilities is as follows:

December 31, 2018	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets mandatorily measured at fair value through profit or loss - current				
Equity securities	$ 3,064,273	$ -	$ -	$ 3,064,273
Debt securities	318,468	-	-	318,468
Beneficiary certificates	583,594	-	-	583,594
Non-hedging derivatives				
Forward exchange contracts	-	350,252	-	350,252
Financial assets mandatorily measured at fair value through profit or loss - non-current				
Equity securities	-	-	638,727	638,727
Beneficiary certificates	597,331	-	757,702	1,355,033
Financial assets at fair value through other comprehensive income - current				
Equity securities	2,920,108	-	-	2,920,108
Financial assets at fair value through other comprehensive income - non-current				
Equity securities	-	30,813	827,311	858,124
Investment property (Note)	-	-	5,537,730	5,537,730
Non-recurring fair value measurements				
Non-current assets held for sale (Note)	-	-	1,956,546	1,956,546
	$ 7,483,774	$ 381,065	$ 9,718,016	$ 17,582,855

December 31, 2018	Level 1	Level 2	Level 3	Total
Liabilities				
Recurring fair value measurements				
Financial liabilities at fair value through profit or loss - current				
Non-hedging derivatives				
Forward exchange contracts	$ -	$ 68,161	$ -	$ 68,161
Exchange rate swaps	-	2,616	-	2,616
	$ -	$ 70,777	$ -	$ 70,777

December 31, 2017	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Forward exchange contracts	$ -	$ 411,117	$ -	$ 411,117
Exchange rate swaps	-	1,194	-	1,194
Available-for-sale financial assets				
Equity securities	6,352,195	64,592	-	6,416,787
Debt securities	311,924	-	-	311,924
Beneficiary certificates	889,092	-	-	889,092
Investment property (Note)	-	-	5,517,981	5,517,981
	$ 7,553,211	$ 476,903	$ 5,517,981	$ 13,548,095
Liabilities				
Recurring fair value measurements				
Financial liabilities at fair value through profit or loss				
Forward exchange contracts	$ -	$ 486,793	$ -	$ 486,793
Exchange rate swaps	-	1,755	-	1,755
	$ -	$ 488,548	$ -	$ 488,548

Note : Investment property measured at fair value.

(b) The instruments the Group used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

	Listed shares	Emerging stock	Open-end fund	Convertible bond
Market quoted price	Closing price	Average trades price	Net asset value	Closing

D. For the years ended December 31, 2018 and 2017, there was no transfer between Level 1 and Level 2.

E. The following chart is the movement of Level 3 for the year ended December 31, 2018:

	2018		
	Beneficiary certificates	Equity instruments	Total
At January 1	$ 626,028	$ 1,586,751	$ 2,212,779
Acquired in the period	79,141	30,182	109,323
Sold in the period	-	(106,697)	(106,697)
Gains and losses recognised in profit or loss	40,160	(20,369)	19,791
Gains and losses recognised in other comprehensive income	-	(43,809)	(43,809)
Effect of exchange rate changes	12,373	19,980	32,353
At December 31	$ 757,702	$ 1,466,038	$ 2,223,740
Movement of unrealised gain or loss in profit or loss of assets and liabilities held as at December 31, 2018 (Recorded as non-operating income and expense)	$ 40,160	($ 20,369)	$ 19,791

Information about the movements of the investment property in Level 3 is provided in Notes 6(9).

F. For the year ended December 31, 2018, there was no transfer into or out from Level 3.

G. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	Fair value at December 31, 2018	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	$ 224,870	Market approach	Discount for lack of marketability	-	The higher the discount for lack of marketability, the lower the fair value
"	1,241,168	Net asset value	N/A	-	N/A
Venture capital shares Private equity fund investment	757,702	Net asset value	N/A	-	N/A
Investment property	5,537,730	Income approach	Revenue growth rate, Discount rate	-	The higher the revenue growth rate, the higher the fair value; the higher the discount rate, the lower the fair value
Non-current assets held for sale	1,956,546	Income approach	Revenue growth rate, Discount rate	-	The higher the revenue growth rate, the higher the fair value; the higher the discount rate, the lower the fair value

H. The Group has carefully assessed the valuation models and assumptions used to measure fair value. However, use of different valuation models or assumptions may result in different measurement. The following is the effect of profit or loss or of other comprehensive income from financial assets and liabilities categorised within Level 3 if the inputs used to valuation models have changed:

			December 31, 2018			
			Recognised in profit or loss		Recognised in other comprehensive income	
	Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets						
Equity instrument	Market approach、Net asset value	± 1%	$ 6,387	($ 6,387)	$ 8,273	($ 8,273)
Beneficiary certificates	Net asset value	± 1%	7,577	(7,577)	-	-
			$ 13,964	($ 13,964)	$ 8,273	($ 8,273)

Effects on initial application of IFRS 9 and information on application of IAS 39 in 2017

A.Summary of significant accounting policies adopted in 2017:

(a)inancial assets at fair value through profit or loss

i.Financial assets at fair value through profit or loss are financial assets held for trading or financial assets designated as at fair value through profit or loss on initial recognition. Financial assets are classified in this category of held for trading if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as financial assets held for trading unless they are designated as hedges. Financial assets that meet one of the following criteria are designated as at fair value through profit or loss on initial recognition:

(i)Hybrid (combined) contracts; or

(ii)They eliminate or significantly reduce a measurement or recognition inconsistency; or

(iii)They are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

ii.On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.

iii.Financial assets at fair value through profit or loss are initially recognised at fair value. Related transaction costs are expensed in profit or loss. These financial liabilities are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial liabilities are recognised in profit or loss.

(b)Available-for-sale financial assets

i.Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

ii.On a regular way purchase or sale basis, available-for-sale financial assets are recognised and derecognised using trade date accounting.

iii.Available-for-sale financial assets are initially recognised at fair value plus transaction costs. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognised in other comprehensive income. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured or derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are presented in 'financial assets measured at cost'.

(c)Accounts receivable

Accounts receivable are loans and receivables originated by the entity. They are created by the entity by selling goods or providing services to customers in the ordinary course of business. They are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. However, short-term accounts receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(d)Impairment of financial assets

i.The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

ii.The criteria that the Group uses to determine whether there is objective evidence of an impairment loss is as follows:

(i)Significant financial difficulty of the issuer or debtor;

(ii)Breach of contract, such as a default or delinquency in interest or principal payments;

(iii)The Group, for economic or legal reasons relating to the borrower's financial difficulty, granted the borrower a concession that a lender would not otherwise consider;

(iv)It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;

(v)The disappearance of an active market for that financial asset because of financial difficulties;

(vi)Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, including adverse changes in the payment status of borrowers in the group or national or local economic conditions that correlate with defaults on the assets in the group;

(vii)Information about significant changes with an adverse effect that have taken place in the technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered;

(viii)A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

iii.When the Group assesses that there has been objective evidence of impairment and an impairment loss has occurred, accounting for impairment is made as follows according to the category of financial assets:

(i)financial assets at amortised cost

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate, and is recognised in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortised cost that would have been at the date of reversal had the impairment loss not been recognised previously. Impairment loss is recognised and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(ii)Financial assets at cost

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at current market return rate of similar financial asset, and is recognised in profit or loss.

Impairment loss recognised for this category shall not be reversed subsequently. Impairment loss is recognised by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(iii)Available-for-sale financial assets

The amount of the impairment loss is measured as the difference between the asset's acquisition cost (less any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss, and is reclassified from 'other comprehensive income' to 'profit or loss'. If, in a subsequent period, the fair value of an investment in a debt instrument increases, and the increase can be related objectively to an event occurring after the impairment loss was recognised, such impairment loss is reversed through profit or loss. Impairment loss of an investment in an equity instrument recognised in profit or loss shall not be reversed through profit or loss. Impairment loss is recognised and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

B. For the year ended December 31, 2017, the information on critical judgements in applying the Group's accounting policies is as follows:

Financial assets - impairment of equity investment

The Group follows the guidance of IAS 39 to determine whether a financial asset—equity investment is impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an equity investment is less than its cost and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

If the decline of the fair value of an individual equity investment below cost was considered significant or prolonged, the Group would suffer a loss in its financial statements, being the transfer of the accumulated fair value adjustments recognised in other comprehensive income on the impaired available-for-sale financial assets to profit or loss or being the recognition of the impairment loss on the impaired financial assets measured at cost in profit or loss.

C. The reconciliations of carrying amount of financial assets transferred from December 31, 2017, IAS 39, to January 1, 2018, IFRS 9, were as follows:

	Available-for-sale-current		Available-for-sale-non-current			Effects		
	Measured at fair value through profit or loss	Measured at fair value through other comprehensive income-current	Measured at fair value through profit or loss-non-current	Measured at fair value through other comprehensive income-non-current	Measured at cost	Total	Retained earnings	Others equity	Non-controlling interest
IAS 39	$ 412,311	$ 6,734,294	$ -	$ 883,509	$ 2,266,656	$ 10,296,770	$ -	$ -	$ -
Transferred into and measured at fair value through profit or loss	3,352,971	(3,352,971)	2,178,876	(818,917)	(1,317,247)	42,712	(239,786)	290,830	(8,332)
Transferred into and measured at fair value through other comprehensive income	-	-	-	852,819	(949,409)	(96,590)	-	(96,232)	(358)
Impairment loss adjustment	-	-	-	-	-	-	1,099,989	(1,099,989)	-
IFRS 9	$ 3,765,282	$ 3,381,323	$ 2,178,876	$ 917,411	$ -	$ 10,242,892	$ 860,203	($ 905,391)	($ 8,690)

(a) In accordance with IFRS 9, the Group reclassified available-for-sale financial assets – current, available-for-sale financial assets – non-current and financial assets carried at cost – non-current in the amounts of $3,381,323, $64,592 and $949,409, respectively, and made an irrevocable election at initial recognition on equity instruments not held for dealing or trading purpose, by increasing financial assets at fair value through other comprehensive income – current, financial assets at fair value through other comprehensive income – non-current, decreasing other equity interest and non-controlling interest in the amounts of $3,381,323, $917,411, $96,232 and $358, respectively.

(b) In accordance with IFRS 9, the Group reclassified available-for-sale financial assets – current, available-for-sale financial assets – non-current and financial assets carried at cost in the amounts of $3,352,971, $818,917 and $1,317,247, respectively, by increasing financial assets at fair value through profit or loss - current, financial assets at fair value through profit or loss - non-current, decreasing retained earnings, increasing other equity interest and decreasing non-controlling interest in the amounts of $3,352,971, $2,178,876, $239,786, $290,830 and $8,332, respectively.

(c) In accordance with IFRS 9, the Group transferred impairment loss on available-for-sale financial assets recognised under IAS 39 into other equity interest by decreasing other equity interest and increasing retained earnings in the amounts of $1,099,989 and $1,099,989, respectively.

D. The reconcilation of allowance for impairment from December 31, 2017, as these are impaired under IAS 39, to January 1, 2018, as these are expected to be impaired under IFRS 9, are as follows:

	Available-for-sale - current	Available-for-sale - non-current	
	Measured at fair value through other comprehensive income – current	Measured at fair value through other comprehensive income – non-current	Total
IAS 39	$ 81,264	$ 1,018,725	$ 1,099,989
Impairment loss adjustment	(81,264)	(1,018,725)	(1,099,989)
IFRS 9	$ -	$ -	$ -

E. The significant accounts as of December 31, 2017 are as follows:

(a) Financial assets and liabilities at fair value through profit or loss

Current Items	December 31, 2017
Financial assets held for trading	
Non-hedging derivatives	
Forward foreign exchange contracts	$ 411,117
Exchange rate swaps	1,194
	$ 412,311
Financial liabilities held for trading	
Non-hedging derivatives	
Forward foreign exchange contracts	$ 486,793
Exchange rate swaps	1,755
	$ 488,548

i. The Group recognised net loss of ($949,378) on financial assets held for trading for the year ended December 31, 2017.

ii. The non-hedging derivative instruments transaction and contract information are as follows:

	December 31, 2017		
Derivative instruments	Contract amount (Notional Principal) (In thousands)		Due Date
Forward foreign exchange contracts			
—SELL NTD/BUY USD	USD	385,000	2018.1.4~2018.10.16
—SELL RMB/BUY USD	USD	50,025	2018.1.31~2018.7.31
—SELL USD/BUY RMB	USD	315,180	2018.1.3~2018.12.4
Exchange rate swaps			
—SELL NTD/BUY USD	USD	34,700	2018.1.3~2018.12.27

(i)Forward foreign exchange contracts

The Group entered into forward foreign exchange contracts to buy (sell) various forward foreign currencies and these contracts are not accounted for under hedge accounting.

(ii)Exchange rate swaps

The Group entered into exchange rate swap contracts with financial institutions to hedge exchange rate risk of import and export proceeds. However, these exchange rate swap contracts are not accounted for under hedge accounting.

(iii)Futures

The Group entered into futures contracts, which are stock index futures, to earn the spread. As of December 31, 2017, margin deposits for these contracts were $48,787. The Group entered into metal futures and swap contract with financial institutions to hedge raise raw material price. However, these futures contracts are not accounted for under hedge accounting.

iii. Due to the financial meltdown in 2008, listed stocks amounting to $1,180,881 that were initially classified as ‘financial assets at fair value through profit or loss’ were reclassified to ‘available-for-sale financial assets’ on July 24, 2008 in accordance with paragraph 50(c) of IAS 39. The relevant information is set forth below:

(i) The balance of the above mentioned reclassified assets as of December 31, 2017 is as follows:

	December 31, 2017 Book value/fair value
Listed stocks	$ 182,318

(ii) The relevant information in fair value change of the reclassified financial assets is as follows:

	Years ended December 31, 2017 Income recognised in comprehensive income
Listed stocks	$ 7,544

The accumulated total changes in fair value of the above that were recognised in other comprehensive income before January 1, 2016 amounted to $131,612.

(iii)If the above financial assets were not classified to ‘available-for-sale financial assets’ on July 24, 2008, the Group would have recognised net gain (loss) as follows:

	Years ended December 31, 2017
Listed stocks	$ 7,544

iv. The Group has no financial assets at fair value through profit or loss pledged to others.

(b) Available-for-sale financial assets

Items	December 31, 2017
Current items:	
Listed stocks	$ 9,441,226
Emerging stocks	114,029
Convertible bonds	313,691
Beneficiary certificates	76,344
Subtotal	9,945,290
Valuation adjustment	(3,076,098)
Accumulated impairment	(134,898)
Total	$ 6,734,294
Non-current items:	
Listed stocks	$ 1,281,850
Beneficiary certificates	472,340
Subtotal	1,754,190
Valuation adjustment	359,594
Accumulated impairment	(1,230,275)
Total	$ 883,509

i. The above listed stocks of available-for-sale financial assets – non-current were private placements that could not be sold during the private lock-up period in accordance with the R.O.C. Securities Exchange Law. These private placements are remeasured and stated at value adjusted by the same item’s fair value in active markets considering the effect of restriction. The publicly listed company filed for a retroactive handling of public issuance procedures for its privately placed equity securities in April 2017. Therefore the rights and obligations associated with these private placement equity securities are virtually the same as that of the publicly traded shares. As a result, $187,500 of these equity securities are reclassified from available-for-sale financial assets-noncurrent to available-for-sale financial assets-current.

ii. Some of the Group’s emerging stock has quoted market price in an active market, it was reclassified from financial assets measured at cost to available-for-sale financial assets emerging stock.

iii. The Group recognised ($608,973) in other comprehensive loss for fair value change and reclassified ($656,026) from equity to profit or loss for the year ended December

31, 2017.

iv. The Group assessed the impaired objective evidence of some of the above mentioned shares. On December 31, 2017, the Group therefore recognised impairment loss of $1,365,173.

v. The counterparties of debt instrument investments the Group invests in have good credit quality.

vi. The Group recognised no interest income for the convertible bonds for the year ended December 31, 2017.

vii. As of December 31, 2017, no available-for-sale financial assets owned by the Group were pledged to others.

(c)Financial assets measured at cost

Items	December 31, 2017	
Non-current items:		
Unlisted stocks	$	1,662,504
Beneficiary certificates		677,947
Less: Accumulated impairment	(	73,795)
Total	$	2,266,656

i. Based on the Group's intention, its investment in stocks and beneficiary certificates above should be classified as available-for-sale financial assets. However, the stocks above are not traded in active market, and no sufficient industry information of companies similar to them is available. Thus, the fair value of the investment in the stocks above cannot be measured reliably. The Group classified those stocks as 'financial assets measured at cost'.

ii. Information about the financial assets measured at cost reclassified to available-for-sale financial assets is provided in Note 12(4)b.

iii. Based on the objective information that LumenMax Corporation was reorganized due to financial difficulty, the Group assessed and recognised impairment loss of $73,795 on equity investments –LumenMax Corporation for the year ended December 31, 2017.

iv. As of December 31, 2017, no financial assets measured at cost held by the Group were pledged to others.

F. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables.

(a) For the year ended December 31, 2017, no credit risk was found during the reporting periods, and management does not expect any significant losses from non-performance by these counterparties.

(b) The credit quality information of the Group's accounts receivable (including related parties) that are neither past due nor impaired is as follow:

	December 31, 2017
Group 1	$ 9,321,660
Group 2	8,598,068
	$ 17,919,728

Group 1: Low-risk customers which have larger scale of operations.

Group 2: Other normal-risk customers.

(c) The ageing analysis of accounts receivable that were past due but not impaired is as follows:

	December 31, 2017
Up to 30 days	$ 299,318
31 to 120 days	164,320
121 to 215 days	3,107
	$ 466,745

(d) The analysis of the Group's accounts receivable that were impaired is as follows:

Individual provision	December 31, 2017
At January 1	$ 109,836
Reversal of impairment	(7,620)
Effects of foreign exchange	(662)
At December 31	$ 101,554

Effects of initial application of IFRS 15 and information on application of IAS 18 in 2017

A.The significant accounting policies applied on revenue recognition for the year ended December 31, 2017 are set out below.

(a)Sales of goods

i.Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion 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, or the Group has objective evidence that all criteria for acceptance have been satisfied.

ii. According to the contracts with customers, as the time interval between the transfer of committed goods or service and the payment of customer does not exceed one year, the Group does not adjust the transaction price to reflect the time value of money.

iii.A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(b)Incremental costs of obtaining a contract

Given that the contractual period lasts less than one year, the Group recognises the incremental costs of obtaining a contract as an expense when incurred although the Group expects to recover those costs.

B.The revenue recognised by using above accounting policies for the year ended December 31, 2017 are as follows:

	Year ended December 31, 2017	
Sales revenue	$	78,054,458
Other operating revenue		101,228
	$	78,155,686

C.The effects and description of current balance sheet and comprehensive income statement if the Group continues adopting above accounting policies are as follows:

		December 31, 2018					
Balance sheet items	Description	Balance by using IFRS 15		Balance by using previous accounting policies		Effects from changes in accounting policy	
Contract liabilities-current	Note1	$	166,989	$	-	$	166,989
Other current liabilities	Note1		-		166,989	(	166,989)

Note 1: In accordance with IFRS 15, the Group recognises contract liabilities in relation to contracts of sales of goods which were previously presented as advance receipts in the balance sheet.

Note 2: The accounting treatment under the standard has no effect on revenue and profit in the current period.

SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

A. Loans to others: Please refer to table 1.

B. Provision of endorsements and guarantees to others: Please refer to table 2.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.

D. Acquisition or sale of the same security with the accumulated cost exceeding $300 million or 20% of the Company's paid-in capital: Please refer to table 4.

E. Acquisition of real estate reaching NT$300 million or 20% of paid-in capital or more: Please refer to table 5.

F. Disposal of real estate reaching NT$300 million or 20% of paid-in capital or more: None.

G. Purchases or sales of goods from or to related parties reaching NT$100 million or 20% of paid-in capital or more: Please refer to table 6.

H. Receivables from related parties reaching NT$100 million or 20% of paid-in capital or more: Please refer to table 7.

I. Trading in derivative instruments undertaken during the reporting periods: Please refer to Notes 6(2).

J. Significant inter-company transactions during the reporting periods: Please refer to table 8.

Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 9.

Information on investments in Mainland China

A. Basic information: Please refer to table 10.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 13(1).

SEGMENT INFORMATION

(1) General information

The Group operates business from a geographic perspective; geographically, the Group currently focuses on wholesale in Taiwan, Mainland China, America, and Europe.

Measurement of segment information

The Chief Operating Decision-Maker evaluates the performance of the operating segments based on a measure of adjusted EBITDA. Interest income and expense are not allocated to operating segments, as this type of activity is driven by the Group central treasury, which manages the cash position of the group. The accounting policies of the operating segments are in agreement with the significant accounting policies summarised in Note 4.

Information about segment profit or loss, assets and liabilities

The segment information provided to the Chief Operating Decision-Maker for the reportable segments is as follows:

Year ended December 31, 2018	Taiwan	Mainland China	America	Europe	Total
Revenue from external customers	$ 52,651,423	$ 30,966,694	$ 3,087,937	$ 554,352	$ 87,260,406
Inter-segment revenue	2,051,773	79,534,924	35,145,844	4,861	116,737,402
Segment revenue	$ 54,703,196	$ 110,501,618	$38,233,781	$ 559,213	$203,997,808
Segment profit	$ 1,923,419	$ 4,471,548	$ 450,627	($ 6,100)	$ 6,839,494

Year ended December 31, 2017	Taiwan	Mainland China	America	Europe	Total
Revenue from external customers	$ 48,878,461	$ 25,893,389	$ 2,670,815	$ 713,021	$ 78,155,686
Inter-segment revenue	1,472,536	65,602,615	30,731,572	5,874	97,812,597
Segment revenue	$ 50,350,997	$ 91,496,004	$33,402,387	$ 718,895	$175,968,283
Segment profit	$ 2,269,306	$ 4,172,814	$ 211,402	$ 21,878	$ 6,675,400

Reconciliation for segment income

The revenue from external customers reported to the Chief Operating Decision-Maker is measured in a manner consistent with that in the statement of comprehensive income. A reconciliation of reportable segment profit or loss to the profit before tax and discontinued operations for the years ended December 31, 2018 and 2017 is provided as follows:

	Years ended December 31,	
	2018	2017
Reportable segments income	$ 6,839,494	$ 6,675,400
Related loss not yet classified	(2,189,958)	(2,106,070)
Total non-operating revenue and expense	385,936	1,520,689
Income before tax from continuing operations	$ 5,035,472	$ 6,090,019

Information on products and services

Revenue from third parties is mainly derived from the sale of computer peripheral products, consumer electronic products and other electronic products as follows:

	Years ended December 31, 2018	Years ended December 31, 2017
Electrical components	$ 41,909,929	$ 38,969,332
Consumer and other electronic products	44,571,425	38,339,996
Others	779,052	846,358
	$ 87,260,406	$ 78,155,686

Geographical information

Geographical information for the years ended December 31, 2018 and 2017 is as follows:

	Year ended December 31, 2018		Year ended December 31, 2017	
	Revenue	Non-current assets	Revenue	Non-current assets
Domestic	$ 52,651,423	$ 3,416,312	$ 48,878,461	$ 4,755,356
Asia	30,966,694	10,309,547	25,893,389	10,144,368
US	3,087,937	163,144	2,670,815	146,319
Europe	554,352	1,202	713,021	1,453
	$ 87,260,406	$ 13,890,205	$ 78,155,686	$ 15,047,496

The Group’s geographical revenue information is determined based on the area collecting the accounts receivable.

Non-current assets include property, plant and equipment, investment assets, intangible assets and other assets, but excluding financial assets and deferred income tax assets.

Major customer information

The Group has no single customer accounting for 10% of total sales revenue for the years ended December 2018 and 2017.

5. Separate Financial Report Audited by the CPA in 2018

CHICONY ELECTRONICS CO., LTD.

1.PARENT COMPANY ONLY FINANCIAL STATEMENTS AND REPORT OF INDEPENDENT ACCOUNTANTS

2.DECEMBER 31, 2018 AND 2017

3.For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of CHICONY ELECTRONICS CO., LTD.

Opinion

We have audited the accompanying parent company only balance sheets of Chicony Electronics Co., Ltd. (the "Company") as at December 31, 2018 and 2017, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other independent accountants (refer to "Other matter"), the accompanying parent company only financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers".

Basis for opinion

We conducted our audits in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" and generally accepted auditing standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Parent Company Only Financial Statements section of our report. We are independent of the Company in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. Based on our audits and the reports of other independent accountants, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

Key audit matters for the Company’s parent company only financial statements of the current period are stated as follows:

Valuation of inventory

Description

Refer to Notes 4(10), 5(2) and 6(6) for the description of accounting policy, critical accounting estimates, uncertainty of assumptions and details of accounts.

The Company's main inventories are keyboard, camera modules and other electronic products. The prices of such inventories are affected by market demand and the rapid technological changes. Therefore, there is a higher risk of market decline. As the assessment of net realisable value of inventories is subject to management judgement, we consider the valuation of inventory as a key audit matter.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

4.Assessed whether the Company's accounting policies comply with the relevant standards and the Company’s industry practice and the reasonableness of management’s evaluation process, including the determination of net realisable value of inventories, the sales expenses and the judgement of obsolete inventories. Checked whether the provision policies were consistently adopted in the reporting periods.

5.Obtained net realisable value statement of inventories to confirm whether the calculation logic is adopted consistently, and tested the data sources of selected samples which includes inventory price or purchase price to verify the net realisable value used by the management was comply with its policies, and recalculated the accuracy of allowance for inventory valuation losses.

Appropriateness of warehouse operating revenue cut-off

Description

For the accounting policies on revenue recognition, critical accounting assumptions and the content of revenue for the investments accounted for under the equity method of the Company－Chicony Power Technology Co., Ltd., and its subsidiaries (the “CP Group”), refer to Notes 4(31) and 6(23) of consolidated financial report.

The CP Group’s revenue arises from sales of goods, consisting mainly of factory direct shipment and warehouse sales income. Warehouse sales revenue is recognised when the goods are dispatched from the warehouses (transfer of control of products) and it is based on the reports and other relevant information provided by the warehouse custodians. The CP Group’s warehouses are located in multiple countries, and the revenue recognition process involves several manual operations. Thus, we determine the warehouse sales income cut-off as one of the key areas of focus for this fiscal year’s audit.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

6. We evaluated the internal controls for regular reconciliation between the CP Group and its warehouse custodians.
7. We performed the revenue recognition cut-off tests, including obtaining sufficient appropriate audit evidences from the warehouse custodians and reviewing the reconciliations of the Group’s accounting records.
8. We conducted warehouse inventory audit by using physical counts or using confirmation letters to validate inventory balances with the warehouse custodians.

Other matter - Scope of the audit

We did not audit the investment profit or loss and disclosed information in Note 13 of certain investments accounted for under the equity method that are included in the parent company only financial statements. The balances of there investments accounted for under the equity method were NT$389,899 thousand and NT$388,348 thousand, constituting 0.74% and 0.79% of total assets as of December 31, 2018 and 2017, respectively. Total comprehensive income (including the share of profit (loss) of subsidiaries, associates and joint ventures accounted for under the equity method and share of other comprehensive income (loss) of subsidiaries, associates and joint ventures accounted for under the equity method) were NT$1,551 thousand and NT($ 7,363) thousand, constituting 0.05% and (0.35%) of total comprehensive income for the years ended December 31, 2018 and 2017, respectively. Investment profit or loss and disclosed information in Note 13 were based on the financial statement of said subsidiaries which were audited by other independent accountants, whose reports thereon have been furnished to us, and our opinion expressed herein is based solely on the reports of the other independent accountants.

Responsibilities of management and those charged with governance for the parent company only financial statements

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company only financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including supervisors, are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the parent company only financial statements

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 ROC GAAS will always detect a material misstatement when it exists. Misstatements can arise from error or fraud and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company only financial statements.

As part of an audit in accordance with ROC GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

9.Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2.Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.

3.Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4.Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5.Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6.Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the company 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 supervisors all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Chen, Chin-Chang Weng, Shih-Jung

For and on behalf of PricewaterhouseCoopers, Taiwan

March 7, 2019

The accompanying parent company only financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying parent company only financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

CHICONY ELECTRONICS CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

	Assets	Notes	December 31, 2018	December 31, 2017
	Current assets			
1100	Cash and cash equivalents	6(1)	$ 121,874	$ 55,575
1110	Financial assets at fair value through profit or loss - current	6(2)	986,614	-
1120	Financial assets at fair value through other comprehensive income - current	6(3)	893,492	-
1125	Available-for-sale financial assets - current	12(4)	-	1,868,471
1150	Notes receivable, net	6(4)	51,882	60,681
1170	Accounts receivable, net	6(4)(5)	2,525,669	4,929,616
1180	Accounts receivable - related parties	7	317,910	221,203
1200	Other receivables		38,828	34,900
1210	Other receivables - related parties	7	4,059,442	2,217,147
130X	Inventories, net	6(6)	1,479,927	1,151,034
1410	Prepayments		136,392	82,685
11XX	**Total current assets**		10,612,030	10,621,312
	Non-current assets			
1510	Financial assets at fair value through profit or loss - non-current	6(2)	1,020,365	-
1517	Financial assets at fair value through other comprehensive income - non-current	6(3)	114,809	-
1523	Available-for-sale financial assets - non-current	12(4)	-	728,465
1543	Financial assets carried at cost - non-current	12(4)	-	584,031
1550	Investments accounted for under equity method	6(7)	30,603,858	27,839,891
1600	Property, plant and equipment, net	6(8) and 8	1,968,170	3,298,479
1760	Investment property, net	6(9) and 8	8,047,823	6,176,804
1780	Intangible assets		18,179	21,027
1900	Other non-current assets	8	32,882	40,302
15XX	**Total non-current assets**		41,806,086	38,688,999
1XXX	**Total assets**		$ 52,418,116	$ 49,310,311

(Continued)

CHICONY ELECTRONICS CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

	Liabilities and Equity	Notes	December 31, 2018	December 31, 2017
	Current liabilities			
2100	Short-term borrowings	6(10)	$ 3,130,000	$ 3,145,000
2130	Contract liabilities - current		2,696	-
2150	Notes payable		-	1,225
2170	Accounts payable		233,468	314,145
2180	Accounts payable - related parties	7	20,322,425	16,676,413
2200	Other payables	6(11)	1,947,829	2,156,991
2220	Other payables - related parties	7	1,201,425	1,236,535
2230	Current income tax liabilities		498,551	677,541
2300	Other current liabilities		11,764	22,379
21XX	**Total current liabilities**		27,348,158	24,230,229
	Non-current liabilities			
2540	Long-term borrowings	6(12)	-	380,000
2570	Deferred income tax liabilities	6(24)	376,130	310,124
2640	Accrued pension liabilities	6(13)	151,675	148,557
2670	Other non-current liabilities	6(7)	463,998	447,764
25XX	**Total non-current liabilities**		991,803	1,286,445
2XXX	**Total liabilities**		28,339,961	25,516,674
	Equity			
	Share capital	6(14)		
3110	Share capital - common stock		7,303,799	7,206,051
	Capital surplus	6(15)		
3200	Capital surplus		5,633,933	5,136,660
	Retained earnings	6(16)		
3310	Legal reserve		4,617,199	4,215,046
3320	Special reserve		1,861,304	433,524
3350	Unappropriated retained earnings		8,455,531	9,144,208
	Other equity interest	6(17)		
3400	Other equity interest		(3,065,027)	(1,824,687)
3500	**Treasury stocks**	6(14)	(728,584)	(517,165)
3XXX	**Total equity**		24,078,155	23,793,637
	Significant contingent liabilities and unrecognised contract commitments	9		
	Significant events after the balance sheet date	11		
3X2X	**Total liabilities and equity**		$ 52,418,116	$ 49,310,311

The notes are an integral part of these parent company only financial statements.

CHICONY ELECTRONICS CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except for earnings per share amounts)

	Items	Notes	Years ended December 31 2018	2017
4000	**Sales revenue**	6(18) and 7	$ 24,501,048	$ 23,309,518
5000	**Operating costs**	6(6) and 7	(20,328,397)	(19,173,383)
5950	**Net operating margin**		4,172,651	4,136,135
	Operating expenses	6(21)(22) and 7		
6100	Selling expenses		(1,475,396)	(1,458,611)
6200	General and administrative expenses		(786,790)	(610,118)
6300	Research and development expenses		(897,476)	(919,571)
6450	Impairment loss determined in accordance with IFRS 9		(1,637)	-
6000	**Total operating expenses**		(3,161,299)	(2,988,300)
6900	**Operating profit**		1,011,352	1,147,835
	Non-operating income and expenses			
7010	Other income	6(19)	311,224	451,824
7020	Other gains and losses	6(20)	(861,999)	1,139,764
7050	Finance costs	6(23)	(42,750)	(27,831)
7070	Share of profit of associates and joint ventures accounted for using equity method	6(7)	3,323,140	1,823,515
7000	**Total non-operating income and expenses**		2,729,615	3,387,272
7900	**Profit before income tax**		3,740,967	4,535,107
7950	Income tax expense	6(24)	(150,256)	(513,578)
8200	**Profit for the year**		$ 3,590,711	$ 4,021,529
	Other comprehensive income			
	Components of other comprehensive income that will not be reclassified to profit or loss			
8311	Actuarial gains (losses) on defined benefit plans	6(13)	($ 3,128)	($ 16,980)
8312	Gains on revaluation		155,281	-
8316	Unrealised losses from investments in equity instruments measured at fair value through other comprehensive income		(262,624)	-
8330	Share of other comprehensive income of associates and joint ventures accounted for using equity method		(138,020)	(3,046)
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss		(161,893)	-
8310	**Other comprehensive loss that will not be reclassified to profit or loss**		(410,384)	(20,026)
	Components of other comprehensive income that will be reclassified to profit or loss			
8361	Financial statement translation differences of foreign operations		22,123	(1,060,501)
8362	Unrealised loss on valuation of available-for-sale financial assets		-	(105,355)
8380	Share of other comprehensive income of associates and joint ventures accounted for using equity method		1,537	(722,491)
8360	**Other comprehensive income (loss) that will be reclassified to profit or loss**		23,660	(1,888,347)
8300	**Other comprehensive loss for the year**		($ 386,724)	($ 1,908,373)
8500	**Total comprehensive income for the year**		$ 3,203,987	$ 2,113,156
	Earnings per share	6(25)		
9750	**Basic earnings per share**		$ 5.22	$ 5.89
9850	**Diluted earnings per share**		$ 5.15	$ 5.81

The notes are an integral part of these parent company only financial statements.

CHICONY ELECTRONICS CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
(Expressed in thousands of New Taiwan dollars)

	Notes	Share capital - common stock	Total capital surplus, additional paid-in capital	Retained Earnings: Legal reserve	Retained Earnings: Special reserve	Retained Earnings: Unappropriated retained earnings	Other Equity Interest: Financial statements translation differences of foreign operations	Other Equity Interest: Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Asset revaluation increment	Treasury stocks	Total equity
Year ended December 31, 2017											
Balance at January 1, 2017		$ 7,120,820	$ 4,629,152	$ 3,861,939	$ 951,488	$ 8,049,113	$ 55,011	($ 1,379,630)	$ 1,388,279	($ 517,165)	$ 24,159,007
Profit for 2017		-	-	-	-	4,021,529	-	-	-	-	4,021,529
Other comprehensive loss for 2017	6(7)	-	-	-	-	(20,026)	(1,064,485)	(823,862)	-	-	(1,908,373)
Total comprehensive income (loss) for 2017		-	-	-	-	4,001,503	(1,064,485)	(823,862)	-	-	2,113,156
Distribution of 2016 earnings	6(16)										
Legal reserve		-	-	353,107	-	(353,107)	-	-	-	-	-
Reversal of special reserve		-	-	-	(517,964)	517,964	-	-	-	-	-
Stock dividends		35,712	-	-	-	(35,712)	-	-	-	-	-
Cash dividends		-	-	-	-	(3,035,553)	-	-	-	-	(3,035,553)
Employees' stock dividends		49,519	310,481	-	-	-	-	-	-	-	360,000
Cash dividends paid to the subsidiaries		-	157,218	-	-	-	-	-	-	-	157,218
Difference between proceeds from addition and disposal of subsidiary and book value		-	7	-	-	-	-	-	-	-	7
Adjustments to share of changes in equity of associates and joint ventures		-	111,028	-	-	-	-	-	-	-	111,028
Changes in equity of associates and joint ventures accounted for using equity method		-	(71,229)	-	-	-	-	-	-	-	(71,229)
Other (overdue dividends)		-	3	-	-	-	-	-	-	-	3
Balance at December 31, 2017		$ 7,206,051	$ 5,136,660	$ 4,215,046	$ 433,524	$ 9,144,208	($ 1,009,474)	($ 2,203,492)	$ 1,388,279	($ 517,165)	$ 23,793,637
Year ended December 31, 2018											
Balance at January 1, 2017		$ 7,206,051	$ 5,136,660	$ 4,215,046	$ 433,524	$ 9,144,208	($ 1,009,474)	($ 2,203,492)	$ 1,388,279	($ 517,165)	$ 23,793,637
Effect of retrospective application and restatement	3(1)	-	-	-	-	860,203	-	(905,391)	-	-	(45,188)
Balance at January 1 after adjustments		7,206,051	5,136,660	4,215,046	433,524	10,004,411	(1,009,474)	(3,108,883)	1,388,279	(517,165)	23,748,449
Profit for 2018		-	-	-	-	3,590,711	-	-	-	-	3,590,711
Other comprehensive income (loss) for 2018	6(17)	-	-	-	-	(8,143)	23,660	(395,629)	(6,612)	-	(386,724)
Total comprehensive income (loss) for 2018		-	-	-	-	3,582,568	23,660	(395,629)	(6,612)	-	3,203,987
Distribution of 2017 earnings	6(16)										
Legal reserve		-	-	402,153	-	(402,153)	-	-	-	-	-
Special reserve		-	-	-	1,427,780	(1,427,780)	-	-	-	-	-
Stock dividends		36,199	-	-	-	(36,199)	-	-	-	-	-
Cash dividends		-	-	-	-	(3,221,684)	-	-	-	-	(3,221,684)
Employees' stock dividends		61,549	391,451	-	-	-	-	-	-	-	453,000
Purchase of treasury share		-	-	-	-	-	-	-	-	(211,419)	(211,419)
Cash dividends paid to the subsidiaries		-	165,439	-	-	-	-	-	-	-	165,439
Difference between proceeds from addition and disposal of subsidiary and book value		-	(134,690)	-	-	-	-	-	-	-	(134,690)
Adjustments to share of changes in equity of associates and joint ventures		-	73,905	-	-	-	-	-	-	-	73,905
Disposal of financial assets at fair value through other comprehensive income		-	-	-	-	(43,632)	-	43,632	-	-	-
Other (overdue dividends)		-	1,168	-	-	-	-	-	-	-	1,168
Balance at December 31, 2018		$ 7,303,799	$ 5,633,933	$ 4,617,199	$ 1,861,304	$ 8,455,531	($ 985,814)	($ 3,460,880)	$ 1,381,667	($ 728,584)	$ 24,078,155

The notes are an integral part of these parent company only financial statements.

CHICONY ELECTRONICS CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)

	Notes	Years ended December 31, 2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 3,740,967	$ 4,535,107
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(8)(21)	44,695	63,781
Intangible assets amortization	6(21)	17,937	13,881
Reversal of allowance for uncollectible accounts	6(21)	-	(7,129)
Impairment loss determined in accordance with IFRS 9		1,637	-
Interest income	6(19)	(18,894)	(18,608)
Dividend income	6(19)	(68,536)	(58,169)
Interest expense	6(23)	42,750	27,831
Net loss on financial assets and liabilities at fair value through profit or loss - derivative instruments	6(20)	-	112,267
Net loss on financial assets and liabilities at fair value through profit or loss - other	6(20)	494,292	-
Share of profit of associates accounted for using equity method	6(7)	(3,323,140)	(1,823,515)
Gain on disposal of property, plant and equipment	6(20)	(1,004)	(257)
Gain on disposal of investments	6(20)	-	(171,048)
Loss on disposal of investments accounted for using equity method	6(20)	-	19,208
Loss (gain) on fair value adjustment of investment property	6(20)	23,854	(51,939)
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets and liabilities at fair value through profit or loss - current		-	(112,267)
Notes receivable, net		8,799	(17,778)
Accounts receivable		2,402,310	(135,527)
Accounts receivable - related party		(96,707)	170,519
Other receivables		(3,928)	6,427
Other receivables - related party		(1,686,765)	714,563
Inventories, net		(328,893)	29,378
Prepayments		(53,707)	(34,041)
Changes in operating liabilities			
Notes payable		(1,225)	(3,660)
Accounts payable		(80,677)	89,748
Accounts payable - related parties		3,646,012	(1,836,244)
Contract liabilities - current		(13,276)	-
Other payables		226,286	184,278
Other current liabilities		5,357	5,964
Other payables - related parties		(35,110)	40,648
Defined benefit obligation – non-current		(10)	195
Cash inflow generated from operations		4,943,024	1,743,613
Interest received		18,894	18,608
Dividends received		708,913	663,589
Interest paid		(40,606)	(26,167)
Income tax paid		(413,377)	(261,947)
Net cash flows from operating activities		5,216,848	2,137,696

(Continued)

CHICONY ELECTRONICS CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)

	Notes	Years ended December 31, 2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of financial assets and liabilities at fair value through profit or loss - other	6(2)	($ 1,601,092)	$ -
Proceeds from disposal of financial assets and liabilities at fair value through profit or loss - other		1,099,893	-
Proceeds from disposal of financial assets and liabilities at fair value through other comprehensive income		4,859	-
Acquisition of available-for-sale financial assets		-	(938,545)
Proceeds from disposal of available-for-sale financial assets		-	596,522
Acquisition of financial assets carried at cost		-	(190,000)
Proceeds from disposal of assets carried at cost		-	16,000
Acquisition of investments accounted for using equity method		(237,697)	(5,466)
Proceeds from disposal of investments accounted for using equity method		-	797
Return of capital from investments accounted for using equity method		4,903	-
(Increase) decrease in other receivables - related party		(155,530)	82,500
Acquisition of property, plant and equipment	6(26)	(372,613)	(785,412)
Disposal of property, plant and equipment		2,476	447
Acquisition of investment property	6(9)	(83,249)	(588)
Acquisition of intangible assets		(15,089)	(13,434)
Decrease (increase) in refundable deposits		410	(3,313)
Acquisition of investments accounted for using equity method		19,539	-
(Increase) decrease in other non-current assets		(1,233)	12,150
Net cash flows used in investing activities		(1,334,423)	(1,228,342)
CASH FLOWS FROM FINANCING ACTIVITIES			
(Decrease) increase in short-term borrowings		(15,000)	2,445,000
Decrease in long-term borrowings		(380,000)	(460,000)
Payment of cash dividends	6(16)	(3,221,684)	(3,035,553)
Increase (decrease) in guarantee deposits received		10,809	(3,848)
Payments to acquire treasury shares	6(14)	(211,419)	-
Overdue stock dividends		1,168	3
Net cash flows used in financing activities		(3,816,126)	(1,054,398)
Net increase (decrease) in cash and cash equivalents		66,299	(145,044)
Cash and cash equivalents at beginning of year	6(1)	55,575	200,619
Cash and cash equivalents at end of year	6(1)	$ 121,874	$ 55,575

The notes are an integral part of these parent company only financial statements.

CHICONY ELECTRONICS CO., LTD.
NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017
(Expressed in thousands of new taiwan dollars,
except as otherwise indicated)

HISTORY AND ORGANISATION

Chicony Electronics Co., Ltd. (the "Company") was incorporated in 1983 as a company limited by shares under the provisions of the Company Law of the Republic of China. The Company has been a listed company since 1999. The Company is engaged in the manufacturing and sales of keyboards and other computer peripheral components.

THE DATE OF AUTHORISATION FOR ISSUANCE OF THE PARENT COMPANY ONLY FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

These parent company only financial statements were authorised for issuance by the Board of Directors on March 7, 2019.

APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards ("IFRS") as endorsed by the Financial Supervisory Commission ("FSC")

New standards, interpretations and amendments endorsed by FSC effective from 2018 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 2, 'Classification and measurement of share-based payment transactions'	January 1, 2018
Amendments to IFRS 4, 'Applying IFRS 9, Financial instruments with IFRS 4, Insurance contracts'	January 1, 2018
IFRS 9, 'Financial instruments'	January 1, 2018
IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
Amendments to IFRS 15, 'Clarifications to IFRS 15, Revenue from contracts with customers'	January 1, 2018
Amendments to IAS 7, 'Disclosure initiative'	January 1, 2017
Amendments to IAS 12, 'Recognition of deferred tax assets for unrealised losses'	January 1, 2017
Amendments to IAS 40, 'Transfers of investment property'	January 1, 2018
IFRIC 22, 'Foreign currency transactions and advance consideration'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle - Amendments to IFRS 1, 'First-time adoption of International Financial Reporting Standards'	January 1, 2018

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Annual improvements to IFRSs 2014-2016 cycle - Amendments to IFRS 12, 'Disclosure of interests in other entities'	January 1, 2017
Annual improvements to IFRSs 2014-2016 cycle - Amendments to IAS 28, 'Investments in associates and joint ventures'	January 1, 2018

Except for the following, the above standards and interpretations have no significant impact to the Company’s financial condition and operating result based on the Company’s assessment.

IFRS 9, ‘Financial instruments’

A. Classification of debt instruments is driven by the entity’s business model and the contractual cash flow characteristics of the financial assets, which would be classified as financial asset at fair value through profit or loss, financial asset measured at fair value through other comprehensive income or financial asset measured at amortised cost. Equity instruments would be classified as financial asset at fair value through profit or loss, unless an entity makes an irrevocable election at inception to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading in other comprehensive income.

B. The impairment losses of debt instruments are assessed using an ‘expected credit loss’ approach. An entity assesses at each balance sheet date whether there has been a significant increase in credit risk on that instrument since initial recognition to recognise 12-month expected credit losses or lifetime expected credit losses (interest revenue would be calculated on the gross carrying amount of the asset before impairment losses occurred); or if the instrument that has objective evidence of impairment, interest revenue after the impairment would be calculated on the book value of net carrying amount (i.e. net of credit allowance). The Company shall always measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables that do not contain a significant financing component.

C. When adopting the new standards endorsed by the FSC effective from 2018, the Company applied the new rules under IFRS 9 and IFRS 15 retrospectively from January 1, 2018, with the practical expedients permitted under the statement. The significant effects of applying the standard as of January 1, 2018 are summarised below.

Affected items	2017 version IFRSs amount	Effect of adoption of new standards	2018 version IFRSs amount	Remark
January 1, 2018				
Financial assets at fair value through profit or loss - current	$ -	$ 766,951	$ 766,951	(a)(b)
Available-for-sale financial assets - current	1,868,471	(1,868,471)	-	"
Financial assets at fair value through other comprehensive income - current	-	1,101,520	1,101,520	"
Financial assets at fair value through profit or loss - non-current	-	1,233,120	1,233,120	"
Available-for-sale financial assets - non-current	728,465	(728,465)	-	"
Financial assets at fair value through other comprehensive income - non-current	-	136,831	136,831	"
Financial assets at cost - non-current	584,031	(584,031)	-	"
Investments accounted for under equity method	27,839,891	(102,643)	27,737,248	"
Total affected assets	$ 31,020,858	($ 45,188)	$ 30,975,670	
Contract liabilities - current	$ -	$ 15,972	$ 15,972	(f)
Other current liabilities	22,379	(15,972)	6,407	"
Total affected liabilities	22,379	-	22,379	
Retained earnings	13,792,778	860,203	14,652,981	(a)(b)(c)(d)
Other equity	(1,824,687)	(905,391)	(2,730,078)	"
Total affected equity	11,968,091	(45,188)	11,922,903	(a)(b)
Total affected liabilities and equity	$ 11,990,470	($ 45,188)	$ 11,945,282	

Explanation:

(a) In accordance with IFRS 9, the Company reclassified available-for-sale financial assets – current, available-for-sale financial assets – non-current and financial assets carried at cost – non-current in the amounts of $1,101,520, $44,008 and $129,131, respectively, and made an irrevocable election at initial recognition on equity instruments not held for dealing or trading purpose, by increasing financial assets at fair value through other comprehensive income – current, financial assets at fair value through other comprehensive income – non-current and decreasing other equity interest, investments accounted for under equity method in the amounts of $1,101,520, $136,831, $96,232 and $59,924, respectively.

(b) In accordance with IFRS 9, the Company reclassified available-for-sale financial assets – current, available-for-sale financial assets – non-current and financial assets carried at cost – non-current in the amounts of $766,951, $684,457 and $454,900, respectively, by increasing financial assets at fair value through profit or loss – current, financial assets at fair value through profit or loss – non-current, decreasing retained earnings, increasing other equity interest and decreasing investments accounted for under equity method in the amounts of $766,951, $1,233,120, $239,786, $290,830 and $42,719, respectively.

(c)In accordance with IFRS 9 requirements on provision for impairment, the Company decreased other equity interest and increased retained earnings in the amounts of $1,099,989 and $1,099,989, respectively.

(d)The reconciliation of allowance for impairment from December 31, 2017, as these are impaired under IAS 39, to January 1, 2018, as these are expected to be impaired under IFRS 9 are as follows:

	Available-for-sale financial assets - current		Available-for-sale financial assets - non-current			
	Measured at fair value through other comprehensive income - current		Measured at fair value through other comprehensive non-current		Total	
IAS 39	$	81,264	$	1,018,725	$	1,099,989
Impairment loss adjustment	(	81,264)	(	1,018,725)	(	1,099,989)
IFRS 9	$	-	$	-	$	-

(e)Please refer to Note 12(4) for other disclosures in relation to the first application of IFRS 9.

(f)As presentation of contract assets and liabilities is applicable to IFRS 15 requirements, the Group changed the presentation of accounts in the balance sheet. Under IFRS 15, liabilities in relation to contracts are recognised as contract liabilities, but were previously presented as advance sales receipts (shown as ‘other current liabilities’) in the balance sheet. The balances amounted to $ 15,972 on January 1, 2018.

Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Company

New standards, interpretations and amendments endorsed by the FSC effective from 2019 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 9, 'Prepayment features with negative compensation'	January 1, 2019
IFRS 16, 'Leases'	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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
IFRIC 23, 'Uncertainty over income tax treatments'	January 1, 2019
Annual improvements to IFRSs 2015-2017 cycle	January 1, 2019

Except for the following, the above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment. The quantitative impact will be disclosed when the assessment is complete.

IFRS 16, 'Leases'

IFRS 16, 'Leases', replaces IAS 17, 'Leases' and related interpretations and SICs. The standard requires lessees to recognise a 'right-of-use asset' and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.

The Company expects to recognise the lease contract of lessees in line with IFRS 16. However, the Group does not intend to restate the financial statements of prior period (referred herein as the "modified retrospective approach"). On January 1, 2019, it is expected that 'right-of-use asset' and lease liability will be increased by $137,804 and $137,804, respectively.

<u>IFRSs issued by IASB but not yet endorsed by the FSC</u>

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 1 and IAS 8, 'Disclosure Initiative-Definition of Material'	January 1, 2020
Amendments to IFRS 3, 'Definition of a business'	January 1. 2020
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2021

The above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these parent company only financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The parent company only financial statements of the Company have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers".

Basis of preparation

A. Except for the following items, these parent company only financial statements have been prepared under the historical cost convention:

(a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

(b) Financial assets at fair value through other comprehensive income/Available-for-sale financial assets measured at fair value.

(c) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of financial statements in compliance with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs") requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the parent company only financial statements are disclosed in Note 5.

C. In adopting IFRS 9 and IFRS 15 effective January 1, 2018, the Company has elected to apply modified retrospective approach whereby the cumulative impact of the adoption was recognised as retained earnings, other equity as of January 1, 2018 and the financial statements for the year ended December 31, 2017 were not restated. The financial statements for the year ended December 31, 2017 were prepared in compliance with International Accounting Standard 39 ('IAS 39'), International Accounting Standard 18 ('IAS 18') and related financial reporting interpretations. Please refer to Note 12(4) for details of significant accounting policies and details of significant accounts.

Foreign currency translation

Items included in the parent company only financial statements are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The parent company only financial statements are presented in New Taiwan dollars, which is the Company's functional and the Company's presentation currency.

A. Foreign currency transactions and balances

(a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are measured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.

(b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.

(c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

(d) All other foreign exchange gains and losses based on the nature of those transactions are presented in the statement of comprehensive income within other gains and losses.

B. Translation of foreign operations

(a) The operating results and financial position of all the entities, associates and joint arrangements that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;

(ii) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and

(iii) All resulting exchange differences are recognised in other comprehensive income.

(b) When the foreign operation partially disposed of or sold is an associate or joint arrangements, exchange differences that were recorded in other comprehensive income are proportionately reclassified to profit or loss as part of the gain or loss on sale. In addition, even when the Company still retains partial interest in the former foreign associate or joint arrangements after losing significant influence over the former foreign associate, or losing joint control of the former joint arrangements, such transactions should be accounted for as disposal of all interest in these foreign operations.

(c) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, even when the Company still retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.

Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

(a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;

(b) Assets held mainly for trading purposes;

(c) Assets that are expected to be realised within twelve months from the balance sheet date;

(d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

(a) Liabilities that are expected to be settled within the normal operating cycle;

(b) Liabilities arising mainly from trading activities;

(c) Liabilities that are to be settled within twelve months from the balance sheet date;

(d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Financial assets at fair value through profit or loss

Effective 2018

A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.

B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.

C. At initial recognition, the Company measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Company subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.

D. The Company recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

Financial assets at fair value through other comprehensive income

Effective 2018

A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Company has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income and debt instruments which meet all of the following criteria:

   (a) The objective of the Company's business model is achieved both by collecting contractual cash flows and selling financial assets; and

   (b) The assets' contractual cash flows represent solely payments of principal and interest.

B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using trade date accounting.

C. At initial recognition, the Company measures the financial assets at fair value plus transaction costs. The Company subsequently measures the financial assets at fair value:

   (a) The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

   (b) Except for the recognition of impairment loss, interest income and gain or loss on foreign exchange which are recognised in profit or loss, the changes in fair value of debt instruments are taken through other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.

Account and notes receivable

Effective 2018

A. Accounts and notes receivable entitle the Company a legal right to receive consideration in exchange for transferred goods or rendered services.

B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

C. The Company's operating pattern of accounts receivable that are expected to be factored is for the purpose of selling, and the accounts receivable are subsequently measured at fair value, with any changes in fair value recognised in profit or loss.

Impairment of financial assets

Effective 2018

For debt instruments measured at fair value through other comprehensive income and accounts receivable that have a significant financing component, at each reporting date, the Company recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable that do not contain a significant financing component, the Company recognises the impairment provision for lifetime ECLs.

Derecognition of financial assets

The Company derecognises a financial asset when one of the following conditions is met:

A. The contractual rights to receive the cash flows from the financial asset expire.

B. The contractual rights to receive cash flows of the financial asset have been transferred and the Company has transferred substantially all risks and rewards of ownership of the financial asset.

C. The contractual rights to receive cash flows of the financial asset have been transferred; however, the Company has not retained control of the financial asset.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

Investments accounted for using equity method / subsidiaries, associates and joint ventures

A. Subsidiaries are all entities (including structured entities) controlled by the Company. The Company controls an entity when the Company is exposed, 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.

B. Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Company are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.

C. The Company's share of its subsidiaries' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, the Company continues to recognise losses proportionate to its ownership.

D. Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.

E. Associates are all entities over which the Company has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.

F. The Company's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income.

G. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Company's ownership percentage of the associate, the Company recognises the Company's share of change in equity of the associate in 'capital surplus' in proportion to its ownership.

H. Unrealised gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

   Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Company.

I. In the case that an associate issues new shares and the Company does not subscribe or acquire new shares proportionately, which results in a change in the Company's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and 'investments accounted for under the equity method' shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Company's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.

J. Upon loss of significant influence over an associate, the Company remeasures any investment retained in the former associate at its fair value. Any difference between fair value and carrying amount is recognised in profit or loss.

K. When the Company disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

L. When the Company disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised as capital surplus in relation to the associate are transferred to profit or loss. If it retains significant influence over this associate, the amounts previously recognised as capital surplus in relation to the associate are transferred to profit or loss proportionately.

M. Pursuant to the "Regulations Governing the Preparation of Financial Reports by Securities Issuers," profit (loss) of the current period and other comprehensive income in the parent company only financial statements shall equal to the amount attributable to owners of the parent in the financial statements prepared with basis for consolidation. Owners' equity in the parent company only financial statements shall equal to equity attributable to owners of the parent in the financial statements prepared with basis for consolidation.

Property, plant and equipment

A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.

B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. 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 must be depreciated separately.

D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. Except for the buildings and structures are 55 years, the estimated useful lives of other fixed assets are 2~7 years.

Investment property

An investment property is stated initially at its cost and measured subsequently using the fair value model. A gain or loss arising from a change in the fair value of investment property is recognised in profit or loss.

Operating leases (lessor)

Lease income from an operating lease (net of any incentives given to the lessee) is recognised in profit or loss on a straight-line basis over the lease term.

Intangible assets

Computer software is stated at cost and amortized on a straight-line basis over its estimated useful life of 1~3 years.

Impairment of non-financial assets

A. The Company assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognised.

Borrowings

A. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

B. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

Notes and accounts payable

Notes and accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They are recognised initially at fair value and subsequently measured at amortized cost using the effective interest method. However, short-term accounts payable without bearing interest are subsequently measured at initial invoice amount as effect of discounting is immaterial.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability specified in the contract is discharged or cancelled or expires.

Non-hedging and embedded derivatives

Non-hedging derivatives are initially recognised at fair value on the date a derivative contract is entered into and recorded as financial assets or financial liabilities at fair value through profit or loss. They are subsequently remeasured at fair value and the gains or losses are recognised in profit or loss.

Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognised as expenses in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

For defined contribution plan, the contributions are recognised as pension expenses when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plans

i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Company in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit net obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the employment benefit obligations.

ii. Remeasurements arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.

iii. Past service costs are recognised immediately in profit or loss.

C. Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the Company's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept an offer of redundancy benefits in exchange for the termination of employment. The Company recognises expense as it can no longer withdraw an offer of termination benefits or it recognises relating restructuring costs, whichever is earlier.

Benefits that are expected to be due more than 12 months after balance sheet date shall be discounted to their present value.

D. Employees' compensation and directors' and supervisors' remuneration

Employees' compensation and directors' and supervisors' remuneration are recognised as expenses and liabilities, provided that such recognition is required under legal obligation or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is distributed by shares, the Company calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

Income tax

A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

C. Deferred income tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the parent company only balance sheet. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

D. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognised and recognised deferred income tax assets are reassessed.

E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.

F. A deferred tax asset shall be recognised for the carryforward of unused tax credits resulting from acquisitions of equipment or technology, research and development expenditures and equity investments to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilized.

Share capital

A. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

B. Where the Company repurchases the Company's equity share capital that has been issued, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders. Where such shares are subsequently reissued, the difference between their book value and any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

Dividends

Dividends are recorded in the Company's financial statements in the period in which they are approved by the Company's shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

Revenue recognition

Effective 2018

A. Sales of goods:

(a) Sales revenue of the Company are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion, 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, or the Company has objective evidence that all criteria for acceptance have been satisfied.

(b) 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.

(c) A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

B. Incremental costs of obtaining a contract

Given that the contractual period lasts less than one year, the Company recognises the incremental costs of obtaining a contract as an expense when incurred although the Company expects to recover those costs.

CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these parent company only financial statements requires management to make critical judgements in applying the Company's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

(2) Critical judgements in applying the Company's accounting policies – evaluation of investment property

The company follows the guidance of IAS 40 'Investment property' to determine the assets to be measured at fair value. The Company's investment properties are mainly land and buildings. Their fair value is determined by an external appraiser and the fair value may be adjusted by the judgement of the external appraiser

Critical accounting estimates and assumptions

A. Evaluation of inventories

As inventories are stated at the lower of cost and net realizable value, the Company must determine the net realizable value of inventories on balance sheet date using judgements and estimates.

Due to the rapid technology innovation, the Company evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realizable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

B. Evaluation of investment property

The Company's investment properties are measured at fair value. The fair value is evaluated using the income approach by an external appraiser. It involves critical assumptions including occupancy rate, rent growth rate, discount rate, etc.. Those assumptions may be affected by the economic conditions, market needs, etc. that may change.

DETAILS OF SIGNIFICANT ACCOUNTS

(3) Cash and cash equivalents

	December 31, 2018	December 31, 2017
Cash on hand and revolving funds	$ 574	$ 396
Checking accounts and demand deposits	121,300	55,179
	$ 121,874	$ 55,575

A. The Company transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. The Company has no cash and cash equivalents pledged to others.

Financial assets at fair value at fair value through profit or loss

Effective 2018

Items	December 31, 2018
Current items:	
Financial assets mandatorily measured at fair value through profit or loss	
Listed stocks	$ 1,010,396
Emerging stocks	112,227
Beneficiary certificates	333,544
Corporate bond	13,085
	1,469,252
Valuation adjustment	(482,638)
Total	$ 986,614
Non-current items:	
Financial assets mandatorily measured at fair value through profit or loss	
Unlisted stocks	$ 369,227
Beneficiary certificates	449,697
	818,924
Valuation adjustment	201,441
Total	$ 1,020,365

A.Amounts recognised in profit or loss in relation to financial assets at fair value through profit or loss are listed below:

	Year ended December 31, 2018
Equity instruments	($ 282,884)
Debt instruments	68
Beneficiary certificates	(211,476)
	($ 494,292)

B.The Company has no financial assets and liabilities at fair value through profit or loss pledged to others.

C.Information relating to credit risk of financial assets at fair value through profit or loss is provided in Note 12(2).

Financial assets at fair value through other comprehensive income

Effective 2018

Items	December 31, 2018
Current items:	
Listed stocks	$ 1,162,926
Valuation adjustment	(269,434)
	$ 893,492
Non-current items:	
Listed stocks	$ 859,750
Unlisted stocks	129,131
Subtotal	988,881
Valuation adjustment	(874,072)
Total	$ 114,809

A. The Company has elected to classify equity investments that are considered to be strategic investments and have steady dividend income as current financial assets at fair value through other comprehensive income and non-current financial assets at fair value through other comprehensive income. The fair value of such investments amounted to $893,492 and $114,809 as at December 31, 2018.

B. The Company sold $4,859 of equity investments at fair value which resulted in cumulative losses on disposal of $6,198 during the year ended December 31, 2018.

C. Amounts recognised in profit or loss and other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

	2018
Equity instruments at fair value through other comprehensive income	
Fair value change recognised in other comprehensive income	($ 262,624)
Cumulative losses reclassified to retained earnings due to derecognition	$ 6,198
Dividend income recognised in profit or loss held at end of period	$ 18,340

D. The Company has no financial assets at fair value through other comprehensive income pledged to others as collateral.

E. Information relating to credit risk of financial assets at fair value through other comprehensive income is provided in Note 12(2).

F. Information on available-for-sale financial assets and financial assets at cost as of December 31, 2017 is provided in Note 12(4).

Notes and accounts receivable

	December 31, 2018	December 31, 2017
Notes receivable	$ 51,882	$ 60,681
Accounts receivable	$ 2,565,768	$ 4,968,078
Less: Allowance for uncollectible accounts	(40,099)	(38,462)
	$ 2,525,669	$ 4,929,616

A. The ageing analysis of accounts receivable and notes receivable that were past due but not impaired is as follows:

	December 31, 2018		December 31, 2017	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Not past due	$ 2,158,253	$ 51,882	$ 4,529,912	$ 60,681
Up to 30 days	231,753	-	256,382	-
31 to 120 days	139,239	-	141,865	-
121 to 215 days	-	-	2,602	-
Over a year	36,523	-	37,317	-
	$ 2,565,768	$ 51,882	$ 4,968,078	$ 60,681

The above ageing analysis was based on past due date.

B. The Company has no notes and accounts receivable pledged to others as collateral.

C. As at December 31, 2018 and 2017, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Company’s notes and accounts receivable were equivalent to the carrying amount.

D. Information relating to credit risk of accounts receivable and notes receivable is provided in Note 12(2).

Transfer of financial assets-overall derecognition of transferred financial assets

A. The Company entered into a factoring agreement with financial institutions to sell its accounts receivable. Under the agreement, the Company is not obligated to bear the default risk of the transferred accounts receivable and does not have any continuing involvement in the transferred accounts receivable. Thus, the Company derecognised the transferred accounts receivable. As of December 31, 2018, details of the guarantee notes issued for the factoring agreement are provided in Note 9(2).

B. As of December 31, 2018, the outstanding accounts receivable sold were as follows:

December 31, 2018					
Purchaser of accounts recievable	Accounts receivable transferred	Amount derecognised	Facilities	Amount advanced	Interest rate of amount advanced
E. SUN BANK	$ 1,619,443	$ 1,619,443	$ 2,626,075	$ 1,619,443	3.33%~3.47%

C. As of December 31, 2017, there were no outstanding accounts receivable sold.

Inventories

	December 31, 2018		
	Cost	Allowance for valuation loss	Book value
Finished goods	$ 1,172,056	($ 107,165)	$ 1,064,891
Merchandise inventory	443,071	(28,035)	415,036
	$ 1,615,127	($ 135,200)	$ 1,479,927

	December 31, 2017		
	Cost	Allowance for valuation loss	Book value
Finished goods	$ 874,761	$ (95,663)	$ 779,098
Merchandise inventory	384,220	(12,284)	371,936
	$ 1,258,981	($ 107,947)	$ 1,151,034

The cost of inventories recognised as expense for the year:

	Years ended December 31,	
	2018	2017
Cost of goods sold	$ 20,301,144	$ 19,183,606
Loss on (gain on reversal of) decline in market value	27,253	(10,223)
	$ 20,328,397	$ 19,173,383

Due to disposal of inventories which were previously provided with an allowance for loss on decline in market value, the Company recognised gain on reversal of decline in market value in 2017.

Investments accounted for using equity method

A. Investments accounted for under the equity method were as follows:

	December 31, 2018	December 31, 2017
Shown as investments accounted for using equity method		
Subsidiaries		
Chicony Overseas Inc.	$ 20,885,683	$ 19,118,303
Chicony Electronics (Thailand) Co., Ltd.	193	193
Hipro Overseas (BVI) Inc.	2,747,568	2,636,936
Had Eri Iou Industrial Inc. Ltd.	-	8,232
XAVi Technology Corp.	265,241	365,522
Chicony Power Technology Co., Ltd.	2,631,400	2,678,141
Chicony Global Inc.	3,353,224	2,841,491
Unikey Electronics Co., Ltd.	720,549	191,073
	$ 30,603,858	$ 27,839,891
Shown as other non-current liabilities, others		
Subsidiaries		
Hipro Electronics Ltd.	$ 450,063	$ 444,640

B. The share of (loss) profit of subsidiaries and associates accounted for using equity method are as follows for the years ended December 31, 2018 and 2017:

	Years ended December 31,	
	2018	2017
Subsidiaries		
Chicony Overseas Inc.	$ 2,089,203	$ 692,107
Chicony Electronics (Thailand) Co. Ltd.	-	-
Hipro Overseas (BVI) Inc.	29,152	21,369
Had Eri Iou Industrial Inc. Ltd.	(3,329)	(14,434)
XAVi Technology Corp.	(99,014)	47,955
Chicony Power Technology Co., Ltd.	478,863	747,404
Chicony Global Inc.	400,928	(425,586)
Hipro Overseas (BVI) Inc.	(3,053)	(7,924)
Unikey Electronics Co., Ltd.	430,390	767,384
Associates		
Newmax Technology Co., Ltd.	-	(4,760)
	$ 3,323,140	$ 1,823,515

C. For the information about subsidiaries, refer to Note 4(3) of consolidated financial statements for the year ended December 31, 2018.

D. On May 22, 2017, the shareholders of Newmax Technology Co., Ltd. ("Newmax") adopted a resolution during their meeting to raise additional cash through private placement of its common shares, resulting in the decrease in the Group's ownership stake in Newmax from 22.38% to 17.76%. Subsequently, the number of Board members representing the Group decreased from three to one, after the re-election of Directors during the Board meeting held on October 31, 2017. The Compnay no longer has significant influence over Newmax as of October 31, 2017, and the investment in Newmax is remeasured at fair value.

Property, plant and equipment

	Land	Buildings and structures	Testing equipment	Construction in progress	Others	Total
At January 1, 2018						
Cost	$ 1,058,486	$ 1,532,508	$ 49,777	$ 693,094	$ 151,372	$ 3,485,237
Accumulated depreciation and impairment	-	(46,905)	(41,631)	-	(98,222)	(186,758)
	$ 1,058,486	$ 1,485,603	$ 8,146	$ 693,094	$ 53,150	$ 3,298,479
2018						
Opening net book amount as at January 1	$ 1,058,486	$ 1,485,603	$ 8,146	$ 693,094	$ 53,150	$ 3,298,479
Additions	-	71,568	10,232	269,392	12,766	363,958
Disposals	-	-	-	-	(1,472)	(1,472)
Reclassifications	(730,627)	8,243	-	(925,716)	-	(1,648,100)
Depreciation	-	(27,459)	(3,887)	-	(13,349)	(44,695)
Closing net book amount as at December 31	$ 327,859	$ 1,537,955	$ 14,491	$ 36,770	$ 51,095	$ 1,968,170
At December 31, 2018						
Cost	$ 327,859	$ 1,592,780	$ 60,009	$ 36,770	$ 154,127	$ 2,171,545
Accumulated depreciation and impairment	-	(54,825)	(45,518)	-	(103,032)	(203,375)
	$ 327,859	$ 1,537,955	$ 14,491	$ 36,770	$ 51,095	$ 1,968,170

	Land	Buildings and structures	Testing equipment	Construction in progress	Others	Total
At January 1, 2017						
Cost	$ 1,077,860	$ 1,532,508	$ 44,564	$ 397,984	$ 157,221	$ 3,210,137
Accumulated depreciation and impairment	-	-	(42,158)	-	(105,173)	(147,331)
	$ 1,077,860	$ 1,532,508	$ 2,406	$ 397,984	$ 52,048	$ 3,062,806
2017						
Opening net book amount as at January 1	$ 1,077,860	$ 1,532,508	$ 2,406	$ 397,984	$ 52,048	$ 3,062,806
Additions	-	17,127	8,400	313,814	15,435	354,776
Disposals	-	-	-	-	(190)	(190)
Reclassifications	(19,374)	(17,020)	-	(18,704)	(34)	(55,132)
Depreciation	-	(47,012)	(2,660)	-	(14,109)	(63,781)
Closing net book amount as at December 31	$ 1,058,486	$ 1,485,603	$ 8,146	$ 693,094	$ 53,150	$ 3,298,479
At December 31, 2017						
Cost	$ 1,058,486	$ 1,532,508	$ 49,777	$ 693,094	$ 151,372	$ 3,485,237
Accumulated depreciation and impairment	-	(46,905)	(41,631)	-	(98,222)	(186,758)
	$ 1,058,486	$ 1,485,603	$ 8,146	$ 693,094	$ 53,150	$ 3,298,479

A. Amount of borrowing costs capitalised as part of property, plant and equipment and the range of the interest rates for such capitalisation are as follows:

	Years ended December 31,	
	2018	2017
Amount capitalised	$ 16,209	$ 15,886
Range of the interest rates for capitalisation	0.96%~1.32%	0.90%~2.04%

B. For the information on property, plant and equipment pledged to others, please refer to Notes 6(12) and 8.

C. The land and Chicony laboratory the Company owned located in Sanchong District, New Taipei City had been completed and opened in the fourth quarter of 2017. As the management intends to rent it to the related parties, the Company reclassified ‘Land’, ‘Buildings and structures’ and ‘Construction in progress’ to ‘Investment property’, amounting to $55,099 (the original book value).

D. As the management intends to sell the Company’s land and residential compound building located in Sanchong District, New Taipei City after construction completion, the Group reclassified “Land” and “Construction in progress” to “Investment property”, amounting to $1,656,343 (the original book value). To promptly reflect the fair value information, the

Company has undertaken a revaluation of the aforementioned properties in accordance with the regulations on revaluation at fair value when transferred to investment property at fair value in the fourth quarter of 2018. The revaluation surplus amounted to $155,281 which was recognised as other comprehensive income – revaluation surplus on the day of change in use of the property. After deduction of deferred tax liabilities recognised due to revaluation amounting to $150,136, the remaining balance of $5,145 was added to revaluation surplus of shareholders' equity.

Investment property

		2018		2017
At January 1	$	6,176,804	$	6,070,194
Additions – from subsequent expenditures		83,249		588
Reclassifications		1,811,624		54,083
Gain on fair value adjustment	(	23,854)		51,939
At December 31	$	8,047,823	$	6,176,804

A. Rental income from investment property and direct operating expenses arising from investment property are shown below:

	Years ended December 31,			
		2018		2017
Rental income from investment property	$	101,409	$	62,217
Direct operating expenses arising from the investment property that generated rental income during the year	$	41,443	$	31,363
Direct operating expenses arising from the investment property that did not generate rental income during the year	$	33,596	$	36,561

B. Basis of investment property at fair value:

The Company's investment properties are land and buildings of office building and residential compound building. Office buildings are located in Sanchong District and Wugu District in New Taipei City. They mainly earn from rental revenue with rental period ranging from 1 to 7 years. Residential compound building is located in Sanchong District in New Taipei City. The main purpose is for sale.

The assumptions used for the years ended December 31, 2018 and 2017 are as follows:

(a) Details of the Company's investment property are as follows:

	December 31, 2018			
The subject	CEC Headquarters	Wugu Building	Chincony Laboratory	Residential Compound Building
Location	Sanchong District, New Taipei City	Wugu District, New Taipei City	Sanchong District, New Taipei City	Sanchong District, New Taipei City
Valuation method	Income approach	Income approach	Income approach	Income approach
Valuation firm	Panasia	Panasia	Panasia	Panasia
Appraiser	Shao You, Chung	Wei Yuan, Cheng	Wei Yuan, Cheng	Shao You, Chung
Evaluation basis date	November 30, 2018 (Note)	Octorber 22, 2018 (Note)	Octorber 22, 2018 (Note)	Octorber 30, 2018 (Note)

	December 31, 2017		
The subject	CEC Headquarter	Wugu Building	Chincony Laboratory
Location	Sanchong District, New Taipei City	Wugu District, New Taipei City	Sanchong District, New Taipei City
Valuation method	Income approach	Income approach	Income approach
Valuation firm	Panasia	Panasia	Panasia
Appraiser	Shao You, Chung	Wei Yuan, Cheng	Shao You, Chung
Evaluation basis date	November 30, 2016 (Note)	November 30, 2016 (Note)	November 30, 2017 (Note)

Note: We obtained effective statements of appraisal report on December 31, 2018 and 2017 from appraiser.

(b) The Company's office buildings' (including car parks) fair value was evaluated using the discounted cash flow analysis of income approach.

The estimation process of the valuation method involves differentiating between rented and not yet rented. The former is calculated by contract rent and the latter is calculated by market price. It also considers comparative rent information of similar properties to determine annual growth range of rent; includes idle loss, decoration offset loss, and the closing balance of disposal value of that property to calculate future cash inflow, then discounted by an appropriated discount rate accumulated until the valuation date. Future cash outflow consists of expenses directly related to operations, i.e. land tax, house tax, insurance fee, management fee, maintenance fee, replacement allocation, amortisation of agent fee and etc., is estimated by the actual expenses incurred in the current year, considering the Company's current operating results and changes which may occur in the future.

(c) The rent, occupancy rate and income of the Company's office buildings (including car parks) and comparative rent information of similar properties are as follows:

The subject	Estimated rent ($/3.3m^2/month)	Similar comparative subject in local or market	Occupancy rate	Income of past year
Year ended December 31, 2018				
CEC Headquarter	$521~$1,076	Equivalent to estimated rent	53.42%	$ 79,369
Wugu Building	$291~$713	Equivalent to estimated rent	100.00%	22,040
Chicony Laboratory	$718	Equivalent to estimated rent	-	-
Residential Compound Building	$838~$993	Equivalent to estimated rent	-	-

The subject	Estimated rent ($/3.3m^2/month)	Similar comparative subject in local or market	Occupancy rate	Income of past year
Year ended December 31, 2017				
CEC Headquarter	$521~$1,000	Equivalent to estimated rent	47.06%	$ 62,217
Wugu Building	$291~$713	Equivalent to estimated rent	25%	-
Chicony Laboratory	$707	Equivalent to estimated rent	-	-

(d) Rent growth rate is evaluated by considering the lease contract and actual market situation. Discount rate is evaluated by risk premium approach which takes the return rate on investment of the most general goods as standard, adopted the floating interest rate on a 2-year time deposits of a small amount, as posted by the Chunghwa Post Co., Ltd. plus 0.75 percentage points; and explore the liquidity, risk level, value-added level and the ease of management of the subject. The range of rent growth rate and discount rate are as follows:

	December 31, 2018			
	CEC Headquarter	Wugu Building	Chincony Laboratory	Residential Compound Building
Rent growth rate	1.00%	0.50%	1.00%	1.00%
Discount rate	3.75%	4.05%	2.85%	3.05%

	December 31, 2017		
	CEC Headquarter	Wugu Building	Chincony Laboratory
Rent growth rate	1.00%	0.50%	1.00%
Discount rate	3.75%	4.05%	2.85%

C. The fair value information about the investment property is provided in Note 12(3).

D. Information about the investment property that was pledged to others as collateral is provided in Notes 6(12) and 8.

E. For the years ended December 31, 2018 and 2017, the information on the reclassifications of the Company's investment property is provided in Note 6(8).

Short-term borrowings

Type of borrowings	December 31, 2018	Interest rate range	Collateral
Bank unsecured borrowings	$ 3,130,000	0.85%~0.93%	None

Type of borrowings	December 31, 2017	Interest rate range	Collateral
Bank unsecured borrowings	$ 3,145,000	0.80%~0.90%	None

As of December 31, 2018 and 2017, the Company had issued guarantee notes for the short-term borrowings amounting to $12,000,600 and $11,596,390, respectively.

Other payables

	December 31, 2018	December 31, 2017
Marketing allowance payable	$ 653,726	$ 829,074
Employees' compensation and directors' and supervisors' remuneration payable	534,286	644,762
Salary payable and annual bonus	422,761	348,887
Construction and equipment expense payable	121,976	130,631
Storage charge payable	54,156	46,966
Freight charges and customs clearing fee payable	39,133	36,473
Insurance expense payable	26,368	34,536
Others	91,345	85,662
	$ 1,943,751	$ 2,156,991

Long-term borrowings

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	December 31, 2017
Long-term bank borrowings				
E. Sun Bank (Series A)	Borrowing period is from March 20, 2014 to March 20, 2019; borrowing is repayable in installments by own funds or through refinancing at the maturity date of syndicated contract.	1.60%	None	$ 380,000

A.As of December 31, 2018 and 2017, the Company had issued guarantee notes for the long-term borrowings amounting to $0 and $5,000,000 respectively.

B.In the fourth quarter of 2018, the Company had signed individual credit contracts with E. sun Commercial Bank, Land Bank of Taiwan and Hua Nan Commercial Bank for long-term operating use. The contract period is 5 years, and the revolving loan facilities are $2,000,000, $1,000,000 and $1,000,000, respectively. As of December 31, 2018, the Company has not used the loan facilities mentioned above. For the credit lines mentioned above, the Company has pledged partial floors of the headquarters building as described in Note 8.

C. The Company has a long-term syndicated construction loan facility amounting to $5,000,000 (Series A: $2,000,000 can be financed in batches but credit revolvable; Series B: $3,000,000, credit revolvable; Series C: USD 100,000,000, credit revolvable; the amount drawdown by Series B and Series C cumulatively must be below $3,000,000.). The contract period is five years, and the contract was signed by the Company with E. Sun Commercial Bank as the lead bank in January, 2014. The loan facility will be used for medium-term operations, and repayments will be in accordance with contract requirements. In September 2015, the credit amount of series A was renewed to $1,000,000, resulting in total loan facility amounting to $4,000,000. As of November 2018, the Company had fully paid the borrowings mentioned above in advance, and canceled the loan facility. The main contents of the contract are as follows:

(a) The Company should maintain financial ratios based on annual consolidated financial statements as follows:

i. Current ratio is above 100%,

ii. Financial liabilities divided by net tangible assets is under 200%,

iii. Time interest earned is above 300%, and

iv. Net tangible assets are above $15,000,000,

If the Company does not conform to the contract, the Company should adjust within nine months. If the adjusted financial ratios meet the requirements, there is no breach of contract.

(b) The Company should use the debts for its intended purpose (not for treasury stock, capital expenditures, cash dividends and investments) and prepare the appropriate books and records for cash disbursements for future examination. Lenders do not take responsibility for supervision.

(c) If the Company needs additional operating capital, the Company should issue stocks for cash, borrow from stockholders, or other means. If the borrower obtains capital from stockholders, the Company should get the commitment from stockholders that the creditors' rights are subordinated, and the interest rate should not be over the lowest rate mentioned in the contract. The borrower should repay the principal, interests, and all the related expenses before repaying the advances made by the borrower's stockholders.

(d) Parts of the credit rights of qualified accounts receivable of the Company should be transferred to the lead bank after the contract date. These qualified accounts receivable plus the balance of the special-purpose bank account should be over 45% of the facility of Series B and Series C as a whole.

As of December 31, 2017, the Company did not violate any of the above requirements.

Pensions

A. Defined benefit plan: Employee contributions

(a) The Company has a defined benefit pension plan in accordance with the Labor Standards

Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company and its domestic subsidiaries will make contributions to cover the deficit by next March.

(b) The amounts recognised in the balance sheet are determined as follows:

	December 31, 2018	December 31, 2017
Present value of defined benefit obligations	($ 286,990)	($ 279,073)
Fair value of plan assets	135,315	130,516
Net accrued pension liability	($ 151,675)	($ 148,557)

(c) Movements in net defined benefit liabilities are as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2018			
Balance at January 1	($ 279,073)	$ 130,516	($ 148,557)
Current service cost	(2,277)	-	(2,277)
Interest (expense) income	(3,139)	1,491	(1,648)
	(284,489)	132,007	(152,482)
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	3,801	3,801
Change in demographic assumptions	(13,678)		(13,678)
Change in financial assumptions	(3,019)	-	(3,019)
Experience adjustments	9,768	-	9,768
	(6,929)	3,801	(3,128)
Pension fund contribution	-	3,935	3,935
Paid pension	4,428	(4,428)	-
Balance at December 31	($ 286,990)	$ 135,315	($ 156,675)

	Present value of defined benefit obligations	Fair value of plan assets	Net accrued pension liability
Year ended December 31, 2017			
Balance at January 1	($ 261,011)	$ 129,629	($ 131,382)
Current service cost	(2,646)	-	(2,646)
Interest (expense) income	(2,937)	1,480	(1,457)
	($ 266,594)	131,109	(135,485)
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	(157)	(157)
Change in demographic assumptions	(8,787)	-	(8,787)
Experience adjustments	(8,036)	-	(8,036)
	(16,823)	(157)	(16,980)
Pension fund contribution	-	3,908	3,908
Paid pension	4,344	(4,344)	-
Balance at December 31	($ 279,073)	$ 130,516	($ 148,557)

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2018 and 2017 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

(e) The principal actuarial assumptions used were as follows:

	2018	2017
Discount rate	1.000%	1.125%
Future salary increases	2.500%	2.500%

Future mortality rate was estimated based on the 5th Taiwan Standard Ordinary Experience Mortality Table.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2018				
Effect on present value of defined benefit obligation	($ 6,453)	$ 6,684	$ 6,478	($ 6,288)
December 31, 2017				
Effect on present value of defined benefit obligation	($ 6,136)	$ 6,356	$ 6,165	($ 5,983)

The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

The method and assumptions used for the preparation of sensitivity analysis during 2018 and 2017 are the same.

(f) Expected contributions to the defined benefit pension plan of the Company for the year ending December 31, 2019 amount to $3,887.

(g) As of December 31, 2018, the weighted average duration of the retirement plan is 9.1 years. The analysis of timing of the future pension payment was as follows:

Within 1 year	$	18,461
1-2 year(s)		10,149
2-5 years		57,660
Over 5 years		101,186
	$	187,456

B. Defined contribution plan

(a) Effective July 1, 2005, the Company has established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(b) The pension costs under the defined contribution pension plan of the Company for the years ended December 31, 2018 and 2017 were $36,656 and $33,985, respectively.

Share capital

A. As of December 31, 2018, the Company's authorised capital was $8,000,000, consisting of 800,000 thousand shares of ordinary stock and the paid-in capital was $7,303,799 with a par value of $10 (in dollars) per share. All proceeds from shares issued have been collected.

Movements in the number of the Company's ordinary shares outstanding are as follows:

	2018 (Note)	2017 (Note)
At January 1	680,642	672,304
Common stock dividends	3,620	3,571
Employee share compensation	6,155	4,952
Repurchased shares as treasury stock	(3,591)	-
Subsidiary received stock dividend from parent company	(186)	(185)
At December 31	686,640	680,642

Note: Shares in thousands.

B. On September 13, 2018, the Company's Board of Directors during its meeting resolved to purchase treasury shares with the ceiling of 10,000 thousand shares to be reissued to employees. As of November 13, 2018 (the expiration the execution period), the Company has purchased 3,591 thousand treasury shares.

C. The stockholders during their meeting held on June 5, 2018 had approved to issue common stock dividends amounting to $36,199. A total of 3,620 thousand shares had been issued and, the Company has obtained a letter of approval from the appropriate authorities. The issue date was set on July 25, 2018, and the Company had completed the related registration on August 8, 2018.

D. On March 9, 2018, the Company's Board of Directors approved the employees' stock bonus amounting to $453,000 at the previous closing price of $73.6 (in dollars) before the day of the Board of Directors' meeting (March 8, 2018), issuing 6,155 thousand shares. The Company has obtained a letter of approval from the appropriate authorities. The issue date was set on April 3, 2018, and the Company had completed the related registration on April 23, 2018.

E. The stockholders during their meeting held on June 7, 2017 had approved to issue common stock dividends amounting to $35,712. A total of 3,571 thousand shares had been issued and, the Company has obtained a letter of approval from the appropriate authorities. The issue date was set on July 18, 2017, and the Company had completed the related registration on August 4, 2017.

F. On March 10, 2017, the Company's Board of Directors approved the employees' stock bonus amounting to $360,000 at the previous closing price of $72.7 (in dollars) before the day of the Board of Directors' meeting (March 9,2017), issuing 4,952 thousand shares. The Company has obtained a letter of approval from the appropriate authorities. The issue date was set on April 7, 2017, and the Company had completed the related registration on April 28, 2017.

G. Treasury stock

(a) Reason for stocks reacquisition and movements in the number of the Company's treasury stocks are as follows:

		December 31, 2018		
Name of company holding the shares	Reason for reacquisition	Number of shares (in thousands)	Carrying amount	Fair value (in dollars) (per share)
The Company	To be reissued to employees	6,377	$ 417,307	$ 62.60
UNIKEY	For investment	21,174	205,795	62.60
HEC	For investment	16,189	105,482	62.60
		43,740	$ 728,584	

		December 31, 2017		
Name of company holding the shares	Reason for reacquisition	Number of shares (in thousands)	Carrying amount	Fair value (in dollars) (per share)
The Company	To be reissued to employees	2,786	$ 205,888	$ 75.00
UNIKEY	For investment	21,069	205,795	75.00
HEC	For investment	16,108	105,482	75.00
		39,963	$ 517,165	

(b) Pursuant to the R.O.C. Securities and Exchange Law, the number of stocks bought back as treasury stock should not exceed 10% of the number of the Company's issued and outstanding stocks and the amount bought back should not exceed the sum of retained earnings, paid-in capital in excess of par value and realised capital surplus.

(c) Pursuant to the R.O.C. Securities and Exchange Law, treasury stocks should not be pledged as collateral and is not entitled to dividends before it is reissued.

(d) Pursuant to the R.O.C. Securities and Exchange Law, treasury stocks should be reissued to the employees within three years from the reacquisition date and shares not reissued within the three-year period are to be retired. Treasury shares to enhance the Company's credit rating and the stockholders' equity should be retired within six months of acquisition.

Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Law requires that the amount of capital surplus to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

A summary of the Company's capital surplus as of December 31, 2018 and 2017 are as follows:

	December 31, 2018	December 31, 2017
Share premium	$ 3,288,686	$ 2,897,235
Treasury share transactions	1,283,533	1,118,094
Difference between consideration and carrying amount of subsidiaries acquired or disposed	533,586	668,276
Changes in ownership interests in subsidiaries	526,957	453,052
Others	1,171	3
	$ 5,633,933	$ 5,136,660

Retained earnings

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses, if any; and then 10% of the remaining amount shall be set aside as legal reserve until the legal reserve equals the total capital stock balance and as special reserve in accordance to relevant regulations when necessary; and the remainder, if any, to be appropriated shall be presented by the Board of Directors and resolved by the stockholders at the stockholders' meeting.

B. The Company's dividend policy is summarized below: the Company is in the development of electronics industry, the dividend policy should be formulated by achieving both targets that supply the new products capital requirement and increase the return on shareholders' investment. Therefore, the total dividend each year cannot be above of the total distributable earnings, and the cash dividend cannot be less than 90% of the total dividend paid. The ratio is restricted until the total distributable common stock dividends reach $0.5 per share.

C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.

D. (a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

(b) The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Letter No. 1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently. The Company elected to reclassify the unrealized revaluation increment and cumulative translation adjustment to unappropriated earnings and accrue special reserve by $433,524 on initial application of IFRSs.

E. The appropriations of 2017 and 2016 earnings has been resolved at the shareholders' meeting on June 5, 2018 and June 7, 2017, respectively, and the details are summarized below:

	Years ended December 31,			
	2017		2016	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	$ 402,153		$ 353,107	
Special reserve reversal	1,427,780		(517,964)	
Stock dividends	36,199	$ 0.05	35,712	$ 0.05
Cash dividends	3,221,684	4.45	3,035,553	4.25

F. Subsequent events: The appropriations of 2018 earnings had been proposed at the Board of Directors' meeting on March 7, 2019 but has not yet been resolved by the shareholders. Details are summarized below:

	Year ended December 31, 2018	
	Amount	Dividends per share (in dollars)
Legal reserve	$ 359,071	
Special reserve	1,244,101	
Cash dividends	2,766,858	$ 3.80

G. For the information relating to employees' compensation and directors' and supervisors' remuneration, please refer to Note 6(22).

Other equity items

	2018				
	Currency translation	Available-for-sale investment	Unrealised gains (losses) on valuation financial assests	Revaluation increment	Total
At January 1	($ 1,009,474)	($ 2,203,492)	$ -	$ 1,388,279	($1,824,687)
Effet of retrospective application and retrospective restatement	-	2,203,492	(3,108,883)	-	(905,391)
Balance at January 1 after adjustment	(1,009,474)	-	(3,108,883)	1,388,279	-
Revaluation					
– Company	-	-	(262,624)	155,281	(107,343)
– Tax on Company	-	-	-	(161,893)	(161,893)
– Subsidiary	-	-	(133,005)	-	(133,005)
– Transfer out	-	-	43,632	-	43,632
Currency translation differences:					
– Company	22,123	-	-	-	22,123
– Associates	1,537	-	-	-	1,537
At December 31	($ 985,814)	$ -	($ 3,460,880)	$ 1,381,667	($3,065,027)

	2017			
	Currency translation	Available-for-sale investment	Revaluation increment	Total
At January 1	$ 55,011	($ 1,379,630)	$ 1,388,279	$ 63,660
Revaluation				
– Company	-	(406,721)	-	(406,721)
– Transfer out	-	(417,141)	-	(417,141)
Currency translation differences:				
– Company	(1,060,518)	-	-	(1,060,518)
– Associates	(3,984)	-	-	(3,984)
– Transfer	17	-	-	17
At December 31	($ 1,009,474)	($ 2,203,492)	$ 1,388,279	($ 1,824,687)

Operating revenue

	Year ended December 31, 2018
Revenue from contracts with customers	
Electronic components	$ 7,454,903
Consumer electronic and other electronic products	15,932,786
Others	1,113,359
	$ 24,501,048

A. Operating revenue recognised that was all included in the contract liability balance at the beginning of 2018.

B. Information on operating revenue for 2017 is provided in Note 12(5) B.

Other income

	Years ended December 31, 2018	Years ended December 31, 2017
Rental revenue	$ 101,409	$ 62,217
Interest income	18,894	18,608
Dividend income	68,536	58,169
Others	122,385	312,830
	$ 311,224	$ 451,824

Other gains and losses

	Years ended December 31, 2018	Years ended December 31, 2017
Net loss on financial assets and liabilities at fair value through profit or loss - derivatives instruments	$ -	($ 112,267)
Net loss on financial assets and liabilities at fair value through profit or loss - other	(494,292)	-
Net currency exchange (loss) gain	(336,265)	1,050,427
Gain on disposal of property, plant and equipment	1,004	257
Gain on disposal of investments	-	171,048
Reversal of allowance for doubtful accounts	-	7,129
Loss on disposal of investments accounted for under equity method	-	(19,208)
(Loss) gain on fair value adjustment of investment property	(23,854)	51,939
Others	(8,592)	(9,561)
	($ 861,999)	$ 1,139,764

Expenses by nature

		Years ended December 31,		
		2018		2017
Employee benefit expense	$	1,488,887	$	1,376,781
Depreciation charges on property, plant and equipment		44,695		63,781
Amortisation on intangible assets		17,937		13,881

Employee benefit expense

		Years ended December 31,		
		2018		2017
Wages and salaries	$	1,318,364	$	1,198,874
Labour and health insurance fees		61,415		68,830
Pension costs		40,582		38,088
Directors' and supervisors' remuneration		25,701		31,429
Other personnel expenses		42,825		39,560
	$	1,488,887	$	1,376,781

A. According to the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors’ and supervisors’ remuneration. The ratio shall not be lower than 11% for employees’ compensation and shall not be higher than 1% for directors’ and supervisors’ remuneration.

B. For the years ended December 31, 2018 and 2017, employees’ compensation was accrued at $503,034 and $607,048, respectively; directors’ and supervisors’ remuneration was accrued at $31,252 and $37,714, respectively. The aforementioned amounts were recognised in salary expenses.

The employees’ compensation and directors’ and supervisors’ remuneration were estimated and accrued based on 11.77% and 0.73% of distributable profit of current year for the year ended December 31, 2018. The employees’ compensation and directors’ and supervisors’ remuneration resolved by the Board of Directors were $503,034 and $31,252, respectively, and the employees’ compensation will be distributed in the form of cash and shares.

For the year ended December 31, 2017, the employees’ compensation and directors’ and supervisors’ remuneration resolved by the Board of Directors were $607,048 and $37,714, in accordance with the amount recognised in the financial report of 2017. For the year ended December 31, 2017, 6,155 thousand shares of stock were issued as employee compensation, and the number of shares were calculated based on the closing price of $73.6 on the day before the Board of Directors’ meeting.

Information about employees' compensation and directors' and supervisors' remuneration of the Company as resolved at the meeting of Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

As of December 31, 2018 and 2017, the Company had 717 and 709 employees, respectively. There were both 4 directors who have not served as employees as of December 31, 2018 and 2017.

Finance costs

	Years ended December 31,	
	2018	2017
Interest expense		
Bank loan	$ 57,763	$ 43,717
Others	1,196	-
Less: Capitalisation of qualifying assets	(16,209)	(15,886)
	$ 42,750	$ 27,831

Income tax

A. Income tax expense

(a) Components of income tax expense:

	Years ended December 31,	
	2018	2017
Current tax:		
Current tax on profits for the year	$ 316,821	$ 338,048
Tax on undistributed surplus earnings	-	51,508
Prior year income tax overestimation	(70,678)	-
Income tax expense	246,143	389,556
Deferred tax:		
Origination and reversal of temporary differences	(98,559)	124,022
Impact of change in tax rate	2,672	-
Income tax expense	$ 150,256	$ 513,578

(b) The income tax (charge)/credit relating to components of other comprehensive income is as follows:

	Years ended December 31,	
	2018	2017
Revaluation increment	$ 150,136	$ -
Impact of change in tax rate	11,757	-
	$ 161,893	$ -

B. Reconciliation between income tax expense and accounting profit

	Years ended December 31,	
	2018	2017
Tax calculated based on profit before tax and statutory tax rate	$ 748,193	$ 770,968
Prior year income tax overestimation	(70,678)	-
Tax on undistributed earnings	-	51,508
Effect from items adjusted in accordance with tax regulation	(527,259)	(308,898)
Income tax expense	$ 150,256	$ 513,578

C. Amounts of deferred tax assets or liabilities as a result of temporary differences and investment tax credits are as follows:

	2018			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences:				
—Deferred tax liabilities:				
Fair value adjustment of investment property	($ 207,244)	($ 6,993)	($ 161,893)	($ 376,130)
Unrealised exchange gain	(102,880)	102,880	-	-
	($ 310,124)	$ 95,887	($ 161,893)	($ 376,130)

	2017			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences:				
—Deferred tax liabilities:				
Fair value adjustment of investment property	($ 186,102)	($ 21,142)	$ -	($ 207,244)
Unrealised exchange gain	-	(102,880)	-	(102,880)
	($ 186,102)	($ 124,022)	$ -	($ 310,124)

D. The amounts of deductible temporary difference that are not recognised as deferred tax assets are as follows:

	December 31, 2018	December 31, 2017
Deductible temporary differences	$ 254,409	$ 168,331

E. The Company's income tax returns through 2016 have been assessed and approved by the Tax Authority.

F. Under the amendments to the Income Tax Act which was promulgated by the President of the Republic of China on February 7, 2018, the Company's applicable income tax rate was raised from 17% to 20% effective from January 1, 2018. The Company has assessed the impact of the change in income tax rate.

Earnings per share

	Year ended December 31, 2018		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders	$ 3,590,711	688,299	$ 5.22
Diluted earnings per share			
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	9,164	
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	$ 3,590,711	697,463	$ 5.15

	Year ended December 31, 2017		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders	$ 4,021,529	679,719	$ 5.92
Diluted earnings per share			
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	9,017	
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	$ 4,021,529	688,736	$ 5.84

The above weighted-average outstanding shares of common stock have been adjusted according to the earnings distribution approved by the Board of Directors and stockholders.

Supplemental cash flow information

Investing activities with partial cash payments:

	Years ended December 31,	
	2018	2017
Purchase of property, plant and equipment	$ 363,958	$ 354,776
Add: Opening balance of payable on equipment	130,631	561,267
Less: Ending balance of payable on equipment	(121,976)	(130,631)
Cash paid during the year	$ 372,613	$ 785,412

RELATED PARTY TRANSACTIONS

(4) Names of related parties and relationship

Names of related parties	Relationship with the Company
Chicony Electronics (DongGuan) Co., Ltd.	Subsidiary
Chicony Electronics (Suzhou) Co., Ltd.	Subsidiary
Chicony Electronics (Chong-Qing) Co., Ltd.	Subsidiary
Mao-Ray Electronics (DongGuan) Co., Ltd.	Subsidiary
Chicony Global Inc.	Subsidiary
Mao-Feng International Inc.	Subsidiary
Real Young Electronics Co., Ltd.	Subsidiary
ShunOn Electronic Co.	Other related parties
Clevo Co.	Other related parties

Note: For the rest of the names of and relationship with related parties please refer to Note 4(3) of consolidated financial statements.

(5) Significant related party transactions

A. Operating revenue:

	Years ended December 31,			
	2018		2017	
Sales of goods:				
- Subsidiaries	$	279	$	100
- Other related parties		1,285		-
Sales of services:				
- Chicony Global Inc.		794,038		477,044
- Chicony Electronics (Suzhou) Co., Ltd.		233,288		171,360
- Subsidiaries		63,100		36,155
	$	1,091,990	$	684,659

The price, terms of the sale and related contracts to related parties were the same to those to third parties, with reasonable rebates. In general, the collection periods ranged from 60 to 90 days. However, extension is given depending on financial situation of related parties.

B. Purchases:

	Years ended December 31,			
	2018		2017	
Purchases of goods:				
- Chicony Electronics (Suzhou) Co., Ltd.	$	7,765,459	$	6,565,667
- Chicony Electronics (DongGuan) Co., Ltd.		6,595,482		5,411,763
- Mao-Ray Electronics (DongGuan) Co., Ltd.		4,662,471		4,990,999
- Subsidiaries		276,484		127,136
	$	19,299,896	$	17,095,565

The terms of the purchases from related parties were the same as those to third parties.

C. Receivables from related parties:

	December 31, 2018	December 31, 2017
Accounts receivable:		
- Chicony Electronics (Suzhou) Co., Ltd.	$ 252,938	$ 178,508
- Chicony Electronics (Chong-Qing) Co., Ltd.	64,418	42,583
- Subsidiaries	80	-
- Other related parties	474	112
	317,910	221,203
Other receivables		
- Real Young Electronics Co., Ltd.	1,797,405	388,777
- Chicony Global Inc.	294,946	15,071
- Subsidiaries	22,561	24,299
	2,114,912	428,147
	$ 2,432,822	$ 649,350

(a) The receivables from related parties arise mainly from sale transactions and providing marketing services. The credit term is limited from 60 to 90 days after the date of transaction. The receivables are unsecured in nature and bear no interest. There was no allowance for doubtful accounts receivable from related parties.

(b) Other non-operating receivables due from related parties mainly arose from payments on behalf of others, management consulting service income, office rental income (no interest charged) and interest receivables from loans to related party.

D. Payables to related parties:

	December 31, 2018	December 31, 2017
Accounts payable:		
- Chicony Electronics (DongGuan) Co., Ltd.	$ 10,818,902	$ 10,581,601
- Chicony Electronics (Suzhou) Co., Ltd.	5,346,086	3,546,903
- Mao-Ray Electronics (DongGuan) Co., Ltd.	4,085,025	2,507,228
- Subsidiaries	72,412	40,460
- Other related parties	-	221
	20,322,425	16,676,413
Other payables:		
- Mao-Feng International Inc.	708,373	653,404
- Chicony Electronics (DongGuan) Co., Ltd.	111,274	560,697
- Subsidiaries	23,948	16,304
- Other related parties	-	6,130
	843,595	1,236,535
	$ 21,166,020	$ 17,912,948

(a) The payables from related parties arise mainly from purchase transactions. The credit term is limited from 30 to 60 days after the date of transaction. The payables are unsecured in nature and bear no interest.

(b) Other accounts payable to related parties mainly arose from service expense, collection of payments on behalf of others, payments on behalf of related parties and interest payable on loans.

E. Service purchase – commission, maintenance repair services and marketing service expense

	Years ended December 31	
	2018	2017
Subsidiaries	$ 24,737	$ 15,270

F. Rent income / management consulting service income

(a) Rent income

	Years ended December 31	
	2018	2017
Subsidiaries	$ 55,566	$ 49,372

(b) Management consulting service income (shown as ‘Miscellaneous income - others’)

	Years ended December 31	
	2018	2017
Subsidiaries	$ 21,888	$ 41,371

G. Dividend revenue

	Years ended December 31	
	2018	2017
Subsidiaries (shown as deductions from 'Investments accounted for using equity method')	$ 640,377	$ 605,420
Other related parties (shown as 'Other income')	9,699	13,808
	$ 650,076	$ 619,228

H. Dividend expenditure

	Years ended December 31	
	2018	2017
Subsidiaries (shown as ' Addition to investments accounted for using equity method	$ 165,439	$ 157,218

I. Financing

(a) Loans to related parties:

	December 31,	
	2018	2017
Outstanding balance:		
Subsidiaries	$ 1,944,530	$ 1,789,000

	Years ended December 31,	
	2018	2017
Interest income:		
Subsidiaries	$ 18,420	$ 18,318

(b) Loans from related parties:

	December 31,	
	2018	2017
Outstanding balance:		
Subsidiaries	$ 357,830	$ -

	Years ended December 31,	
	2018	2017
Interest expense:		
Subsidiaries	$ 1,196	$ -

J. Endorsements and guarantees and commitments

As of December 31, 2018 and 2017, the credit guarantee provided by the Company to subsidiaries' borrowings are as follows:

	Years ended December 31	
	2018	2017
Subsidiaries	$ 368,580	$ 178,800

Key management compensation

	Years ended December 31,	
	2018	2017
Salaries and other short-term employee benefits	$ 216,147	$ 237,448
Termination benefits	2,119	2,102
	$ 218,266	$ 239,550

PLEDGED ASSETS

The Company's assets pledged as collateral are as follows:

	Book value		
Pledged asset	December 31, 2018	December 31, 2017	Purpose
Refundable deposits (shown as "Other non-current assets")	$ 6,316	$ 6,726	Bid bond and margin for operating lease
Property, plant and equipment	540,284	-	Long-term borrowings
Investment property	4,269,344	-	Long-term borrowings
	$ 4,815,944	$ 6,726	

SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

Except for the information in Notes 6(10) and (12), more information on significant commitments and contingencies is disclosed as follows:

(1) As of December 31, 2018, the Company had unused letters of credit for purchases of raw materials amounting to approximately $16,182.

(2) As of December 31, 2018, for bank loans, financing forward exchange contracts, bill purchased and

commercial paper issuance, the Company provided standby promissory notes payable totaling $4,923,300 as security.

(3) As of December 31, 2018, the capital expenditures that have not been incurred amounted to $630,219.

SIGNIFICANT DISASTER LOSS

None.

SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

On March 7, 2019, the Board of Directors during its meeting resolved the distribution of earnings for the year of 2018 and proposed the distribution of the employees' compensation and directors' and supervisors' remuneration. The information is provided in Notes 6(16) F and 6(22).

OTHERS

Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus net debt.

Financial instruments

A. Financial instruments by category

	December 31, 2018	December 31, 2017
Financial assets		
Financial assets at fair value through profit or loss - current	$ 986,614	$ -
Financial assets at fair value through other comprehensive income - current	893,492	-
Available-for-sale financial assets - current	-	1,868,471
Financial assets at fair value through profit or loss - non-current	1,020,365	-
Financial assets at fair value through other comprehensive income - non-current	114,809	-
Available-for-sale financial assets - non-current	-	728,465
Financial assets at cost - non-current	-	584,031
Financial assets at amortised cost - current		
Cash and cash equivalents	121,874	55,575
Notes receivable	51,882	60,681
Accounts receivable (including related parties)	2,843,579	5,150,819
Other receivables (including related parties)	4,098,270	2,252,047
Guarantee deposits paid	6,316	6,726
	$ 10,137,201	$ 10,706,815
Financial liabilities		
Financial liabilities at amortised cost - current		
Short-term borrowings	3,130,000	3,145,000
Notes payable	-	1,225
Accounts payable (including related parties)	20,555,893	16,990,558
Other payables (including related parties)	3,149,254	3,393,526
Long-term borrowings (including current portion)	-	380,000
	$ 26,835,147	$ 23,910,309

B. Financial risk management policies

(a) The Company’s activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. To minimise any adverse effects on the financial performance of the Company, derivative financial instruments, such as foreign exchange forward contracts and foreign currency swap contracts are used to hedge certain exchange rate risk. Derivatives are used exclusively for hedging purposes and not as trading or speculative instruments.

(b) Risk management is carried out by a central treasury department (Company treasury) under policies approved by the Board of Directors. Company treasury identifies, evaluates and hedges financial risks in close co-operation with the Company's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

i. The Company operates internationally and is exposed to exchange rate risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the USD and RMB. Exchange rate risk arises from future commercial transactions and recognised assets and liabilities.

ii. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The companies are required to hedge their entire foreign exchange risk exposure with the Company treasury. Exchange rate risk is measured through a forecast of highly probable USD and RMB expenditures. Forward foreign exchange contracts are adopted to minimise the volatility of the exchange rate affecting cost of forecast inventory purchases.

iii. The Company's businesses involve some non-functional currency operations (the Company's functional currency: NTD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	December 31, 2018				Year ended December 31, 2018		
					Sensitivity analysis		
	Foreign currency amount (In thousands)		Exchange rate	Book value (NTD)	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)							
Financial assets							
Monetary items							
USD:NTD	USD	155,010	30.7150	$ 4,761,132	1%	$ 47,611	$ -
Non-Monetary items							
USD:NTD	USD	896,232	30.7150	$ 27,527,766	1%	$ -	$ 275,278
Financial liabilities							
Monetary items							
USD:NTD	USD	717,109	30.7150	$ 22,026,003	1%	$ 220,260	$ -

	December 31, 2017				Year ended December 31, 2017		
					Sensitivity analysis		
	Foreign currency amount (In thousands)		Exchange rate	Book value (NTD)	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)							
Financial assets							
Monetary items							
USD:NTD	USD	226,943	29.8000	$ 6,762,901	1%	$ 67,629	$ -
Non-Monetary items							
USD:NTD	USD	838,035	29.8000	$ 24,973,443	1%	$ -	$ 249,734
Financial liabilities							
Monetary items							
USD:NTD	USD	676,377	29.8000	$ 20,156,035	1%	$ 201,560	$ -

Total exchange (loss) gain, including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2018 and 2017, amounted to ($336,265) and $1,050,427, respectively.

Price risk

i. The Company's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and available-for-sale financial assets. To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Company.

ii. The Company's investments in equity securities comprise shares and open-end funds issued by the domestic and foreign companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, post-tax profit for the years ended December 31, 2018 and 2017 would have increased/decreased by $19,938 and $0, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would have increased/decreased by $10,083 and $25,939, respectively, as a result of other comprehensive income classified as available-for-sale equity investment and equity investment at fair value through other comprehensive income.

Cash flow and fair value interest rate risk

The Company's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk which is partially offset by cash and cash equivalents held at variable rates. During the years ended December 31, 2018 and 2017, the Company's borrowings at variable rate were denominated in the NTD, USD and JPY.

At December 31, 2018 and 2017, if market interest rates had been 0.25% higher with all other variables held constant, other comprehensive income for the years ended December 31, 2018 and 2017 would have been $0 and $1,617 higher, respectively.

(b) Credit risk

i. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms and the contract cash flows of debt instruments stated at amortised cost and fair value through profit or loss.

ii. According to the Company's internal management policy, the Company only trade with the good credit bank. According to the credit policy, each local entity in the Company is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.

iii. The Company adopts the following assumption under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition: If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.

iv. The Company classifies customer's accounts receivable, contract assets and rents receivable in accordance with customer types. The Company applies the simplified approach using provision matrix to estimate expected credit loss under the provision matrix basis.

v. According to the Company's internal management policy, the default occurs when the contract payments are past due over 360 days.

vi. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:

(i) It becomes probable that the issuer will enter bankruptcy or other financial reorganisation due to their financial difficulties;

(ii) The disappearance of an active market for that financial asset because of financial difficulties;

(iii) Default or delinquency in interest or principal repayments;

(iv) Adverse changes in national or regional economic conditions that are expected to cause a default.

vii. The Company used the forecastability to adjust historical and timely information to assess the default possibility of accounts receivable, contract assets and lease payments receivable. On December 31, 2018, the provision matrix is as follows:

	Expected loss rate	Total book value	Loss allowance
At December 31, 2018			
Not past due	0%~0.3%	$ 2,158,253	$ -
Up to 30 days past due	2%~5%	231,753	2,744
31 to 120 days past due	3%~10%	139,239	832
Over one year past due	100%	36,523	36,523
		$ 2,565,768	$ 40,099

viii.Movements in relation to the Company applying the simplified approach to provide loss allowance for accounts receivable are as follows:

	2018
	Accounts receivable
At January 1_IAS 39	$ 38,462
Adjustments under new standards	-
At January 1_IFRS 9	38,462
Provision for impairment	1,637
Effects of foreign exchange	-
At December 31	$ 40,099

(c) Liquidity risk

i. Cash flow forecasting is performed in the operating entities of the Company and aggregated by Company treasury. Company treasury monitors rolling forecasts of the Company’s liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Company does not breach borrowing limits or covenants on any of its borrowing facilities. Such forecasting takes into consideration the Company’s debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable external regulatory or legal requirements.

ii. Company treasury invests surplus cash in interest bearing current accounts, time deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts. As at December 31, 2018 and 2017, the Company held money market position of $2,001,406 and $1,923,650, respectively, that are expected to readily generate cash inflows for managing liquidity risk.

iii. The Company has the following undrawn borrowing facilities:

	December 31, 2018	December 31, 2017
Expiring within one year	$ 8,870,600	$ 8,451,390
Expiring beyond one year	4,000,000	3,620,000
	$ 12,870,600	$ 12,071,390

iv. The table below analyses the Company's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

December 31, 2018 Non-derivative financial liabilities:	Less than 1 year	Over 1 year
Short-term borrowings	$ 3,132,326	$ -
Accounts payable (including related parties)	20,555,893	-
Other payables (including related parties)	3,149,254	-

December 31, 2017 Non-derivative financial liabilities:	Less than 1 year	Over 1 year
Short-term borrowings	$ 3,147,046	$ -
Notes payable	1,225	-
Accounts payable (including related parties)	16,990,558	-
Other payables (including related parties)	3,393,526	-
Long-term borrowings (including current portion)	6,080	381,316

Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Company's investment in listed stocks (including emerging stocks), beneficiary certificates and convertible bonds, is included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Company's investment in most derivative instruments is included in Level 2.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Company's investment in certain derivative instruments and investment property is included in Level 3.

B. The carrying amounts of cash and cash equivalents, notes receivable, accounts receivable (including related parties), other receivables (including related parties), short-term borrowings, notes payable, accounts payable and other payables (including related parties) are approximate to their fair values.

C. The related information of financial and non-financial instruments were at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities is as follows:

(a) The related information of the nature of the assets and liabilities is as follows:

December 31, 2018	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets mandatorily measured at fair value through profit or loss- current				
Equity securities	677,873	-	-	677,873
Debt securities	13,132	-	-	13,132
Beneficiary certificates	295,609	-	-	295,609
Financial assets mandatorily measured at fair value through profit or loss- noncurrent				
Equity securities	-	-	425,333	425,333
Beneficiary certificates	507,282	-	87,750	595,032
Financial assets measured at fair value through other comprehensive income-				
Equity securities	893,492	-	-	893,492
Financial assets measured at fair value through other comprehensive income - noncurrent				
Equity securities	-	20,982	93,827	114,809
Investment property (Note)	-	-	8,047,823	8,047,823
	$ 2,387,388	$ 20,982	$ 8,654,733	$ 11,063,103

December 31, 2017	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Available-for-sale financial assets				
Equity securities	$ 1,795,302	$ 44,008	$ -	$ 1,839,310
Debt securities	2,994	-	-	2,994
Beneficiary certificates	754,632	-	-	754,632
Investment property (Note)	-	-	6,176,804	6,176,804
	$ 2,552,928	$ 44,008	$ 6,176,804	$ 8,773,740

Note : Investment property measured at fair value.

(b) The methods and assumptions the Company used to measure fair value are as follows:

The instruments the Company used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

	Listed shares	Emerging shares	Open-end fund	Convertible bond
Market quoted price	Closing price	Average trades price	Net asset value	Closing

D. For the years ended December 31, 2018 and 2017, there was no transfer between Level 1 and Level 2.

E. The following chart is the movement of Level 3 for the year ended December 31, 2018:

	2018		
	Beneficiary certificates	Equity securities	Total
At January 1	$ 87,120	$ 554,366	$ 641,486
Acquired in the year	-	(16,150)	(16,150)
Gains (losses) recognised in profit or loss	630	(20,060)	(19,430)
Gains recognised in other comprehensive income	-	1,004	1,004
At December 31	$ 87,750	$ 519,160	$ 606,910
Movement of unrealised gain or loss in profit or loss of assets and liabilities held as at December 31, 2018 (Recorded under other gains and losses)	$ 630	($ 20,060)	($ 19,430)

For the information on investment property movement in level 3, please refer to Note 6(9).

F. For the year ended December 31, 2018, there was no transfer into or out from Level 3.

G. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	Fair value at December 31, 2018	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to value
Non-derivative equity instrument:					
Unlisted shares	$ 26,910	Market approach	Discount for lack of marketability	-	The higher the discount for lack of marketability, the lower the fair value
"	492,250	Net asset value	N/A		N/A
Venture capital shares Private equity fund investment	87,750	Net asset value	N/A	-	N/A
Investment property	8,047,823	Income approach	Revenue growth rate Discount rate	-	The higher the revenue growth rate, the higher the fair value; the higher the discount rate, the lower the fair value

H. The Company has carefully assessed the valuation models and assumptions used to measure fair value. However, use of different valuation models or assumptions may result in different measurement. The following is the effect of profit or loss or of other comprehensive income from financial assets and liabilities categorised within Level 3 if the inputs used to valuation models have changed:

	Input		December 31, 2018			
			Recognised in profit or loss		Recognised in other comprehensive income	
			Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets						
Equity instruments	Market approach, Net asset value	±1%	$ 4,253	($ 4,253)	$ 938	($ 938)
Beneficiary certificates	Net asset value	±1%	878	(878)	-	-
Total			$ 5,131	($ 5,131)	$ 938	($ 938)

Effects on initial application of IFRS 9 and information on application of IAS 39 in 2017

A.Summary of significant accounting policies adopted in 2017 :

(a)Available-for-sale

i. Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

ii. On a regular way purchase or sale basis, available-for-sale financial assets are recognised and derecognised using trade date accounting.

iii. Available-for-sale financial assets are initially recognised at fair value plus transaction costs. These financial assets are subsequently measured and stated at fair value, and any changes in the fair value of these financial assets are recognised in other comprehensive income. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured or derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are presented in 'financial assets measured at cost'.

(b)Accounts receivable

Accounts receivable are loans and receivables originated by the entity. They are created by the entity by selling goods or providing services to customers in the ordinary course of business. Accounts receivable are initially recognised at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

(c)Impairment of financial assets

iv.The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

v.The criteria that the Company uses to determine whether there is objective evidence of an impairment loss is as follows:

(ix)Significant financial difficulty of the issuer or debtor;

(x)Breach of contract, such as a default or delinquency in interest or principal payments;

(xi)The Company, for economic or legal reasons relating to the borrower's financial difficulty, granted the borrower a concession that a lender would not otherwise consider;

(xii)It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;

(xiii)The disappearance of an active market for that financial asset because of financial difficulties;

(xiv)Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, including adverse changes in the payment status of borrowers in the group or national or local economic conditions that correlate with defaults on the assets in the group;

(xv)Information about significant changes with an adverse effect that have taken place in the technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered;

(xvi)A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

vi.When the Company assesses that there has been objective evidence of impairment and an impairment loss has occurred, accounting for impairment is made as follows according to the category of financial assets:

(iv)financial assets at amortised cost

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate, and is recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortised cost that would have been at the date of reversal had the impairment loss not been recognised previously. Impairment loss is recognised and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(v)Financial assets carried at cost

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at current market return rate of similar financial asset, and is recognised in profit or loss. Impairment loss recognised for this category shall not be reversed subsequently. Impairment loss is recognised by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(iii)Available-for-sale financial assets

The amount of the impairment loss is measured as the difference between the asset's acquisition cost (less any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss, and is reclassified from 'other comprehensive income' to 'profit or loss'. If, in a subsequent period, the fair value of an investment in a debt instrument increases, and the increase can be related objectively to an event occurring after the impairment loss was recognised, then such impairment loss is reversed through profit or loss. Impairment loss of an investment in an equity instrument recognised in profit or loss shall not be reversed through profit or loss. Impairment loss is recognised and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

However, short-term accounts receivable without bearing interest are subsequently measured at initial invoice amount as effect of discounting is immaterial.

B.For the year ended December 31, 2017, the information of critical judgements in applying the Company's accounting policies is as follow:

Financial assets - impairment of equity investment

The Company follows the guidance of IAS 39 to determine whether a financial asset—equity investment is impaired. This determination requires significant judgement. In making this judgement, the Company evaluates, among other factors, the duration and extent to which the fair value of an equity investment is less than its cost and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

If the decline of the fair value of an individual equity investment below cost was considered significant or prolonged, the Company would recognise an adjustment to transfer the accumulated fair value adjustments in other comprehensive income on the impaired available-for-sale financial assets to profit or loss or to recognise the impairment loss on the impaired financial assets carried at cost in profit or loss.

C. The reconciliations of carrying amount of financial assets transferred from December 31, 2017, IAS 39, to January 1, IFRS 9, were as follows:

	Available-for-sale - current		Available-for-sale - non-current					Effects	
	Measured at fair value through profit or loss	Measured at fair value through other comprehensive income - current	Measured at fair value through profit or loss - non-current	Measured at fair value through other comprehensive income - non-current	Measured at cost	Investment accounted for using equity method	Total	Retained earnings	Other equity
IAS 39	$ -	$ 1,868,471	$ -	$ 728,465	$ 584,031	$ 27,839,891	$31,020,858	$ -	$ -
Transferred into and measured at fair value through profit or loss	766,951	(766,951)	1,233,120	(684,457)	(454,900)	(42,719)	51,044	(239,786)	290,830
Transferred into and measured at fair value through other comprehensive income	-	-	-	92,823	(129,131)	(59,924)	(96,232)	-	(96,232)
Impairment loss adjustment	-	-	-	-	-	-	-	1,099,989	(1,099,989)
IFRS 9	$ 766,951	$ 1,101,520	$1,233,120	$ 136,831	$ -	$ 27,737,248	$30,975,670	$ 860,203	($ 905,391)

(a) In accordance with IFRS 9, the Company reclassified available-for-sale financial assets – current, available-for-sale financial assets – non-current and financial assets carried at cost – non-current in the amounts of $1,101,520, $44,008 and $129,131, respectively, and made an irrevocable election at initial recognition on equity instruments not held for dealing or trading purpose, by increasing financial assets at fair value through other comprehensive income – current, financial assets at fair value through other comprehensive income – non-current and decreasing other equity interest, investments accounted for under equity method in the amounts of $1,101,520, $136,831, $96,232 and $59,924, respectively.

(b)In accordance with IFRS 9, the Company reclassified available-for-sale financial assets – current, available-for-sale financial assets – non-current and financial assets carried at cost – non-current in the amounts of $766,951, $684,457 and $454,900, respectively, by increasing financial assets at fair value through profit or loss – current, financial assets at fair value through profit or loss – non-current, decreasing retained earnings, increasing other equity interest and decreasing investments accounted for under equity method in the amounts of $766,951, $1,233,120, $$239,786, $290,830 and $42,719, respectively.

(c)In accordance with IFRS 9 requirements on provision for impairment, the Company decreased other equity interest and increased retained earnings in the amounts of $ 1,099,989 and $1,099,989, respectively.

D. The reconciliation of allowance for impairment from December 31, 2017 , as these are impaired under IAS 39, to January 1, 2018, as these are expected to be impaired under IFRS 9 are as follows:

	Available-for-sale financial assets - current	Available-for-sale financial assets - non-current	
	Measured at fair value through other comprehensive income - current	Measured at fair value through other comprehensive non-current	Total
IAS 39	$ 81,264	$ 1,018,725	$ 1,099,989
Impairment loss adjustment	(81,264)	(1,018,725)	(1,099,989)
IFRS 9	$ -	$ -	$ -

E. The significant accounts as of December 31, 2017 are as follows:

(a) Available-for-sale financial assets

Items	December 31, 2017
Current items:	
Listed shares	$ 1,922,941
Emerging shares	99,509
Domestic convertible bonds	3,015
Beneficiary certificates	76,344
Subtotal	2,101,809
Valuation adjustment	(215,480)
Accumulated impairment	(17,858)
	$ 1,868,471
Non-current items:	
Listed shares	859,750
Beneficiary certificates	359,697
	1,219,447
Valuation adjustment	333,637
Accumulated impairment	(824,619)
	$ 728,465

i. The abovementioned available-for-sale financial assets - non-current of listed shares were issued mainly through private placement, therefore the shares cannot be transferred during Lock-up period. The subsequent valuation method of shares issued through private placement is that the Company adjusts the way of restricted influence appropriately based on the quoted price in an active market of the same but unrestricted financial instruments to estimate the fair value of those financial instruments. The Company reclassified the shares from available-for-sale financial assets - non-current to available-for-sale financial assets - current amounting to $187,500 as those listed shares which were issued through private placement have been offered publicly in April 2017 and their rights and obligations are the same as other issued ordinary shares.

ii. The Company reclassified part of the emerging shares from measured at cost to available-for-sale financial assets as there are quoted prices in an active market for them.

iii. The Company recognised $64,893 in other comprehensive income for fair value change and reclassified ($170,248) from equity to profit or loss for the year ended December 31, 2017.

iv. The counterparties of the Company’s investments in debt instruments are all listed companies and have good financial situations, therefore, they are qualified for the Company’s standard of good credits rating levels.

vi. There was no interest income recognised by the Company on debt instruments held for the year ended December 31, 2017.

vii. As of December 31, 2017, no available-for-sale financial assets held by the Company were pledged to others.

(b) Financial assets at cost

Items	December 31, 2017
Non-current items:	
Unlisted shares	$ 520,716
Beneficiary certificates	90,000
Less: Accumulated impairment	(26,685)
	$ 584,031

i. According to the Company's intention, its investment in the abovementioned company's shares and beneficiary certificates should be classified as 'available-for-sale financial assets'. However, as the abovementioned company's shares are not traded in active market, and sufficient industry information of companies similar to the company or the company's financial information cannot be obtained, the fair value of the investment in the company shares cannot be measured reliably. The Company classified those shares as 'financial assets measured at cost'.

ii. The information on transferred available-for-sale financial assets which were originally measured at cost is provided in Note 12(4)B.

iii. The Company assessed that there has been objective evidence of impairment for LumenMax Optoelectronics Co., Ltd., therefore, impairment loss amounting to $26,685 was recognised as of December 31, 2017.

iv. As of December 31, 2017, no financial assets measured at cost held by the Company were pledged to others.

F. Credit risk information for the year ended December 31, 2017 is as follows:

(a) Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. According to the Company's credit policy, each local entity in the Company is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions as well as credit exposures to customers, including outstanding receivables.

(b) For the year ended December 31, 2017, no customer has credit risk during the reporting period, and management does not expect any significant losses from non-performance by these counterparties.

(c) The credit quality information of accounts receivable (including related parties) that are neither past due nor impaired is as follows:

	December 31, 2017
Group 1	$ 2,974,956
Group 2	1,776,073
	$ 4,751,029

Note:

Group 1: Customers which are large scale operation companies and were defined as low risk customers after credit ranking assessment.

Group 2: Other general risk customers.

(d) The ageing analysis of accounts receivable that were past due but not impaired is as follows:

	December 31, 2017
Up to 30 days	$ 256,347
31 to 120 days	141,853
121 to 215 days	1,590
	$ 399,790

(e) Movements in the provision for impairment of accounts receivable are as follows:

Individual provision	2017
At January 1	$ 45,591
Reversal of impairment loss during the year	(7,129)
At December 31	$ 38,462

Effects on initial application of IFRS 15 and information on application of IAS 18 in 2017.

A. Summary of significant accounting policies adopted in 2017 :

(a) The Company manufactures and sells computers and computers peripherals products. Revenue is measured at the fair value of the consideration received or receivable taking into account of value-added tax, returns, rebates and discounts for the sale of goods to external customers in the ordinary course of the Company's activities. Revenue arising from the sales of goods should be recognised when the Company has delivered the goods to the customer, the amount of sales revenue can be measured reliably and it is probable that the future economic benefits associated with the transaction will flow to the entity. The delivery of goods is completed when the significant risks and rewards of ownership have been transferred to the customer, the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the customer has accepted the goods based on the sales contract or there is objective evidence showing that all acceptance provisions have been satisfied.

(b) The Company devotes to technology developing of integration of electronics, molds as well as software and hardware offering to its subsidiaries. Also the Company in charge of the marketing and sales activities such as signing the relevant order contracts. For the aforementioned services provided, the Company would pro rata charge the subsidiaries royalties and commissions based on the sales revenue arising from it selling to external customers.

B. The revenue recognised by using above accounting policies for the year ended December 31, 2017 are as follows:

	Year ended December 31, 2018	Year ended December 31, 2017
Sales revenue	$ 23,399,513	$ 22,622,619
Other operating revenue	1,101,535	686,899
Total	$ 24,501,048	$ 23,309,518

C. The effect to items in current balance sheet and comprehensive income statement if the Company continues adopting above accounting policies in 2018 are as follows:

Balance sheet items	Note	December 31, 2018 Balance by using IFRS 15		Balance by using previous accounting policies		Effects from changes in accounting policies	
Contract liabilities-	(a)	$	2,696	$	-	$	2,696
Other current liabilities	(a)		-		2,696	(	2,696)

(a) Under IFRS 15, advance sales receipts in relation to contracts are recognised as contract liabilities - current, but were previously presented as other current liabilities in the balance sheet.

(b) There are no effects on initial application of IFRS 15 for the Company's current statement of comprehensive income.

SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

A. Loans to others: Please refer to table 1.

B. Provision of endorsements and guarantees to others: Please refer to table 2.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.

D. Acquisition or sale of the same security with the accumulated cost exceeding $300 million or 20% of the Company's paid-in capital: Please refer to table 4.

E. Acquisition of real estate reaching NT$300 million or 20% of paid-in capital or more: None.

F. Disposal of real estate reaching NT$300 million or 20% of paid-in capital or more: None.

G. Purchases or sales of goods from or to related parties reaching NT$100 million or 20% of paid-in capital or more: Please refer to table 6.

H. Receivables from related parties reaching NT$100 million or 20% of paid-in capital or more: Please refer to table 7.

I. Trading in derivative instruments undertaken during the reporting periods: Please refer to Notes 6(2) and (25) in the consolidated financial statements.

J. Significant inter-company transactions during the reporting periods: Please refer to table 8.

Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 9.

Information on investments in Mainland China

A. Basic information: Please refer to table 10.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 13(1).

SEGMENT INFORMATION

Not applicable.

6.Whether financial difficulty of the Company and affiliated enterprises occurred, and the impact on the company’s financial position: None.

VII. Review and Analysis of Financial Position and Financial Performance and Risks

1. Financial Position

(I) Table of Analytical Changes in Consolidated Assets, Liabilities, and Shareholders' Equity in the Last Two Years

Unit: NT$ thousands

Year / Item	2018	2017	Different Amount		Analytical Description of the Increase and Decrease Ratio (Note)
			Amount	%	
Current Assets	46,422,143	43,470,794	2,951,349	6.8	
Financial Asset and Investment	2,883,639	3,195,884	(312,245)	(9.8)	
Property, Plant, and Equipment	12,371,429	13,554,882	(1,183,453)	(8.7)	
Net Investment Property	5,537,730	5,517,981	19,749	0.4	
Intangible Assets	233,688	249,404	(15,716)	(6.3)	
Deferred Income Tax Assets	97,958	162,296	(64,338)	(39.6)	Details (II)1
Other Non-current Assets	1,385,321	1,303,139	82,182	6.3	
Total Assets	68,931,908	67,454,380	1,477,528	2.2	
Current Liabilities	39,182,202	36,873,474	2,308,728	6.3	
Long-term Debts Payable	1,006,224	1,831,281	(825,057)	(45.1)	Details (II)2
Provisions - Non-current	0	0	0	0.0	
Deferred Income Tax Liabilities	297,554	230,809	66,745	28.9	Details (II)3
Other Non-current Liabilities	264,404	243,421	20,983	8.6	
Total Liabilities	40,750,384	39,178,985	1,571,399	4.0	
Capital Stock	7,303,799	7,206,051	97,748	1.4	
Additional Paid-in Capital	5,633,933	5,136,660	497,273	9.7	
Retained Earnings	14,934,034	13,792,778	1,141,256	8.3	
Other Equity	(3,065,027)	(1,824,687)	(1,240,340)	68.0	Details (II)4
Treasure Shares	(728,584)	(517,165)	(211,419)	40.9	Details (II)5
Uncontrolled Equity	4,103,369	4,481,758	(378,389)	(8.4)	
Shareholder Equity	28,181,524	28,275,395	(93,871)	(0.3)	

(II) Change Description of Material Items (increase/decrease in ratio reaches 20% or exceeds NT$10,000 thousand):

1. Due to decrease of deferred income tax result from unpaid expense and adjusted invested real estate.
2. Due to no new long-term loan this year.
3. Due to increase of deferred income tax liabilities result from adjusted invested real estate.
4. Due to decrease of unrealized gains of financial investment valued by other gains and losses.
5. Due to purchase of the Company’s stock shares and transfer to employees.

The differences mentioned above have no significant impacts on the Company's financial position.

2. Financial Performance:

(I) Comparative Analysis of Consolidated Financial Performance in the Recent Two Years

Unit: NT$ thousands

Item \ Year	2018		2017		Amount Changed	Change Percentage (%)	Analytical Description of the Increase and Decrease Ratio (Note)
Operating Revenue	87,260,406		78,155,686		9,104,720	11.6	
Operating Costs	(74,643,642)		(64,701,349)		9,942,293	15.4	
Gross Profit		12,616,764		13,454,337	(837,573)	(6.2)	
Selling Expenses	(3,140,664)		(3,544,903)		(404,239)	(11.4)	
Administrative Expenses	(2,162,176)		(2,390,500)		(228,324)	(9.6)	
Research and Development Expenses	(2,515,632)		(2,949,604)		(433,972)	(14.7)	
Expected Credit Impairment Loss	(148,756)		0		148,756	100	Detailed (II)1. Description
Total Administrative Expenses		(7,967,228)		(8,885,007)	(917,779)	(10.3)	
Operating Income		4,649,536		4,569,330	80,206	1.8	
Other Revenue	799,617		780,659		18,958	2.4	
Other Gains and Losses	(255,145)		969,738		(1,224,883)	(126.3)	Detailed (II)2. Description
Financial Costs	(143,035)		(104,700)		38,335	36.6	Detailed (II)3. Description
Investment Income Recognized Under Equity Method	(15,501)		(125,008)		109,507	(87.6)	Detailed (II)4. Description
Total Non-operating Revenue and Expenses		385,936		1,520,689	(1,134,753)	(74.6)	Detailed (II)5. Description
Earnings Before Taxation		5,035,472		6,090,019	(1,054,547)	(17.3)	
Income Tax Expenses	(1,056,563)		(1,217,803)		(161,240)	(13.2)	
Net Income in Current Period		3,978,909		4,872,216	(893,307)	(18.33)	

(II) Change Description of Material Items (increase/decrease in ratio reaches 20% or exceeds NT$ 10,000 thousand):

1 New item due to adopt IFRS9.

2. Due to decrease of investment gains result from dispose of investment and investment income recognized under equity method.

3 Due to increase of interests result from increase of loans.

4. Due to lose impact on Newmax Technology Co., Ltd from last fourth quarter, so no need to adopt under equity method.

5 Due to decrease of other gains and losses compared to last year.

(III) Expected Sales Quantity and its Basis:

1. The Company estimated that the sales volume of computer peripherals, digital video images, consumer electronics products, and other electronic products of the Company will be approximately 192.6 million units in the coming year and the subsidiaries Chicony Power and Xavi Technologies estimated that the sales volume of computer peripherals, game console products, and Netcom and other electronics will be approximately 163.9 million units and 7.1 million units.

2. In order to estimate the annual sales volume, in addition to the Company referring the market analysis of primary research institutions, it is based on the expected demand and considers the capacity planning and past operating performance.

(IV)Possible Impacts and Response Plans of the Company on Future Finances and Business: None.

3. Cash flows

(I) Recent Annual Cash Flow Analysis:

Unit: NT$ thousands

Cash Balance at Beginning of the Period ①	Net Cash Flow From Operating Activities for the Whole Year ②	Net Cash Flow of Investment and Financing Activities for the Whole Year (including the impact of the exchange rate) ③	Cash Remaining Amount 5. ②+③	Remedies for Cash Shortages	
				Investment Plan	Financial Plan
2,679,941	6,531,950	(7,259,452)	1,952,439	—	—

1. Analysis of Cash Flow in the Current Year:
   (1) Operating Activities: Because of the before income tax for the year plus the depreciation number that has not yet generated cash outflows.
   (2) Investment Activities: Due to the acquisition of real property, plants, and equipment.
   (3) Financing Activities: The main reason is the distribution of cash dividends.
   (4) Remedies for Cash Shortages: No cash shortage condition.

(II) Analysis of Cash Flows in the Year Ahead:

Unit: NT$ thousands

Cash Balance at Beginning of the Period ①	Estimated Net Cash Flow From Operating Activities for the Whole Year ②	Estimated Net Cash Flow of Investment and Financing Activities for the Whole Year (including the impact of the exchange rate) ③	Estimated Cash Remaining Amount ①+②+③	Remedies for Cash Shortages	
				Investment Plan	Financial Plan
1,952,439	6,500,000	(5,652,439)	2,800,000	—	—

1. Analysis of Cash Flow in the Current Year:
   (1) Operating Activities: In order to increase profitability and generate net cash inflows, we have invested much effort in high value-added products and new products.
   (2) Investing Activities: It is expected that the Company will have no major investment activities this year.
   (3) Financing Activities: A net cash outflow is generated because of the cash dividend.
   (4) Expected Remedies for Cash Shortages: None.

4. Major Capital Expenditure and their effect on the financial position and Operation of the Company

   Effect of Significant Capital Expenditure on the Financial and Operation Performance of the Company: None.

5. Direct Investment Policy and the main cause of profit or loss, remedial plan, and investment plan for the year ahead.

(1) Direct Investment Policy

The direct investment policy of the Company has the following three items:

1. In order to reduce production costs and provide the service closely for customers and enjoy tax incentives of consideration, we will invest in subsidiaries around the world and set up production locations and sales services.
2. In order to ensure the primary supply of the sources, the Company directly invests in the primary material supplier under the principle of minimum capital.
3. In order to increase the Company's overall competitiveness and create maximum interest, the Company strategically invests in related products that can create a synergistic effect under controllable risks.

(2) Direct Investment Policy in the Most Recent Year, the Primary Cause of Profit or Loss, and Remedy, and the Investment Plan in the Year Ahead

Unit: NT$ thousands

Name of Direct Investment Company	Investment Amount (Note 1)	Investment Target	2018 Investment (Loss) Gain	Primary Reason for Gain or Loss	Improvement Plan	Future Investment Plan
Chicony Overseas Inc.	265,326	Holding Company	2,090,524	Direct Investment Company Profit and Gain on Disposal of Short-term Investment	Nil.	Nil
Chicony Global Inc.	33,027	Increase Sales Locations	564,177	Improve the proportion of niche product sales, and focus on effective control of costs and expenses.	Nil.	Nil
Chicony Power America Co. Ltd.	1,302,610	increase Items and Increase Overall Profit	1,030,209	Increase the proportion of niche products and new products, expand the scale of business, and improve R&D design ability and production efficiency.	Nil.	Nil
Hipro Overseas (BVI) Inc.	412,003	Holding Company and Increase Product Items, Increase Overall Profit	29,152	interest Revenue	Nil.	Nil
Hipro Electronics CO., LTD.	2,330	Holding Company	68,629	Disposal of Short-term Investment and Foreign Exchange Gain	Nil.	Nil
Yokang Electronics Co., Ltd.	150,000	Holding Company	523,760	Gain on Disposal of Short-term Investment	Nil.	Nil
Chicony Elec. (Thailand) Co., Ltd.	33,920	Reduce Manufacturing Cost	0	It is currently closed.	Nil.	Planning to Build a New Factory
Hao Erh Yu Industry Co., Ltd.	136,757	Vertical Integration	(6,624)	Hao Erh Yu Industry Co., Ltd. completed all dissolution and liquidation operations in March 2019.	Nil.	Nil
XAVi Technologies Corporation	220,024	increase Items and Increase Overall Profit	(229,976)	Chinese customers encounter financial difficulties and appropriate expected credit losses.	Strengthen customer credit and account insurance operations.	Nil

Note: 1. The above investment amount is a total of direct and indirect investment companies. When the investment amount is US dollars, it is converted based on the original investment cost exchange rate.

2. The above table only shows direct investment companies, the investment indirectly in the direct investment company with the gain or loss condition. Please refer to the attached “Table 8” of the Financial Report of the Company audited by the accountant. Please refer to the “Affiliates Consolidated Financial Statement Announcements” for the items listed in this Annual Report for the relevant information of the investment items, the amount of capital, and the proportion of the investment of the Company.

6. Analysis and Assessment of Risk Issues

Following Risk Matters are Analyzed and Assessed for 2018 and as of March 31, 2019:

(1) The effect of fluctuation of interest rate, exchange rate, and inflation on the income position of the Company, and remedy

1. Interest Rate Change

At the end of 2018, the amount of consolidated bank loans of the Company increased by approximately NT$ 570 million compared with the end of 2017. The net consolidated interest expense in 2018 increased by approximately NT$38,658 thousand compared with 2017, and the average bank loan interest rate of 2018 was 1.17%, an increase of approximately 0.11% from 2017. The average interest rate of consolidated loans in the first quarter of 2019 increased by approximately 0.33% compared with the first quarter of 2018. The annual interest rate of loans increased or decreased by 0.25%, based on the balance of consolidated bank loans of NT$6,964,087 thousand, as of March 31, 2019. The total annual interest expense of the Company impact is NT$ 17,410 thousand.

The Company will continually track the market interest rate exchange rate trend information, and adjust the loan portfolio of each currency, to obtain the best loan interest rate conditions from the bank, and control the overall accounts receivable, inventory, accounts payable, and fixed asset turnover rate of the Company, in order to increase the cash flow of the Company, and minimize the impact of interest rate increases on the Company.

2. Fluctuation in Foreign Currency Exchange Rate

To ensure that the gross margin is not subject to excessive exchange rate fluctuations, the products of the Company and its subsidiaries adapt mainly to the US dollar for export sales. The purchases are mainly based on the recent changes in the international currency situation and adapt mainly to the US dollar. The Company and its subsidiaries will focus on the international economic condition, reference for bank analysis reports, and use the hedging method to reduce the impact of exchange rate fluctuations, such as borrowing US dollars, operation forward foreign exchange, options, exchange trading, or directly selling US dollar. The consolidated exchange gains were NT$387,758 thousand in 2018, and the consolidated exchange gains for the first quarter of 2019 were approximately NT$57,969 thousand.

3. Inflation

Most of the products of the Company and its subsidiaries are exported, so the impact of domestic inflation on the gain or loss of the Company is low. However, if inflation occurs in the global market, it will affect the purchasing ability and willingness of consumers and decrease the demand for consumer products. The gain or loss of the Company will have a negative impact, but the impact of international inflation is comprehensive, and it is not only individual companies but also governments that will respond to this issue; However, the Company will pay attention to the research and development and sales of niche products, reduce the production cost, and maintain the revenue of the Company by the price of products that can stimulate consumers' demand, and reduce the negative impact of inflation on the gain and loss of the Company.

(2) The policy of engagement in high risk and high leverage investment, loaning to a third party, undertaking of endorsements/guarantees in favor of a third party, and derivative trade, and the main cause of profit or loss and remedy in the future

1. In the case of short-term investments, the Company and its subsidiaries have carefully evaluated and performed related rules, based on the “Acquisition or Disposal of Assets Processing Procedures” and related authority rules, and the

investment details and their gain and loss status are reviewed at least once a month. The Company will stop related matters If there is an abnormal situation. In 2018 and the first quarter of 2019, the Company's consolidated gain on disposal of investments were NT$ 267,834 thousand and NT$(232,707) thousand.

2. The Company and its subsidiaries have engaged in fund lending with others and endorsement guarantors. All of them have set the “Funding Loan Operation Procedures” and “Endorsement Guarantee Measures” and proceeded according to them. When the subsidiary company needs funds required for operational needs, it is not easy to obtain the loan amount from the bank itself, and then the Company or the subsidiary company shall pay the loan or endorsement guarantee. As of March 31, 2019, the Company and its subsidiaries do not have any losses in fund loans to other people and endorsement guarantees.
3. The policies of the Company and its subsidiaries engaged in the trading of derivative goods are limited to hedging transactions. In the future, the Company and its subsidiaries will take into account the bank analysis report, appropriately perform the forward foreign exchange rate, options, and futures to avoid hedging, and reduce the impact of the exchange rate and raw material fluctuations by depending on foreign exchange site inventory, flow, and purchase of raw materials demand.

(3) R&D plan in the future, and projected commitment of R&D expenses

In order to respond to the market demand, in addition to the continuous investment of current business, such as keyboards, digital images, camera modules for smartphones, power supplies, and ultra-high-speed fiber-optic terminal Netcom devices, the Internet of Things is the future development trend of the technology industry and the Company is focused on these products, such as Net-based drones, electric vehicles, smart homes with smart networking capabilities, and smart buildings, etc. are all emerging products; it is estimated that the whole investment in research and development costs will account for about 2% to 3% of consolidated operating revenue.

(4) The effect of changes in important policies and the regulatory environment at home and overseas on the financial and operation performance of the Company and the remedy

Nil.

(5) The effect of changes in the technological and industrial environment on the financial and operation performance of the Company and the remedy

In 2018 and as of March 31, 2019, the finances and business of the Company will not be significantly affected by technological changes; because the overall industry has quickly changed the market, a lack of labor in China, rising labor costs, the PC market being close to saturation, high growth is difficult, and other unfavorable factors, there are low industrial profits and adjustment of the price is difficult. This affects the profit of the Company. In order to minimize these negative effects to maintain profitability, in addition to continually focusing on research and development and sales of niche products, reducing production costs, rationalizing procedures, automating production, and vertically integrating for primary suppliers, the Company is actively expanding non-PC industries such as servers, game consoles, smart speakers, smart homes, and the Internet of Things emerging product businesses.

(6) The effect of changes in corporate image on crisis management of the enterprise and remedy

In 2018 and as of March 31, 2019, the Company did not have a corporate image change or a corporate crisis.

(7) Expected results and possible risks from mergers and acquisitions, and the remedy

In 2018 and as of March 31, 2019, the Company did not have any plan for mergers and acquisitions. It is not applicable.

(8) Expected results and possible risks from capacity expansion, and the remedy

In response to the market growth demand and related risks, the Company will control the market and customer orders. The listed company Chicony Power Technology Co., Ltd (the direct investment company of the Company) will expect to invest in the expansion of production capacity in Jiangsu, China in 2019.

(9) Risks deriving from concentration of purchase or sale, and the remedy

The Company produces and sells diversified products. In 2018 and as of March 31, 2019, there is no case where a certain product sold to a certain customer accounted for more than 10% of the global consolidated operating revenue; The Company has more than two suppliers of each raw material required for various product, and no single supplier accounts for more than 10% of the total consolidated purchases in the world.

(10) Effect and risks of sizable transfers or swaps of equity shares by Directors, Supervisors, and dominant shareholders holding more than 10% of the stake of the Company, and the remedy

In 2018 and as of March 31, 2019, the Company does not have many swaps of equity shares by Directors, Supervisors, and dominant shareholders holding more than 10% of the stake of the Company.

(11) Effect and risks from the changing of hands in management and the remedy

In 2018 and as of March 31, 2019, the Company's condition does not have any change in management.

(12) Litigation or Non-litigation Incidents and Responding Measures:

1. Material Litigation, Non-litigation, or Administrative Dispute Incidents the Company is Currently Performing: None.
2. Directors, Supervisors, General Manager, the De Facto Owner, and Shareholders Holding More than 10% of the Stakes, or Major Legal Proceeds, Non-contentious Matters, or Administrative Actions Still in Proceeding in 2018 and as of March 31, 2019, the Result of Which May Significantly Affect Shareholders Equity or the Stock Price of the Company: None.

(13) Other Major Risks and their Remedy:

1. Description of Information Security Risk Assessment Analysis and Responding Measures:

   Description of Information Security Risk Assessment Analysis and Responding Measures:

   In the Internet age, third-party illegal intrusion attacks have become more and more difficult, and security protection has become increasingly difficult. Therefore, in addition to establishing a complete network and computer security protection system, such as firewalls and anti-virus software, the Company has regular updates. It depends on the process of information security education, training, and promotion. If it is necessary to conduct information business outsourcing operations, it is necessary to study and propose information security requirements in advance and require manufacturers to obey the information security responsibilities and confidentiality.

   Regarding the information security risk management structure, information security policy, and detailed management projects of the Company, please refer to the website of the Company.
2. Other Important Risks and Responding Measures: None.

7. Other Materiality: None

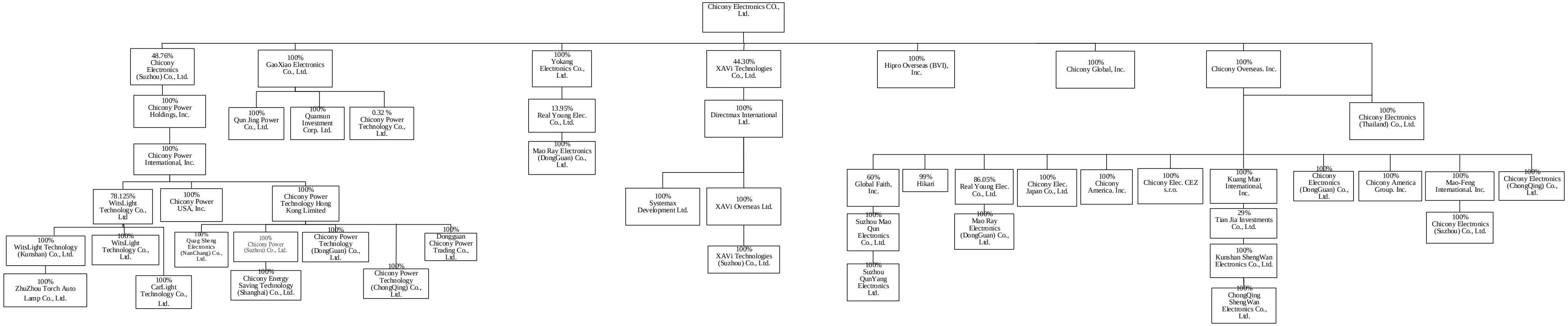
VIII. Additional Information

1. Affiliates Consolidated Business Reports, Affiliates Consolidated Financial Statement Announcements

I.Overview of affiliates

(1) Organizational Structure of Affiliate:

1. Organizational Charts of Affiliates:



2.Pursuant to Article 369-3 of the Company Act, entities that have a controlling interest and affiliation: None

3.Pursuant to Paragraph 2, Article 369-2 of the Company Act, affiliates in which the Company has direct or indirect control of personnel, finance or business operations: None.

(2)Basic Information on the Affiliates

Name of corporation	Date of Incorporation	Address	Paid-in Capital	Main business line
Chicony Overseas Inc.	1989.4.14	P.O. Box 3152, Road Town,Tortola, British Virgin Islands	US$ 10,000,000	1. Sale of computer peripheral components. 2. Engaged in the acquisition and consolidation, investment, and management of overseas companies.
Yokang Electronics Co., Ltd.	1994.3.16	22F, No. 69, Sec.2, Guangfu Rd., Sanchong Dist.,New Taipei City	NT$900,000,000	Production and sale of computer peripheral components.
Hipro Overseas (BVI) Inc.	1998.9.17	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, BVI	US$ 12,560,000	1. Sale of power supply devices and related electronic products. 2. Engaged in the acquisition and consolidation, investment, and management of overseas companies.
Hipro Electronics CO., LTD.	1990.10.5	30F, No. 69, Sec.2, Guangfu Rd., Sanchong Dist.,New Taipei City	NT$ 46,600,000	Import and export of power supply devices and related electronic products.
XAVi Technologies Corporation	1997.10.17	22F, No. 69, Sec.2, Guangfu Rd., Sanchong Dist.,New Taipei City	NT$993,523,140	R&D, manufacturing, and sale of network connectivity products.
Chicony Elec. (Thailand) Co., Ltd.	1989.12.28	82 Mu 4, Takhan Bangpakong, Chachoengsao 24130, Thailand	Bath 211,157,500	Production and sale of computer peripheral components.
Chicony Global Inc.	2006.9.11	Level 15(A1) Main Office Tower, Financial ParkLabuan, 87000 Labuan Ft, Malaysia	US$1,000,000	Sale of computer peripheral components.
Chicony Power America Co. Ltd.	2008.12.05	30F, No. 69, Sec.2, Guangfu Rd., Sanchong Dist.,New Taipei City	NT$ 3,831,413,010	Production and sale of computer peripheral components.
Chicony America Inc.	1989.12.19	53 Parker Irvine,CA 92618, U.S.A.	US$3,250,000	Sale of computer peripheral components.
Chicony Electronics (Dongguan) CO., Ltd.	1998.7.1	Chicony Electronics Manufacturing Plant, SanZhong District, QingXi, DongGuan City, GuangZhou, Mainland China	US$ 9,760,000	Production and sale of computer peripheral components.

Name of corporation	Date of Incorporation	Address	Paid-in Capital	Main business line
Mao-Feng International Inc.	1999.4.16	Vistra Corporate Service Centre, Wickhams Cay II, Road Town, Tortola, VG 1110, British Virgin Islands	US$2,294,000	1. Sale of computer peripheral components. 2. Engaged in the acquisition and consolidation, investment, and management of overseas companies.
Chicony Electronic (SuChou) Co., Ltd.	2001.10.26	2379, ZhongShanBei Road, SongLing, WuJiang City, JiangSu, Mainland China	US$ 21,278,269 (RMB159,059,530)	Production and sale of computer peripheral components.
Chicony Electronics CEZ s.r.o.	2002.11.25	Tovarni 1553, 535 01Prelouc,Czech Republic	US$6,555 (CZK200,000)	Sale of computer peripheral components.
Global Faith Inc. (KwangShin)	2004.6.10	Scotia Centre 4th Floor P.O. Box 2804, George Town, Grand Cayman, Cayman Islands	US$3,850,000	1. Sale of computer peripheral components. 2. Engaged in the acquisition and consolidation, investment, and management of overseas companies.
Suzhou Mao-Qun Electronics Co., Ltd.	2004.4.4	No. 345, HuXinXi Road, WuJiang Economics & Technology Development District	US$ 3,850,000	Production of electronic components, keyboards, and plastic products.
Suzhou Qun-Yang Electronics Co., Ltd.	2012.1.9	No. 345, HuXinXi Road, WuJiang Economics & Technology Development District	RMB 1,000,000	Production of electronic components, keyboards, and plastic products.
Chicony Electronics Japan Co., Ltd.	2008.11	4B Iwasaki.,3-11-15 Mizonzkuchi,Takatsu-ku, Kawasaki-shi,Kanagawa-ken 2-3-0001	JPY10,000,000	Sale of computer peripheral components.
Kuang Mao International Inc.	2001.12.11	P.O. Box 217. Apia, Samoa	US$ 2,284,142	1. Sale of computer peripheral components. 2. Engaged in the acquisition and consolidation, investment, and management of overseas companies.
Chicony America Inc.	2000.9.1	53 Parker 2nd Floor Irvine, CA 92618, U.S.A.	US$ 6,200,000	Ecommerce software services.
Chicony Electronic (Chongqing) Co., Ltd.	2011.4.12	No. 18, JiuJiang Avenue, XuangFu Road Office, JiangJing District, ChongQing	US$15,000,000	Production and sale of computer peripheral components.
Real Young Elec. Co., Ltd.	2000.5.25	P.O. Box 3152, Road Town, Tortola British Virgin Islands	US$ 9,139,780	1.Design, manufacture, repair, and import/export of computer peripheral equipment and electronic products. 2. Engaged in the acquisition and consolidation, investment, and management of overseas companies.

Name of corporation	Date of Incorporation	Address	Paid-in Capital	Main business line
Hikari Investment GK	2015.3.9	Imai Bldg.2F 1-3-11 Azabu-juban, Minato-ku Tokyo, Japan 106-0045	JPY 3,629,668,376	General investment.
Mao Ray Electronics (DongGuan) Co., Ltd.	2000.10.23	HuoLianShu Management District, NiuShan Foreign Business Industrial Park, DongGuan	US$ 8,445,283	Production of electronics components, keyboard, and plastic products.
Quansun Investment Corp., Ltd.	2003.4.24	30F, No. 69, Sec.2, Guangfu Rd., Sanchong Dist.,New Taipei City	NT$80,000,000	General investment.
Chun Ching Power Technology Co., Ltd.	2008.8.26	30F, No. 69, Sec.2, Guangfu Rd., Sanchong Dist.,New Taipei City	NT$ 1,000,000	Wholesale and retail sale of computers and consumer equipment.
Chicony Power Holdings Inc.	2009.7	Portcullis Chambers, 4th Floor, Ellen Skelton Building 3076 Sir Francis Drake Highway, Road Town, Tortola, British Virgin Islands VG1110	US$10,000,000	General investment.
Chicony Power International, Inc.	2009.7	Marquee Place, Suite 300, 430 West Bay Road, P.O. Box 32052 Grand Cayman KY1-1208 Cayman Islands	US$10,000,000	Sale of power supplies and related electronic products.
Chicony Power Technology Hong Kong Limited (CPHK)	2002.4.24	3RD Floor, Building 9,NO.5 Science Park West Avenue, Shatin, New Territories.Hong Kong	HK$46,800,000 (US$ 6,000,000)	R&D center and investment holdings.
Chicony Power USA, Inc.	2003.11.21	723 S.Casino Center Blvd. 2nd Floor Las Vegas U.S.A.	US$ 1,500,000	Sale of power supplies and related electronic products.
WitsLight Technology Co., Ltd.	2009.12.11	LEVEL2, LOTEMAU CETRE, VAEA STREET, APIA, SAMOA	US$12,800,000	Design, research, and manufacture of LED lighting modules.
WitsLight Technology Co., Ltd.	2009.12.29	3F, No. 20, Section 2, NanJing East Road, ZhongShan District, Taipei City	NT$ 5,000,000	Design, research, and manufacture of LED lighting modules and international trade.
WitsLight Technology (KunShan) Co., Ltd.	2010.7.6	Rm 4, No. 99, MuYe Road, YuShan, KunShan City, JiangSu	USD10,500,000 (RMB66,710,247)	Manufacture and sale of LED lighting modules.
Zhuzhou Torch Auto Lamp Co., Ltd.	2002.3.22	268 HuangHeNan Road, TianYuan District, ZhuZhou, Hunan	RMB46,000,000	Production and sale of automotive and motorcycle components, electric machines and device, decorative lighting, and plastic products.
CarLight Technology Co., Ltd.	2016.6.24	24F, No. 69, Sec.2, Guangfu Rd., Sanchong Dist.,New Taipei City	NT$ 3,000,000	Design, research, and international trade of lamps and related components for automotive and electric vehicles.
Chicony Power America (Dongguan) Co. Ltd.	1998.12.7	LiaoBu XinChen Technology Industrial Park, DongGuan, GuangDong	US$20,750,000	Production and sale of power supplies and related electronic products.

Name of corporation	Date of Incorporation	Address	Paid-in Capital	Main business line
			(RMB 157,684,105)	
Chicony Power America (SuChou) Co. Ltd.	2002.12.11	No. 2379, ZhongShanBei Road, SongLing, WuJiang, JiangSu	US$22,100,000 (RMB 148,320,569)	Production and sale of electronic equipment (high performance power supply, power modules, and voltage transformer) and LED lighting equipment.
Quang Sheng Electronics (Nanchang) Co., Ltd.	2006.7.1	NanChang GaoXin District, HuoJuEr Road North	US$ 4,000,000 (RMB31,170,839)	Production and sale of electronic equipment (magnetic elements, circuit boards, keyboards) and voltage transformers.
Chicony Power America (Chongqing) Co. Ltd.	2011.4.25	18 JiuJiang Avenue, ShuangFu Office, JiangJing, ChongQing	US$10,000,000	Production and sale of electronic equipment (high performance power supply, power modules, and voltage transformers) and LED lighting equipment.
Chicony Energy Saving Technology (Shanghai) Co., Ltd.	2011.5.25	Office Suite 1702, No. 1600, ZhongShanXi Road, XuHui District, Shanghai	RMB10,000,000	Inquiry services, development, and transfer of energy-saving technology. Sale and installation of energy saving lighting equipment.
DongGuan Chicony Power Energy Trading Co., Ltd.	2013.1.11	LiaoBu XinChen Technology Industrial Park, DongGuan, GuangDong	US$ 350,000	Wholesale and import/export of power supply devices and other parts, LED lighting equipment, digital products, office supplies, computers, and other electronic parts.
Directmax International Ltd.	2002.7.2	P.O.Box 3152, Road Town, Tortola, British Virgin Islands	US$ 7,750,000	Investment holdings and transfer.
XAVi Overseas Ltd.	2002.1.18	P.O.Box 3152, Road Town, Tortola, British Virgin Islands	US$ 7,500,000	Investment holdings and transfer.
Systemax Development, Ltd.	2002.7.12	P.O.Box 3152, Road Town, Tortola, British Virgin Islands	US$ 250,000	Sale of DSL bridges and routers.
XAVi Technologies (Suzhou) Co., Ltd.	2002.12.25	No. 108, HuaHong Road, WuJiang Economics and Technology Development District, JiangSu, Mainland China	US$10,000,000 (RMB68,820,935)	Production and sale of DSL bridges and routers.

(3) Presumed to have similar shareholder's data as in an affiliation or with controlling interest: Not Applicable

(4) In regards to the overall scope of business of affiliates, the scope of business of the Company and its subsidiaries includes: Manufacturing, trading, and management services.

(5) Profiles of the Directors, Supervisors, and General Managers of the affiliates

Unit: NTD1,000; Share; %

Enterprise Name	Title	Name or Representative	Number of Shares Held	
			Shares Held/Issued Amount	Shares Held %/Issued Amount %
Chicony Overseas Inc.	Director Director	Hsu, Kun-Tai Lu, Chin-Chung	— —	— —
Yokang Electronics Co., Ltd.	Chairman (Legal Representative) and General Manager Director of the Legal Representative Director of the Legal Representative Supervisor of the Legal Representative Legal Representative: Chicony Electronics Co., Ltd.	Lu, Chin-Chung Hsu, Kun-Tai (Cash Deficiency) (Cash Deficiency)	— — — — 90,000,000	— — — — 100%
Hipro Overseas (BVI) Inc.	Director Director	Hsu, Kun-Tai Lu, Chin-Chung	— —	— —
Chicony Electronics (Thailand) Co., Ltd.	Director Director Chairman & CEO (Chief Executive Officer)	Hsu, Kun-Tai Lu, Chin-Chung Lu, Shu-Jun	5 1 1	— — —
Hipro Electronics CO., LTD.	Chairman (Legal Representative) Vice Chairman & General Manager Director of the Legal Representative Supervisor of the Legal Representative Legal Representative: Chicony Electronics Co., Ltd.	Hsu, Kun-Tai (Cash Deficiency) Lu, Chin-Chung Hsu, Yue-Yuan	— — — — 4,660,000	— — — — 100%

Enterprise Name	Title	Name or Representative	Number of Shares Held	
			Shares Held/Issued Amount	Shares Held %/Issued Amount %
Chicony Global Inc.	Director	Hsu, Kun-Tai	—	—
Chicony America Inc.	Director	Hsu, Kun-Tai	—	—
	Director and Secretary	Lu, Chin-Chung	—	—
	Director and CFO	Chang,Yao-Ching	—	—
Chicony Electronics (Dongguan) CO., Ltd.	Chairman	Hsu, Kun-Tai	—	—
	Director and General Manager	Lu, Chin-Chung	—	—
	Director	Huang, Wei-Cheng	—	—
Mao-Feng International Inc.	Director	Hsu, Kun-Tai	—	—
	Director	Lu, Chin-Chung	—	—
Chicony Electronic (SuChou) Co., Ltd.	Chairman	Hsu, Kun-Tai	—	—
	Director	Lu, Chin-Chung	—	—
	Director	Tsai, Chin-Cheng	—	—
	Director and General Manager	Wang, Hui-Kai	—	—
	Supervisor	Huang, Chien-Yu	—	—
Chicony Electronics CEZ s.r.o	Director	Hsu, Kun-Tai	—	—
	Director	Lu, Chin-Chung	—	—
	Director	Cheng Yu-Hua	—	—
	Director	Lin, Yu-Ling	—	—
Global Faith Inc. (Global Faith, Inc.) (Note 3)	Director	Lin, Mao-Kuei	—	—
	Director	Lu, Chin-Chung	—	—
	Director	Wei, Chuan-Pin	—	—
	Director	Ling, Hsu-Feng	—	—
	Director	Yang, Hsu-Feng	—	—

Enterprise Name	Title	Name or Representative	Number of Shares Held	
			Shares Held/Issued Amount	Shares Held %/Issued Amount %
Suzhou Mao-Qun Electronics Co., Ltd. (Note 3)	Chairman Director & GM Director Director Supervisor	Huang, Chien-Yu Wang, Hui-Kai Lu, Chin-Chung Chen, Lai-Zhu Wei, Chuan-Pin	— — — — —	— — — — —
Suzhou Qun-Yang Electronics Co., Ltd.	Chairman Director and General Manager Director Supervisor	Huang, Chien-Yu Wang, Hui-Kai Chen, Lai-Zhu Tsai, Chin-Cheng	— — — —	— — — —
Chicony Electronics Japan, Inc.	Chairman Director Director Supervisor	Huang, Wen-Bin Lu, Chin-Chung Huang, QianYu Lin, Yu-Ling	— — — —	— — — —
Kuang Mao International, Inc. (Kuang Mao International, Inc.)	Director Director	Hsu, Kun-Tai Lu, Chin-Chung	— —	— —
Chicony America Inc.	Director Director Director and Secretary	Hsu, Kun-Tai Lu, Chin-Chung Chang, Yao-Ching	— — —	— — —
Chicony Electronic (Chongqing) Co., Ltd.	Chairman Director Director and General Manager Supervisor	Hsu, Kun-Tai Huang, Chien-Yu Tsai, Chin-Cheng Lu, Chin-Chung	— — — —	— — — —

Enterprise Name	Title	Name or Representative	Number of Shares Held	
			Shares Held/Issued Amount	Shares Held %/Issued Amount %
Real Young Electronics. Co., Ltd.	Director Director Director	Hsu, Kun-Tai Lu, Chin-Chung Huang, Chien-Yu	— — —	— — —
Hikari Investment GK	Director	Sannhinn Kisenn	—	—
Mao Ray Electronics (DongGuan) Co., Ltd.	Chairman Director and General Manager Director and Supervisor	Huang, Chien-Yu Hsu, Kun-Tai Lu, Chin-Chung	— — —	— — —
Quansun Investment Corp., Ltd.	Chairman (Legal Representative) Vice Chairman & General Manager Director of the Legal Representative Supervisor of the Legal Representative Legal Representative: GaoXiao Electronics Co., Ltd.	Hsu, Kun-Tai (Cash Deficiency) Lu, Chin-Chung (Cash Deficiency)	— — — — 8,000,000	— — — — 100%
Chun Ching Power Technology Co., Ltd.	Chairman (Legal Representative) Vice Chairman & General Manager Director of the Legal Representative Supervisor of the Legal Representative Legal Representative: GaoXiao Electronics Co., Ltd.	Hsu, Kun-Tai (Cash Deficiency) Lu, Chin-Chung (Cash Deficiency)	— — — — 100,000	— — — — 100%
Chicony Power Holdings Inc.	Director Director	Lu, Chin-Chung Tseng, Kuo-Hua	— —	— —
Chicony Power International, Inc.	Director Director	Lu, Chin-Chung Tseng, Kuo-Hua	— —	— —

Enterprise Name	Title	Name or Representative	Number of Shares Held	
			Shares Held/Issued Amount	Shares Held %/Issued Amount %
Chicony Power Technology Hong Kong Limited	Director Director Director Director	Lu, Chin-Chung Tseng, Kuo-Hua Huang, Chung-Ming Li, Tsu-Yu	– – – –	– – – –
Chicony Power USA, Inc.	Director Director Director	Lu, Chin-Chung Tseng, Kuo-Hua Chang, Yao-Ching	– – –	– – –
Chicony Power America (SuChou) Co. Ltd.	Chairman and General Manager Director Director Director Supervisor	Tseng, Kuo-Hua Lu, Chin-Chung Huang, Chung-Ming Huang, Chien-Yu Wang, Hui-Kai	– – – – –	– – – – –
Chicony Power America (Dongguan) Co. Ltd.	Chairman Director Director Supervisor	Tseng, Kuo-Hua Lu, Chin-Chung Huang, Chung-Ming Huang, Chien-Yu	– – – –	– – – –
Quang Sheng Electronics (Nanchang) Co., Ltd.	Chairman Director Director Director and General Manager Supervisor	Tseng, Kuo-Hua Lu, Chin-Chung Huang, Chung-Ming Li, Tsu-Yu Huang, Chien-Yu	– – – – –	– – – – –
Chicony Power America (Chongqing) Co. Ltd.	Chairman and General Manager Director Director Supervisor	Tseng, Kuo-Hua Lu, Chin-Tsung Huang, Chien-Yu Huang, Chung-Ming	– – – –	– – – –

Enterprise Name	Title	Name or Representative	Number of Shares Held	
			Shares Held/Issued Amount	Shares Held %/Issued Amount %
Chicony Energy Saving Technology (Shanghai) Co., Ltd.	Chairman	Tseng, Kuo-Hua	—	—
	Director	Lu, Chin-Tsung	—	—
	Director	Huang, Chien-Yu	—	—
	Director and General Manager	Cheng, Wei-Hao	—	—
	Supervisor	Huang, Chung-Ming	—	—
DongGuan Chicony Power Energy Trading Co., Ltd.	Chairman	Tseng, Kuo-Hua	—	—
	Director	Lu, Chin-Tsung	—	—
	Director and General Manager	Huang, Chien-Yu	—	—
	Supervisor	Huang, Chung-Ming	—	—
Directmax International Ltd.	Director	Hsu, Kun-Tai	—	—
	Director	Li, Hui-Chin	—	—
	Director	Shun, Te-Wei	—	—
XAVi Overseas Ltd.	Director	Hsu, Kun-Tai	—	—
	Director	Li, Hui-Chin	—	—
	Director	Shun, Te-Wei	—	—
Systemax Development, Ltd.	Director	Hsu, Kun-Tai	—	—
	Director	Li, Hui-Chin	—	—
	Director	Shun, Te-Wei	—	—
XAVi Technologies (Suzhou) Co., Ltd.	Chairman	Hsu, Kun-Tai	—	—
	Director	Li, Hui-Chin	—	—
	Director	Shun, Te-Wei	—	—
	Supervisor	Wei, Chuan-Pin	—	—
	General Manager	Wang, Hui-Kai	—	—
WitsLight Technology Corporation Limited (Samoa)	Director	Tseng, Kuo-Hua	—	—
	Director	Tsai, Chih-Chieh	2,089,500	16.32%
	General Manager	Hu, Wei-Ming	—	—
WitsLight Technology Co., Ltd.	Chairman (Legal Representative)	Tsai, Chih-Chieh	—	—
	Director of the Legal Representative	Chen, Chun-Chieh	—	—

	Director of the Legal Representative Supervisor of the Legal Representative Legal Representative: WitsLight Technology Corporation Limited	Ling, Tun Lin, Wen-Hua	— — 500,000	— — 100%
WitsLight Technology (Kunshan) Co., Ltd. (Note 4)	Chairman Director Director General Manager Supervisor	Hu, Wei-Ming Lin, Mao-Kuei Tseng, Kuo-Hua Sung, Yu-Tai Tsai, Chih-Chieh	— — — — —	— — — — —
ZhuZhou Torch Auto Lamp Co., Ltd. (Note 4)	Chairman Director Director Supervisor	Hu, Wei-Ming Lin, Mao-Kuei Tseng, Kuo-Hua Tsai, Chih-Chieh	— — — —	— — — —
CarLight Technology Co., Ltd.	Chairman (Legal Representative) Director of the Legal Representative Director of the Legal Representative Supervisor of the Legal Representative Legal Representative: WitsLight Technology Corporation Limited	Hu, Wei-Ming Huang, Chien-Yu Tseng, Kuo-Hua Tsai, Chih-Chieh	— — — — 300,000	— — — — 100%

Note 1: Information pertaining to the above directors, supervisors, and general managers and their shareholdings have been updated as at March 31, 2019.

Note 2: Shares held includes the number of shares held in trust where the individual has the right of use.

Note 3: Global Faith, Inc. and Suzhou Mao-Qun Electronics Co., Ltd. Board of Directors passed the resolution to re-elect directors as of March 31 2019, the related change had been documented, and execution was in progress.

Note 4: Torch Auto Lamp Co., Ltd. Board passed the resolution to re-elect directors. WitsLiAs of March 31 2019, the related change had been documented.

2.The Company's business operating status, financial status, and business operations of each affiliate are denominated in thousands of NTD.

Enterprise Name	Authorized Capital (dollar)		Total Assets Note 1	Total Liabilities Note 1	Net Worth Note 1	Operating Income Note 2	Operating Income Note 2	Income in Current Period (after taxation) Note 2	Earnings per Share (NTD) (after taxation)
Chicony Overseas Inc.	US$	10,000,000	$ 21,038,287	$217,575	$ 20,820,712	$ -	$116,861	$ 2,090,524	$ 2,090,524
Yokang Electronics Co., Ltd.	NT$	900,000,000	3,189,556	1,143,496	2,046,060	-	(365)	523,760	5.82
Hipro Overseas (BVI) Inc.	US$	12,560,000	2,747,568	-	2,747,568	-	(132)	29,152	2.32
Hipro Electronics CO., LTD.	NT$	46,600,000	1,102,228	507,418	594,810	-	(1,058)	68,629	14.73
XAVi Technologies Corporation	NT$	993,523,140	1,795,070	969,854	825,216	2,750,648	20,392	(229,976)	(2.32)
Chicony Electronics (Thailand) Co., Ltd.	Bath	211,157,500	18,338	31,507	(13,169)	-	(1,807)	(3,941)	(1.87)
Chicony Global Inc.	US$	1,000,000	14,231,759	10,272,286	3,959,473	26,036,528	304,673	564,177	564.18
Chicony Power America Co. Ltd.	NT$	3,831,413,010	17,048,700	9,746,992	7,301,708	28,013,917	827,994	1,030,209	2.72
Chicony America Inc.	US$	3,250,000	543,988	451,706	92,282	1,329,800	(21,365)	3,549	1.09
Chicony Electronics (Dongguan) CO., Ltd.	US$	9,760,000	14,895,543	11,056,315	3,839,228	21,742,704	615,722	471,203	-
Chicony Electronic (SuChou) Co., Ltd.	US$ (RMB	21,278,269 159,059,530)	15,300,168	7,063,856	8,236,313	19,202,087	572,813	766,737	-

Enterprise Name	Authorized Capital (dollar)		Total Assets Note 1	Total Liabilities Note 1	Net Worth Note 1	Operating Income Note 2	Operating Income Note 2	Income in Current Period (after taxation) Note 2	Earnings per Share (NTD) (after taxation)
Chicony Electronics CEZ s.r.o	US$ (CZK	6,555 200,000)	276,102	24,171	251,931	558,935	(6,725)	5,893	-
Hikari Investment GK	JPY	3,629,668,376	2,002,686	1,009,693	992,993	-	-	60,666	-
Global Faith, Inc.	US$	3,850,001	($ 269,761)	$ 36,167	($305,928)	$ -	($ 3,555)	($20,508)	($5.33)
Suzhou Mao-Qun Electronics Co., Ltd.	US$	3,850,000	(26,775)	243,029	(269,804)	10,236	3,745	(19,116)	-
Suzhou Qun-Yang Electronics Co., Ltd.	RMB	1,000,000	78,592	142,177	(63,585)	254,815	(15,132)	(15,202)	-
Chicony Electronics Japan, Inc.	JPY	10,000,000	14,106	3,993	10,113	33,635	1,602	980	-
Kuang Mao International, Inc. (Kuang Mao International, Inc.)	US$	2,284,142	33,482	211,931	(178,449)	-	(30)	(17,550)	(7.68)
Chicony America Inc.	US$	6,200,000	9	2,374	(2,365)	-	(49)	(49)	-
Chicony Electronic (Chongqing) Co., Ltd.	US$	15,000,000	3,271,082	1,139,830	2,131,252	3,638,880	428,542	431,576	-
Real Young Elec. Co., Ltd.	US$	9,139,780	2,673,865	1,927,642	746,223	240,660	(9,889)	117,536	12.86
Mao-Feng International Inc.	US$	2,294,000	9,944,287	328,218	9,616,069	2,789	155,391	972,600	423.98
Mao Ray Electronics (DongGuan) Co., Ltd.	US$	8,445,283	5,939,663	4,870,755	1,068,908	6,995,327	167,963	127,877	-

Enterprise Name	Authorized Capital (dollar)		Total Assets Note 1	Total Liabilities Note 1	Net Worth Note 1	Operating Income Note 2	Operating Income Note 2	Income in Current Period (after taxation) Note 2	Earnings per Share (NTD) (after taxation)
Quansun Investment Corp., Ltd.	NT$	80,000,000	421,953	613,359	(191,406)	-	(215)	(324)	(0.04)
Chun Ching Power Technology Co., Ltd.	NT$	1,000,000	66,363	194,727	(128,364)	-	(86)	(246)	(2.46)
Chicony Power Holdings Inc.	US$	10,000,000	4,467,613	31	4,467,582	-	(78)	404,288	40.43
Chicony Power International, Inc.	US$	10,000,000	12,850,780	8,383,203	4,467,577	28,389,957	174,405	404,367	40.44
Chicony Power USA, Inc.	US$	1,500,000	606,897	578,514	28,383	930,415	16,306	14,143	9.43
WitsLight Technology Co., Ltd.	US$	12,800,000	$205,535	$ 31,588	$ 173,947	$ -	($14,293)	($31,126)	($2.43)
WitsLight Technology Co., Ltd.	NT$	5,000,000	10,885	90,367	(79,482)	-	(2,149)	(3,987)	(7.97)
CarLight Technology Co., Ltd.	NT$	3,000,000	6,012	29,463	(23,451)	-	(12,660)	(8,535)	(28.45)
WitsLight Technology (KunShan) Co., Ltd.	US$ (RMB	10,500,000 66,710,247)	282,221	17,865	264,356	-	(1,387)	(4,528)	-
ZhuZhou Torch Auto Lamp Co., Ltd.	RMB	46,000,000	757,297	586,747	170,550	818,952	(5,404)	(2,163)	-
Chicony Power Technology Hong Kong Limited	HK$ (US$	46,800,000 6,000,000)	4,066,527	1,175,917	2,890,610	124,781	(5,507)	329,363	7.04
Chicony Power Technology (DongGuan) Co., Ltd.	US$ (RMB	20,750,000 157,684,105)	4,910,957	3,902,396	1,008,561	9,955,322	(8,661)	(95,365)	-

Enterprise Name	Authorized Capital (dollar)	Total Assets Note 1	Total Liabilities Note 1	Net Worth Note 1	Operating Income Note 2	Operating Income Note 2	Income in Current Period (after taxation) Note 2	Earnings per Share (NTD) (after taxation)
Chicony Power America (SuChou) Co. Ltd.	US$ 22,100,000 (RMB 148,320,569)	6,976,856	5,110,815	1,866,041	12,944,414	367,347	328,704	-
Quang Sheng Electronics (Nanchang) Co., Ltd.	US$ 4,000,000 (RMB 31,170,839)	579,978	348,004	231,974	1,032,293	7,470	7,665	-
Chicony Power America (Chongqing) Co. Ltd.	US$ 10,000,000	3,327,841	2,457,373	870,468	6,300,653	132,475	120,690	-
Chicony Energy Saving Technology (Shanghai) Co., Ltd.	RMB 10,000,000	67,602	14,598	53,004	17,011	1,816	6,937	-
DongGuan Chicony Power Energy Trading Co., Ltd.	US$ 350,000	$ 29,478	$ 29,076	$402	$ 9,958	($ 8,313)	($ 9,265)	$ -
Directmax International Ltd.	US$ 7,750,000	348,758	-	348,758	-	-	(184,885)	(23.86)
XAVi Overseas Ltd.	US$ 7,500,000	13,315	1,997	11,318	-	-	(198,675)	(26.49)
Systemax Development, Ltd.	US$ 250,000	426,236	88,797	337,439	2,468,479	13,674	(13,790)	55.16
XAVi Technologies (Suzhou) Co., Ltd.	US$ 2,500,000 (RMB 68,820,935)	1,175,515	1,162,254	13,261	2,881,492	(195,713)	(198,675)	-

Note 1: Hua Nan Bank's median exchange rate as of December 31 2018. Note 2: Hua Nan Bank's 2018 average exchange rate.

Chicony Electronics CO., Ltd.
Affiliates Consolidated Financial Statement Announcements

For the fiscal year of 2018 (from January 1, 2018 to December 31, 2018), the companies which should be included in the consolidated financial statements of the Company pursuant to the Affiliates Consolidated Business Reports and Consolidated Financial Statements Preparation of Affiliation Reports are the same as those should be included pursuant to the Statement of Financial Accounting Standards No. 10, and also the Affiliates Consolidated Financial Statements should disclose information on the parent company that has already been disclosed in the Consolidated Financial Statements of the Company. Therefore, the Company will not prepare separate Affiliates Consolidated Financial Statements.

Hereby Declare

Name of Company: Chicony Electronics CO., Ltd.

Chairman: Hsu, Kun-Tai

March 7, 2019

2. Status of Private Placement of Securities:

In 2018 and as of March 31, 2019, the Company did not deal with private placement securities.

3. Status of subsidiary companies holding or disposal of the company’s stock

Unit: NT$1,000; Share; %

Subsidiary Name	Paid-in Capital	Sources of Capital	Proportion of Shareholding by the Company	Date of Acquisition or Disposition	Quantity and Amount of Shares Acquired (Note 1)		Quantity and Amount of Shares Disposed		Capital Gains/Losses From Investment	Number and Amount of Shares Held by the End of the Year or the Date of Printing		Pledge Under Lien	The Company Undertakes Endorsements/ Guarantees in Favor of Subsidiaries	The Company Lent the Amount to the Subsidiary
					Quantity of Shares	Amount	Quantity of Shares	Amount	Amount	Quantity of Shares	Amount			
Yokang Electronics Co., Ltd.	150,000	85% Owned 15% Loan	100%	2017	104,820	—	—	—	—	21,068,954	205,795	Note 2	—	1,185,000
				2018	105,344	—	—	—	—	21,174,298	205,795	Note 3	—	1,139,530
				3/31/2019	—	—	—	—	—	21,174,298	205,795	Note 4	—	1,075,530
Hipro Electronics CO., LTD.	46,600	Loan	100%	2017	80,141	—	—	—	—	16,108,394	105,483	Note 5	—	—
				2018	80,541	—	—	—	—	16,188,935	105,483	Note 6	—	—
				3/31/2019	—	—	—	—	—	16,188,935	105,483	Note 7	—	—

Note 1: The number of shares obtained from capital increase by earnings.

Note 2: On December 31, 2017, Yokang Electronics Co., Ltd. held 8,500,000 shares of the Company's shares and pledged them to the bank.

Note 3: On December 31, 2018, Yokang Electronics Co., Ltd. held 8,500,000 shares of the Company's shares and pledged them to the bank.

Note 4: On December 31, 2019, Yokang Electronics Co., Ltd, held 8,500,000 shares of the Company's shares and pledged them to the bank.

Note 5: On December 31, 2017, Hipro Electronics CO., LTD. held 12,600,000 shares of the Company's shares and pledged them to the bank.

Note 6: On December 31, 2018, Hipro Electronics CO., LTD. held 12,600,000 shares of the Company's shares and pledged them to the bank.

Note 7: On December 31, 2019, Hipro Electronics CO., LTD. held 12,600,000 shares of the Company's shares and pledged them to the bank.

Note 8: The impact of the subsidiary's holding or disposition of the Company's stock on the financial performance of the Company: From 2017 to March 31, 2019, the subsidiary did not sell the Company's stock, but received cash dividends from the Company, so it can reduce the debt ratio of the Company's consolidated statements.

4. Other supplementary information: None.

IX. Matters According to Article 36.3.2 of the Securities and Exchange Act of Taiwan in the Most Recent Year and up to the Date of Printing of this Annual Report Which Have Significant Impact to Shareholders' Equity or Stock Price: None.

Ticker: 2385

MOPS

http://emops.twse.com.tw/

Chicony Electronics CO., Ltd.

Address: No. 69, Sec.2, Guanfu Rd., Sanchong Dist., New Taipei City
Tel: 886-2-6626-6788
Website: http://www.chicony.com.tw/