

**CHICONY POWER TECHNOLOGY CO.,  
LTD.**

**PARENT COMPANY ONLY FINANCIAL**

**STATEMENTS AND REPORT OF INDEPENDENT**

**ACCOUNTANTS**

**DECEMBER 31, 2018 AND 2017**

---

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

PWCR 18003646

To the Board of Directors and Shareholders of Chicony Power Technology Co., Ltd.

***Opinion***

We have audited the accompanying parent company only balance sheets of Chicony Power Technology Co., Ltd. (the “Company”) as of 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 report of other independent accountants (refer to “other matter”), the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Company as of December 31, 2018 and 2017, and its parent company only financial performance and its parent company only 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 the 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. We believe that the audit evidence we have obtained and the report of other independent accountants are 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 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

~1~

stated as follows:

### **Appropriateness of Cut-off of Warehouse Sales Revenue**

#### Description

For accounting policy on revenue recognition and related details of revenue, refer to Notes 4(28) and 6(17).

The Company has two delivery types for sales of goods: factory direct shipment and hub warehouse sales. Hub 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 Company'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 in respect of the above key audit matter:

1. Evaluated the internal controls for regular reconciliation between the Company and its warehouse custodians.
2. Performed the revenue recognition cut-off tests, including obtaining sufficient appropriate audit evidences from the warehouse custodians and reviewing the reconciliations of the Company's accounting records.
3. Audited the warehouse inventory audit by performing physical counts or using confirmation letters to validate inventory balances with the warehouse custodians.

### **Inventory Valuation**

#### Description

Refer to Notes 4(11), 5(2) and 6(5) for inventory accounting policy, accounting estimates, assumption, and details of inventory valuation. As of December 31, 2018, the balances of inventory and allowance for inventory valuation losses are NT\$3,427,065 thousand and NT\$72,863 thousand, respectively.



The Company's main inventories are switching power supply, electronic components, and LED lighting equipment. As electronic products' life cycles are short and the market is highly competitive, there is a higher risk of incurring inventory valuation losses. The determination of net realisable value for obsolete or slow-moving inventory are subject to management's judgement. Considering that the Company's inventory balance and the allowance for inventory valuation losses are material to its financial statements, we consider the valuation of inventory as one of the key audit matters.

How our audit addressed the matter

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

1. Assessed whether the accounting policies comply with related with related accounting standards and the nature of business and industry and examined the reasonableness of valuation procedures used by management including net realisable value used in inventory, operating expense ratio and the reasonableness of determining the obsolescence of inventory. In addition to the above, checked whether the provision policy of allowance for inventory valuation loss is consistently applied in all reporting periods.
2. Obtained the net realisable value report of inventory at the end of the reporting period, confirmed the consistency of the estimation policy applied and sampled and tested key parameters in order to verify whether the net realisable value used the management was in line with its policies. Also, recalculated the accuracy of allowance for inventory valuation loss on individual inventory items.

***Other matter - Scope of the Audit***

We did not audit the financial statements of investments accounted for under equity method. The investments accounted for under equity method amounted to NT\$28,383 thousand and NT\$13,574 thousand, constituting 0.17% and 0.09% of total assets, as of December 31, 2018 and 2017, respectively, and comprehensive income amounted to NT\$14,809 thousand and NT\$1,411 thousand, constituting 1.94% and 0.14% of total comprehensive income, for the years then ended, respectively. Those financial statements and information disclosed in Note 13 were audited by other independent accountants whose report thereon has been furnished to us, and our opinion expressed herein is based solely on the report 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 audit committee, 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 fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company only financial statements.

As part of an audit in accordance with ROC GAAS, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the 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 5, 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 POWER TECHNOLOGY CO., LTD.  
PARENT COMPANY ONLY BALANCE SHEETS  
(In thousands of New Taiwan dollars)

Assets		Notes	December 31, 2018		December 31, 2017	
			AMOUNT	%	AMOUNT	%
CURRENT ASSETS						
1100	Cash and cash equivalents	6(1)	\$ 250,807	1	\$ 376,849	2
1110	Financial assets at fair value through profit or loss - current	6(2) and 12(4)	948,487	6	1,194	-
1120	Financial assets at fair value through other comprehensive income - current	6(3)	424,150	2	-	-
1125	Available-for-sale financial assets - current	12(4)	-	-	1,586,808	10
1150	Notes receivable, net	6(4)	112	-	-	-
1170	Accounts receivable, net	6(4)	5,918,049	35	5,518,968	36
1180	Accounts receivable - related parties	7	881,323	5	629,077	4
1200	Other receivables		15,558	-	360	-
1210	Other receivables - related parties	7	26,566	-	16,236	-
130X	Inventories, net	6(5)	3,354,202	20	2,282,287	15
1410	Prepayments		99,995	1	86,908	1
11XX	TOTAL CURRENT ASSETS		11,919,249	70	10,498,687	68
NON-CURRENT ASSETS						
1510	Financial assets at fair value through profit or loss - non-current	6(2)	411,549	2	-	-
1517	Financial assets at fair value through other comprehensive income - non-current	6(3)	27,103	-	-	-
1523	Available-for-sale financial assets - non-current	12(4)	-	-	62,884	-
1543	Financial assets carried at cost - non-current	12(4)	-	-	410,000	3
1550	Investments accounted for under equity method	6(6)	4,344,910	26	4,087,317	27
1600	Property, plant and equipment, net	6(7)	165,437	1	126,775	1
1780	Intangible assets		45,102	-	50,989	-
1840	Deferred income tax assets	6(23)	43,778	-	80,427	1
1900	Other non-current assets	8	91,572	1	37,446	-
15XX	TOTAL NON-CURRENT ASSETS		5,129,451	30	4,855,838	32
1XXX	TOTAL ASSETS		\$ 17,048,700	100	\$ 15,354,525	100

(Continued)



**CHICONY POWER TECHNOLOGY CO., LTD.**  
**PARENT COMPANY ONLY BALANCE SHEETS**  
(In thousands of New Taiwan dollars)

Liabilities and Equity			December 31, 2018		December 31, 2017	
			AMOUNT	%	AMOUNT	%
<b>CURRENT LIABILITIES</b>						
2100	Short-term borrowings	6(8)	\$ 1,450,000	8	\$ -	-
2120	Financial liabilities at fair value	6(2)				
	through profit or loss - current		2,616	-	1,755	-
2130	Contract liabilities - current		113,012	1	-	-
2170	Accounts payable		47,723	-	44,226	-
2180	Accounts payable - related parties	7	7,149,606	42	6,226,360	41
2200	Other payables	6(9)	771,233	5	1,080,020	7
2220	Other payables - related parties	7	22,022	-	17,666	-
2230	Current income tax liabilities		113,950	1	186,977	1
2300	Other current liabilities		10,364	-	143,691	1
21XX	<b>TOTAL CURRENT</b>					
	<b>LIABILITIES</b>		9,680,526	57	7,700,695	50
<b>NON-CURRENT LIABILITIES</b>						
2540	Long-term borrowings	6(10)	-	-	100,000	1
2570	Deferred income tax liabilities	6(23)	10,003	-	2,087	-
2600	Other non-current liabilities	6(11)	56,463	-	51,343	-
25XX	<b>TOTAL NON-CURRENT</b>					
	<b>LIABILITIES</b>		66,466	-	153,430	1
2XXX	<b>TOTAL LIABILITIES</b>		9,746,992	57	7,854,125	51
<b>EQUITY</b>						
<b>SHARE CAPITAL</b>						
3110	Share capital - common stock	6(13)	3,831,413	23	3,822,723	25
<b>CAPITAL SURPLUS</b>						
3200	Capital surplus	6(14)	1,860,279	11	1,696,317	11
<b>RETAINED EARNINGS</b>						
3310	Legal reserve	6(15)	847,670	5	691,510	5
3320	Special reserve		1,043,408	6	483,361	3
3350	Unappropriated retained earnings		1,530,427	9	2,215,562	14
<b>OTHER EQUITY INTEREST</b>						
3400	Other equity interest	6(16)	( 1,611,685)	( 10)	( 1,043,408)	( 7)
3500	<b>TREASURY STOCKS</b>	6(13)	( 199,804)	( 1)	( 365,665)	( 2)
3XXX	<b>TOTAL EQUITY</b>		7,301,708	43	7,500,400	49
<b>SIGNIFICANT CONTINGENT</b>						
<b>LIABILITIES AND</b>						
<b>UNRECOGNISED CONTRACT</b>						
<b>COMMITMENTS</b>						
<b>SIGNIFICANT SUBSEQUENT</b>						
<b>EVENTS</b>						
3X2X	<b>TOTAL LIABILITIES AND</b>					
	<b>EQUITY</b>		\$ 17,048,700	100	\$ 15,354,525	100

The accompanying notes are an integral part of these parent company only financial statements.

**CHICONY POWER TECHNOLOGY CO., LTD.**  
**PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME**  
(In thousands of New Taiwan dollars, except earnings per share amounts)

			Years ended December 31			
			2018		2017	
Items	Notes		AMOUNT	%	AMOUNT	%
4000 SALES REVENUE	6(17) and 7	\$	28,013,917	100	\$	24,936,066
5000 OPERATING COSTS	6(5)(21)(22)	(	25,480,579	(91)	(	22,142,604)
5900 GROSS PROFIT			2,533,338	9		2,793,462
OPERATING EXPENSES	6(21)(22) and 7					
6100 Selling expenses		(	298,107	(1)	(	438,787)
6200 General and administrative expenses		(	224,361	(1)	(	247,299)
6300 Research and development expenses		(	1,183,472	(4)	(	1,247,270)
6450 Expected credit gain			596	-		-
6000 TOTAL OPERATING EXPENSES		(	1,705,344	(6)	(	1,933,356)
6900 OPERATING PROFIT			827,994	3		860,106
NON-OPERATING INCOME AND EXPENSES						
7010 Other income	6(18) and 7		85,324	-		99,902
7020 Other gains and losses	6(19)	(	90,844	-	(	84,804)
7050 Finance costs	6(20)	(	55,240)	-	(	37,633)
7070 Share of loss of associates and joint ventures accounted for under equity method	6(6)		363,736	1		712,723
7000 TOTAL NON-OPERATING INCOME AND EXPENSES			302,976	1		859,796
7900 PROFIT BEFORE INCOME TAX			1,130,970	4		1,719,902
7950 Income tax expense	6(23)	(	100,761	-	(	158,300)
8200 PROFIT FOR THE YEAR		\$	1,030,209	4	\$	1,561,602
OTHER COMPREHENSIVE INCOME COMPONENTS OF OTHER COMPREHENSIVE INCOME THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS						
8311 Remeasurement of defined benefit plan	6(11)	( \$	11,072)	-	( \$	6,220)
8316 Unrealised losses from investments in equity instruments measured at fair value through other comprehensive income	6(16)	(	183,546)	(1)		-
COMPONENTS OF OTHER COMPREHENSIVE INCOME THAT WILL BE RECLASSIFIED TO PROFIT OR LOSS						
8361 Financial statement translation differences of foreign operations	6(16)	(	72,233)	-	(	37,061)
8362 Unrealised loss on valuation of available-for-sale financial assets			-	-	(	500,132)
8380 Share of other comprehensive loss of associates and joint ventures accounted for under equity method			-	-	(	22,854)
8300 TOTAL OTHER COMPREHENSIVE LOSS FOR THE YEAR		( \$	266,851)	(1)	( \$	566,267)
8500 TOTAL COMPREHENSIVE INCOME FOR THE YEAR		\$	763,358	3	\$	995,335
EARNINGS PER SHARE (NT\$)	6(24)					
9750 BASIC EARNINGS PER SHARE		\$	2.72		\$	4.19
9850 DILUTED EARNINGS PER SHARE		\$	2.68		\$	4.13

The accompanying notes are an integral part of these parent company only financial statements.

CHICONY POWER TECHNOLOGY CO., LTD.  
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY  
(In thousands of New Taiwan dollars)

		Share capital - common stock	Capital surplus	Retained Earnings		Unappropriated retained earnings	Other equity interest	Treasury stocks	Total equity
	Notes			Legal reserve	Special reserve				
<u>Year ended December 31, 2017</u>									
BALANCE AT JANUARY 1, 2017		\$ 3,757,446	\$ 1,489,983	\$ 557,445	\$ 399,950	\$ 1,918,591	(\$ 504,174 )	(\$ 513,950 )	\$ 7,105,291
Profit for the year		-	-	-	-	1,561,602	-	-	1,561,602
Other comprehensive loss for the year	6(11)(16)	-	-	-	-	( 6,220 )	( 560,047 )	-	( 566,267 )
Total comprehensive income for the year		-	-	-	-	1,555,382	( 560,047 )	-	995,335
Distribution of 2016 earnings	6(15)								
Legal reserve		-	-	134,065	-	( 134,065 )	-	-	-
Special reserve		-	-	-	83,411	( 83,411 )	-	-	-
Cash dividends		-	-	-	-	( 1,022,347 )	-	-	( 1,022,347 )
Stock dividends		18,588	-	-	-	( 18,588 )	-	-	-
Stock for employee compensation	6(13)(14)	47,216	181,784	-	-	-	-	-	229,000
Restricted employee stock options	6(13)(14)(16)	-	-	-	-	-	18,964	-	18,964
Retirement of restricted employee stock options	6(13)(14)(16)	( 527 )	( 1,322 )	-	-	-	1,849	-	-
Transfer of treasury stock to employees	6(13)(14)	-	25,872	-	-	-	-	148,285	174,157
BALANCE AT DECEMBER 31, 2017		<u>\$ 3,822,723</u>	<u>\$ 1,696,317</u>	<u>\$ 691,510</u>	<u>\$ 483,361</u>	<u>\$ 2,215,562</u>	<u>(\$ 1,043,408 )</u>	<u>(\$ 365,665 )</u>	<u>\$ 7,500,400</u>
<u>Year ended December 31, 2018</u>									
BALANCE AT JANUARY 1, 2018		\$ 3,822,723	\$ 1,696,317	\$ 691,510	\$ 483,361	\$ 2,215,562	(\$ 1,043,408 )	(\$ 365,665 )	\$ 7,500,400
Effects of retrospective application and retrospective restatement	3(1)	-	-	-	-	310,594	( 327,257 )	-	( 16,663 )
BALANCE AT JANUARY 1, 2018 AFTER ADJUSTMENTS		<u>3,822,723</u>	<u>1,696,317</u>	<u>691,510</u>	<u>483,361</u>	<u>2,526,156</u>	<u>( 1,370,665 )</u>	<u>( 365,665 )</u>	<u>7,483,737</u>
Profit for the year		-	-	-	-	1,030,209	-	-	1,030,209
Other comprehensive loss for the year	6(11)(16)	-	-	-	-	( 11,072 )	( 255,779 )	-	( 266,851 )
Total comprehensive income for the year		-	-	-	-	1,019,137	( 255,779 )	-	763,358
Distribution of 2017 earnings	6(15)								
Legal reserve		-	-	156,160	-	( 156,160 )	-	-	-
Special reserve		-	-	-	560,047	( 560,047 )	-	-	-
Cash dividends		-	-	-	-	( 1,174,101 )	-	-	( 1,174,101 )
Stock dividends		18,937	-	-	-	( 18,937 )	-	-	-
Stock for employee compensation	6(13)(14)	44,231	214,965	-	-	-	-	-	259,196
Retirement of treasury stock	6(13)	( 54,380 )	( 65,180 )	-	-	( 90,862 )	-	210,422	-
Acquisition of treasury stock	6(13)	-	-	-	-	-	-	( 75,678 )	( 75,678 )
Retirement of restricted employee stock options	6(13)(14)	( 98 )	( 274 )	-	-	-	-	( 372 )	-
Transfer of treasury stock to employees	6(14)	-	14,451	-	-	-	-	31,117	45,568
Disposal of financial assets at fair value through other comprehensive income	6(16)	-	-	-	-	( 14,759 )	14,759	-	-
BALANCE AT DECEMBER 31, 2018		<u>\$ 3,831,413</u>	<u>\$ 1,860,279</u>	<u>\$ 847,670</u>	<u>\$ 1,043,408</u>	<u>\$ 1,530,427</u>	<u>(\$ 1,611,685 )</u>	<u>(\$ 199,804 )</u>	<u>\$ 7,301,708</u>

The accompanying notes are an integral part of these parent company only financial statements.



CHICONY POWER TECHNOLOGY CO., LTD.  
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS  
(In thousands of New Taiwan dollars)

		Years ended December 31,	
	Notes	2018	2017
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
Profit before tax		\$ 1,130,970	\$ 1,719,902
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(7)(21)	50,291	37,215
Amortisation	6(21)	45,718	39,852
Expected credit gain	12(2)	( 596 )	-
Reversal of provision for bad debts expense	6(19)	-	( 604 )
Share-based payments	6(12)	16,077	51,951
Interest income	6(18)	( 3,551 )	( 2,194 )
Dividend income	6(18)	( 33,949 )	( 39,383 )
Interest expense	6(20)	55,240	37,633
Loss on disposal of property, plant and equipment	6(19)	143	-
Gain on disposal of investments	6(19)	-	( 318,724 )
Net (income) loss on financial assets or liabilities at fair value through profit or loss - derivative instruments	6(2)(19)	( 13,871 )	62,049
Net loss on financial assets at fair value through profit or loss - others	6(2)(19)	112,298	-
Share of profit of associates and joint ventures accounted for under equity method	6(6)	( 363,736 )	( 712,723 )
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets or liabilities at fair value through profit or loss - current		15,524	( 24,745 )
Notes receivable, net	(	112 )	41
Accounts receivable, net	(	398,485 )	1,341,741
Accounts receivable - related parties	(	252,246 )	( 37,632 )
Other receivables	(	6,804 )	18,058
Other receivables - related parties		970	( 1,144 )
Inventories	(	1,071,915 )	( 523,692 )
Prepayments	(	13,087 )	( 10,125 )
Changes in operating liabilities			
Contract liabilities - current	(	23,658 )	-
Notes payable		-	( 247 )
Accounts payable		3,497	11,608
Accounts payable - related parties		923,246	( 259,497 )
Other payables	(	49,730 )	326,958
Other payables - related parties		4,356	( 2,293 )
Other current liabilities		3,343	32,094
Accrued pension liabilities	(	5,952 )	832
Cash inflow generated from operations		123,981	1,746,931
Interest received		3,546	2,194
Dividends received		33,949	39,383
Interest paid	(	55,101 )	( 37,633 )
Income tax paid	(	129,223 )	( 178,246 )
Net cash flows (used in) from operating activities		( 22,848 )	1,572,629

(Continued)

CHICONY POWER TECHNOLOGY CO., LTD.  
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS  
(In thousands of New Taiwan dollars)

		Years ended December 31,	
	Notes	2018	2017
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of financial assets at fair value through profit or loss - others		( \$ 732,667 )	\$ -
Proceeds from disposal of financial assets at fair value through profit or loss - others		659,619	-
Proceeds from disposal of financial assets at fair value through other comprehensive income	6(3)	34,867	-
Acquisition of available-for-sale financial assets - current		-	( 1,431,112 )
Proceeds from disposal of available-for-sale financial assets - current		-	1,235,546
Increase in other receivables - related parties		( 11,300 )	( 11,000 )
Acquisition of investments accounted for using equity method		-	( 279,814 )
Acquisition of financial assets at cost - non-current		-	( 310,000 )
Proceeds from disposal of investment accounted for using equity method		-	120,454
Acquisition of property, plant and equipment	6(7)	( 81,375 )	( 76,423 )
Proceeds from disposal of property, plant and equipment		939	-
Acquisition of intangible assets		( 39,831 )	( 45,508 )
Increase in prepayments for business facilities		( 22,338 )	( 9,325 )
(Increase) decrease in other non-current assets		( 40,448 )	884
Net cash flows used in investing activities		( 232,534 )	( 806,298 )
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term borrowings		1,450,000	-
Repayments of long-term borrowings		( 100,000 )	-
Cash dividends paid	6(15)	( 1,174,101 )	( 1,022,347 )
Payments to acquire treasury shares		( 75,678 )	-
Transfer of treasury stock to employees		29,119	141,171
Net cash flows from (used in) financing activities		129,340	( 881,176 )
Net decrease in cash and cash equivalents		( 126,042 )	( 114,845 )
Cash and cash equivalents at beginning of year	6(1)	376,849	491,694
Cash and cash equivalents at end of year	6(1)	\$ 250,807	\$ 376,849

The accompanying notes are an integral part of these parent company only financial statements.

CHICONY POWER TECHNOLOGY CO., LTD.  
NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017

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

**1. HISTORY AND ORGANISATION**

Chicony Power Technology Co., Ltd. (the “Company”) was incorporated in 2008 as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.). The Company became listed on the Taiwan Stock Exchange (TWSE) in November, 2013. The Company is primarily engaged in developing, manufacturing and sales of switching power supplies, electronic components and LED lighting equipment, and smart building solutions. Chicony Electronics Co., Ltd. is the Company’s ultimate parent company. As of December 31, 2018, Chicony Electronics Co., Ltd. and its subsidiaries hold 49.08% equity interest in the Company.

**2. THE DATE OF AUTHORISATION FOR ISSUANCE OF THE PARENT COMPANY ONLY FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION**

These accompanying parent company only financial statements were authorised for issuance by the Board of Directors on March 5, 2019.

**3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS**

**(1) 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 the 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



New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
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 Company's financial condition and financial performance 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.

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 standards as of January 1, 2018 are summarised below.

Balance sheet <u>Affected items</u>	2017 version IFRSs amount	Effect of adoption of new standards	2018 version IFRSs amount	<u>Remark</u>
<u>January 1, 2018</u>				
Financial assets at fair value through profit or loss - current	\$ 1,194	\$ 978,705	\$ 979,899	(b)
Financial assets at fair value through other comprehensive income - current	-	608,103	608,103	(a)
Available-for-sale financial assets - current	1,586,808	( 1,586,808)	-	(a)(b)
Financial assets at fair value through profit or loss - non-current	-	428,568	428,568	(b)
Financial assets at fair value through other comprehensive income - non-current	-	34,898	34,898	(a)
Available-for-sale financial assets - non-current	62,884	( 62,884)	-	(a)(b)
Financial assets carried at cost - non-current	410,000	( 410,000)	-	(a)(b)
Investment accounted for under equity method	4,087,317	( 7,245)	4,080,072	(b)
Total affected assets	<u>\$ 6,148,203</u>	<u>(\$ 16,663)</u>	<u>\$ 6,131,540</u>	
Contract liabilities - current	\$ -	\$ 136,670	\$ 136,670	(e)
Other liabilities - current	143,691	( 136,670)	7,021	(e)
Total affected liabilities	<u>143,691</u>	<u>-</u>	<u>143,691</u>	
Retained earnings	\$ 3,390,433	\$ 310,594	\$ 3,701,027	(a)(b)(c)
Other equity interest	( 1,043,408)	( 327,257)	( 1,370,665)	(a)(b)(c)
Total affected equity	<u>2,347,025</u>	<u>( 16,663)</u>	<u>2,330,362</u>	
Total affected liabilities and equity	<u>\$ 2,490,716</u>	<u>(\$ 16,663)</u>	<u>\$ 2,474,053</u>	

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 \$608,103, \$20,584 and \$15,000, 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 in the amounts of \$608,103, \$34,898, respectively, by decreasing other equity interest in the amounts of \$686.
- 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 in the amounts

of \$978,705, \$42,300 and \$395,000, respectively, by increasing financial assets at fair value through profit or loss - current, financial assets at fair value through profit or loss - non-current, and other equity interest in the amounts of \$978,705, \$428,568 and \$181,933, respectively, by decreasing retained earnings and investment accounted for under equity method in the amounts of \$197,910, and \$7,245, 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 \$508,504.

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

E. In accordance with IFRS 15 requirements on the presentation of contract assets and liabilities, the Company changed the presentation of accounts in the balance sheet as follows:

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 \$136,670 on January 1, 2018. Please refer to Note 12(5) for other disclosures in relation to the first application of IFRS 15.

(2) 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	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 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 Company 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 \$44,734.

(3) IFRSs issued 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:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
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.

4. 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”.

(2) 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 liabilities (including derivative instruments) at fair value through profit or loss.
- (b) Financial assets and liabilities 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 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 or 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 Notes 12(4) and 12(5) for details of significant accounting policies and details of significant accounts.

### (3) Foreign currency translation

Items included in the financial statements of each of the Company's entities 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 remeasured. 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 financial performance and financial position of all the subsidiaries and associates 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) 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.

(4) 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 expected 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.

(5) 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.

(6) 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.

(7) 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.

(8) Accounts 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.

(9) 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 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.

(10) Derecognition of financial assets

The Company derecognises a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(11) 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.

(12) Investments accounted for using equity method / subsidiaries

- A. Subsidiaries are all entities (including structured entity) 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. Unrealised gains on transactions between the Company and its subsidiaries are eliminated to the extent of the Company's interest in the subsidiaries. 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 should continue to recognise losses in proportion to its ownership.
- D. According to "Regulations Governing the Preparation of Financial Reports by Securities Issuers", profit and other comprehensive income in the parent company only financial statements should be the same as profit and other comprehensive income attributable to shareholders of the parent

in the parent company only financial statements, and the equity in the parent company only financial statements should be the same as the equity attributable to shareholders of the parent in the parent company only financial statements.

(13) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are to be capitalised.
- 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 are depreciated using the straight-line method to allocate their costs 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 plant and buildings are 20 years and for the other fixed assets are 1-7 years.

(14) 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.

(15) Intangible assets

- A. Trademark, right, patent and computer software, are amortised on a straight-line basis over their estimated useful lives of 1-10 years.
- B. Other intangible asset, mainly expertise, is amortised on a straight-line basis over its estimated useful lives of 2-14 years.

(16) Impairment of non-financial assets

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. Except for goodwill, when the circumstances or reasons for recognising 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.

(17) 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.

(18) 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.

(19) 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.

(20) 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.

(21) Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount 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 realise the asset and settle the liability simultaneously.

(22) 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.

(23) 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 plan

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 plan

- 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 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 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', directors' and supervisors' remuneration

Employees' remuneration 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.

### (24) 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 Company recognises 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.

(25) 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 nor loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries, 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 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 utilised. 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 realise 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 realise the asset and settle the liability simultaneously.
- F. A deferred tax asset shall be recognised for the carryforward of unused tax credits resulting from research and development expenditures to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilised.

(26) 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.

(27) 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.

(28) 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 Company has objective evidence that all criteria for acceptance have been satisfied.
- (b) 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.
- (c) Under 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 Company does not adjust the transaction price to reflect the time value of money.

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.

5. 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. The information is addressed below:

(1) Critical judgements in applying the Company's accounting policies

There have been no significant changes as of December 31, 2018. Please refer to Note 12(4) of the parent company only financial statements for the year ended December 31, 2017.

(2) Critical accounting estimates and assumptions

Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Company must determine the net realisable 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 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.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2018	December 31, 2017
Cash on hand and revolving funds	\$ 1,742	\$ 1,896
Checking accounts and demand deposits	249,065	374,953
	<u>\$ 250,807</u>	<u>\$ 376,849</u>

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.



(2) Financial assets and liabilities at fair value through profit or loss

Effective 2018

Items	<u>December 31, 2018</u>
Current items:	
Financial assets mandatorily measured at fair value through profit or loss	
Non-hedging derivatives	
Forward exchange contracts	\$ 403
Listed stocks	733,371
Emerging stocks	12,870
Beneficiary certificates	220,000
Corporate bonds	<u>251,250</u>
	1,217,894
Valuation adjustment	( 269,407)
	<u>\$ 948,487</u>
Financial liabilities mandatorily measured at fair value through profit or loss	
Non-hedging derivatives	
Foreign exchange swap contracts	(\$ 2,616)
Non-current items:	
Financial assets mandatorily measured at fair value through profit or loss	
Unlisted stocks	\$ 185,000
Beneficiary certificates	<u>270,000</u>
	455,000
Valuation adjustment	( 43,451)
	<u>\$ 411,549</u>

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

	<u>Year ended December 31, 2018</u>
Financial assets and liabilities mandatorily measured at fair value through profit or loss	
Equity instruments	(\$ 68,584)
Debt instruments	( 1,000)
Beneficiary certificates	( 42,714)
Derivatives	<u>13,871</u>
	<u>(\$ 98,427)</u>

B. The Company 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			
	Contract amount			
<u>Derivative financial assets and liabilities</u>	<u>(notional principal)</u>			<u>Expiry date</u>
Current items:				
Foreign exchange swap contracts				
- Buy USD sell NTD	USD	36,000	thousand	2019.1.2 ~ 2019.1.3
Forward foreign exchange contracts				
- Buy NTD sell USD	USD	5,000	thousand	2019.2.25

Forward foreign exchange contract / Foreign exchange swap contracts

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

D. Information relating to credit risk of financial assets at fair value through profit or loss is provided in Note 12(2).

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

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

Effective 2018

<u>Items</u>	<u>December 31, 2018</u>
Current items:	
Listed stocks	\$ 1,145,308
Valuation adjustment	( 721,158)
	<u>\$ 424,150</u>
Non-current items:	
Listed stocks	\$ 422,100
Unlisted stocks	15,000
	<u>437,100</u>
Valuation adjustment	( 409,997)
	<u>\$ 27,103</u>

A. The Company has elected to classify equity investments that are considered to be strategic investments as current and non-current financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$424,150 and \$27,103 as at December 31, 2018.

B. The Company sold \$34,867 equity investments at fair value which resulted in cumulative losses on disposal of \$14,759 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
<u>Equity instruments at fair value through other comprehensive income</u>	
Fair value change recognised in other comprehensive income	(\$ 156,881)
Cumulative losses reclassified to retained earnings due to derecognition	\$ 14,759
Dividend income recognised in profit or loss held at end of year	\$ 14,781

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

(4) Notes and accounts receivable

	December 31, 2018	December 31, 2017
Notes receivable	\$ 112	\$ -
Accounts receivable	\$ 5,919,234	\$ 5,520,749
Less: Allowance for uncollectible accounts	( 1,185)	( 1,781)
	<u>\$ 5,918,049</u>	<u>\$ 5,518,968</u>

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
Not past due	\$ 5,911,861	\$ 112	\$ 5,463,927
1-30 days past due	6,468	-	42,619
31-120 days past due	901	-	14,203
121-210 days past due	4	-	-
	<u>\$ 5,919,234</u>	<u>\$ 112</u>	<u>\$ 5,520,749</u>

The above ageing analysis was based on past due date.

B. The Company 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 Company 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).

(5) Inventories

December 31, 2018			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 3,652	(\$ 1,624)	\$ 2,028
Work in progress	12,556	( 5,614)	6,942
Finished goods	3,410,857	( 65,625)	3,345,232
	<u>\$ 3,427,065</u>	<u>(\$ 72,863)</u>	<u>\$ 3,354,202</u>
December 31, 2017			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 1,767	(\$ 189)	\$ 1,578
Work in progress	683	( 14)	669
Finished goods	2,317,380	( 37,340)	2,280,040
	<u>\$ 2,319,830</u>	<u>(\$ 37,543)</u>	<u>\$ 2,282,287</u>

The cost of inventories recognised as expense for the year:

	Years ended December 31,	
	2018	2017
Cost of goods sold	\$ 25,444,755	\$ 22,159,730
Loss on decline in market value (gain on reversal)	35,320 (	17,126)
Others	504	-
	<u>\$ 25,480,579</u>	<u>\$ 22,142,604</u>

Other related expenses of inventory pertain to loss on physical inventory and scrap in 2018. Due to the sale of certain inventories which were previously provided with allowance for loss on decline in market value, the Company recognised gain on reversal of decline in market value in 2017.

(6) Investments accounted for under equity method

A. Details of investments accounted for under the equity method are as follows:

	December 31, 2018	December 31, 2017
Chicony Power Holdings Inc. (CPH)	<u>\$ 4,344,910</u>	<u>\$ 4,087,317</u>

B. Details of share of loss of associates and joint ventures accounted for using equity method are as follows:

	Years ended December 31,	
	2018	2017
Chicony Power Holdings Inc. (CPH)	\$ 363,736	\$ 745,910
Newmax Technology Co., Ltd. (Newmax)	-	( 33,187)
	<u>\$ 363,736</u>	<u>\$ 712,723</u>

C. Subsidiaries

Information on the Company's subsidiary - CPH is provided in Note 4(3) of the 2018 consolidated financial statements (not presented herein).

D. Associates

As of October 31, 2017, the Company and ultimate parent company - Chicony Electronics Co., Ltd. jointly held more than 20% of the shares in Newmax, which have significant influence over the investee, and hence the equity method of accounting was used to account for the investment. On May 22, 2017, the shareholders of Newmax during their meeting resolved to increase the registered capital by private placement. As a result, the joint shareholding ratio of the Company and its parent company, Chicony Electronics Co., Ltd., decreased to less than 20%. Additionally, on October 31, 2017, the shareholders of Newmax reelected directors reducing the seats of representative directors of Chicony Electronics Co., Ltd. from three seats to one seat. Accordingly the Company lost its significant control over Newmax by October 31, 2017. The Company remeasured the investment at fair value, and reclassified the investment from investments accounted for under equity method to available-for-sale financial assets - current of \$452,628. All the amounts previously recognised as other comprehensive income and capital surplus were reclassified to profit or loss, and gain on disposal of \$27,938 was recognised. As of October 31, 2017, the share of profit (loss) of associates accounted for under the equity method was (\$33,187).

(7) Property, plant and equipment

	Machinery	Test equipment	Others	Total
<u>January 1, 2018</u>				
Cost	\$ 27,927	\$ 291,181	\$ 73,659	\$ 392,767
Accumulated depreciation	( 4,236)	( 237,545)	( 24,211)	( 265,992)
	<u>\$ 23,691</u>	<u>\$ 53,636</u>	<u>\$ 49,448</u>	<u>\$ 126,775</u>
<u>2018</u>				
Balance, January 1, 2018	\$ 23,691	\$ 53,636	\$ 49,448	\$ 126,775
Additions	20,359	29,145	31,871	81,375
Disposals - cost	( 96)	( 56,837)	( 3,736)	( 60,669)
Disposals - accumulated depreciation	21	56,710	2,856	59,587
Reclassifications	3,259	3,134	2,267	8,660
Depreciation charge	( 6,984)	( 26,055)	( 17,252)	( 50,291)
Balance, December 31, 2018	<u>\$ 40,250</u>	<u>\$ 59,733</u>	<u>\$ 65,454</u>	<u>\$ 165,437</u>
<u>December 31, 2018</u>				
Cost	\$ 51,449	\$ 266,623	\$ 104,061	\$ 422,133
Accumulated depreciation	( 11,199)	( 206,890)	( 38,607)	( 256,696)
	<u>\$ 40,250</u>	<u>\$ 59,733</u>	<u>\$ 65,454</u>	<u>\$ 165,437</u>
	Machinery	Test equipment	Others	Total
<u>January 1, 2017</u>				
Cost	\$ 11,950	\$ 254,667	\$ 75,973	\$ 342,590
Accumulated depreciation	( 743)	( 215,367)	( 39,817)	( 255,927)
	<u>\$ 11,207</u>	<u>\$ 39,300</u>	<u>\$ 36,156</u>	<u>\$ 86,663</u>
<u>2017</u>				
Balance, January 1, 2017	\$ 11,207	\$ 39,300	\$ 36,156	\$ 86,663
Additions	15,977	37,018	23,428	76,423
Disposals - cost	-	( 504)	( 26,646)	( 27,150)
Disposals - accumulated depreciation	-	504	26,646	27,150
Reclassifications	-	-	904	904
Depreciation charge	( 3,493)	( 22,682)	( 11,040)	( 37,215)
Balance, December 31, 2017	<u>\$ 23,691</u>	<u>\$ 53,636</u>	<u>\$ 49,448</u>	<u>\$ 126,775</u>
<u>December 31, 2017</u>				
Cost	\$ 27,927	\$ 291,181	\$ 73,659	\$ 392,767
Accumulated depreciation	( 4,236)	( 237,545)	( 24,211)	( 265,992)
	<u>\$ 23,691</u>	<u>\$ 53,636</u>	<u>\$ 49,448</u>	<u>\$ 126,775</u>

None of the Company's property, plant and equipment are pledged as collateral.



(8) Short-term borrowings

Type of borrowings	December 31, 2018	Interest rate range	Collateral
Bank borrowings			
Unsecured borrowings	\$ 1,450,000	0.9% ~ 1%	None

As of December 31, 2017, the Company had no short-term borrowings.

(9) Other payables

	December 31, 2018	December 31, 2017
Salaries payable	\$ 281,273	\$ 281,822
Employees' compensation and directors' and supervisors' remuneration payable	234,021	279,187
Commission payable	108,089	389,999
Pensions payable	34,156	32,233
Others	113,694	96,779
	<u>\$ 771,233</u>	<u>\$ 1,080,020</u>

(10) Long-term borrowings

As of December 31, 2018, the Company had no long-term borrowings.

Type of borrowings	Borrowing period and repayment term	Interest rate	Collateral	December 31, 2017
Unsecured borrowings	Borrowing period is from December 20, 2017 to April 22, 2018; interest is repayable until maturity of the principal. (Note)	1.797%	None	<u>\$ 100,000</u>

Note: Revolving credit in five years starting from the first drawdown (January, 2016), each credit period is limited from 90 to 180 days.

A long-term syndicated loan facility amounting to \$4,500,000 (can be drawdown 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. Annual consolidated financial reports should maintain financial ratios as follows:

- (a) Current ratio is above 100%,
- (b) Financial liabilities divided by net tangible assets is under 250%,
- (c) Time interest earned is above 300%,
- (d) 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 till the next interest payment date after conforming to the contract, the lending rates will be increased by 0.125% of the used but unsettled amount of this contract, and it will not be considered a breach of contract. If the financial ratios could not be adjusted by next inspection day (subject to the consolidated financial statements audited by independent accountants), the borrower is considered to have violated the contract.

- B. The Company should maintain appropriate accounts receivable ratio (including the drawn amount) above 50% for each withdrawal. If the Company's qualified accounts receivable is overdue (remains unpaid after 15 days of the due date of accounts receivable), or specific transaction parties did not deposit the accrued amount to the specific compensation accounts instructed by the payment notice, the total amount of that specific transaction parties' qualified accounts receivable will be deducted immediately. If the above situation results to the appropriate accounts receivable ratio to be lower than 50%, the Company should choose any of the following actions to make the accounts receivable ratio comply with the contract:
- (a) Provide other qualified accounts receivable, or,
  - (b) 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 the Company's first drawdown of the credit. During the commitment fee calculation period, if the average drawdown amounts are less than 50% of the total loan facility, the commitment fee should be calculated seasonally, 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.

#### (11) Pensions

##### A. Defined benefit plan

- (a) The Company has a defined benefit pension plan in accordance with the Labor Standards Act, 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 Act. 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 an amount equal to 4% of the employees' monthly salaries and wages to the pension fund deposited in the 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 will make contributions to cover the deficit by next March.

(b) The amounts recognised in the balance sheet are as follows:

	December 31, 2018	December 31, 2017
Present value of defined benefit obligations (\$	90,551)	(\$ 78,690)
Fair value of plan assets	34,088	27,347
Net defined benefit liability	(\$ 56,463)	(\$ 51,343)

(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	(\$ 78,690)	\$ 27,347	(\$ 51,343)
Current service cost	( 408)	-	( 408)
Interest (expense) income	( 1,082)	377	( 705)
	( 80,180)	27,724	( 52,456)
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	759	759
Change in demographic assumptions	( 902)	-	( 902)
Change in financial assumptions	( 2,529)	-	( 2,529)
Experience adjustments	( 8,400)	-	( 8,400)
	( 11,831)	759	( 11,072)
Pension fund contribution	-	7,065	7,065
Paid pension	1,460	( 1,460)	-
Balance at December 31	(\$ 90,551)	\$ 34,088	(\$ 56,463)

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2017			
Balance at January 1	(\$ 71,189)	\$ 26,898	(\$ 44,291)
Current service cost	( 403)	-	( 403)
Interest (expense) income	( 979)	371	( 608)
	<u>( 72,571)</u>	<u>27,269</u>	<u>( 45,302)</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	( 101)	( 101)
Change in demographic assumptions	( 3,824)	-	( 3,824)
Experience adjustments	( 2,295)	-	( 2,295)
	<u>( 6,119)</u>	<u>( 101)</u>	<u>( 6,220)</u>
Pension fund contribution	-	179	179
Balance at December 31	<u>(\$ 78,690)</u>	<u>\$ 27,347</u>	<u>(\$ 51,343)</u>

- (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 Labour 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 securitisation 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 has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan asset 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:

	Years ended December 31,	
	2018	2017
Discount rate	<u>1.125%</u>	<u>1.375%</u>
Future salary increases	<u>2.500%</u>	<u>2.500%</u>

Assumptions regarding future mortality experience are set based on actual advice in accordance with published statistics and experience in each territory.

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%
<u>December 31, 2018</u>				
Effect on present value of defined benefit obligation	(\$ 2,540)	\$ 2,648	\$ 2,570	(\$ 2,479)
<u>December 31, 2017</u>				
Effect on present value of defined benefit obligation	(\$ 2,458)	\$ 2,567	\$ 2,498	(\$ 2,405)

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 methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

- (f) Expected contributions to the defined benefit pension plan of the Company for the year ending December 31, 2019 amounts to \$5,990.
- (g) As of December 31, 2018, the weighted average duration of that retirement plan is 11.3 years.

The analysis of timing of the future pension payment for the next ten years was as follows:

Within 1 year	\$ 1,640
1-2 years	1,241
2-5 years	24,049
5-10 years	16,952
	<u>\$ 43,882</u>

#### 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 defined contribution pension plan of the Company for the years ended December 31, 2018 and 2017 were \$35,168 and \$32,557, respectively.

(12) Share-based payment

A. For the years ended December 31, 2018 and 2017, the Company's share-based payment arrangements were as follows:

Type of arrangement	Grant date	Quantity granted (thousand shares)	Contract period	Vesting conditions
Restricted stocks to employees	2015.8.28	4,008	2 years	Please refer to B
"	2016.3.16	1,910	"	"
Treasury stock transferred to employees	2017.3.01	3,555	-	Immediately
"	2018.3.06	746	-	"

B. The vesting conditions for the restricted stocks to employees are as follows:

- (a) The Company's overall operating performance in the previous year should meet the following indicators:
- Consolidated operating revenue shall grow by at least 10% higher than the average amount over past three years.
  - Consolidated net income shall grow by at least 10% higher than the average amount over past three years.
  - Return on equity shall be at least 15%.
- (b) 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 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.



C. Details of the treasury stocks transferred to employees arrangements are as follows:

	Years ended December 31,			
	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	-	\$ -	-	\$ -
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	-	-	-	-

D. The weighted-average stock price of stock options at exercise dates for the years ended December 31, 2018 and 2017 were NT\$61.91 and NT\$48.98, respectively.

E. The 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	2017.3.1	NT\$49.10	NT\$39.83	(Note)	0.0385	-	0.59%	NT\$9.279
"	2018.3.6	NT\$61.20	NT\$39.15	"	0.0411	-	0.25%	NT\$22.05

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.

F. The restricted stocks issued by the Company were measured at their fair value which is the closing price of the Company's share at NT\$34 and NT\$37.85 on August 28, 2015 and March 16, 2016, respectively.

G. Liabilities arising from share-based payment transactions are shown below:

	Years ended December 31,	
	2018	2017
Equity-settled	\$ 16,077	\$ 51,951

(13) Share capital

- A. As of December 31, 2018, the Company's authorised capital was \$4,000,000, and the paid-in capital was \$3,831,413 with a par value of \$10 (in dollars) per share.

Movements in the number of the Company's ordinary shares outstanding are as follows:

(Unit shares in thousands)	2018	2017
At January 1	373,574	363,491
Stock dividends	1,894	1,859
Employee compensation	4,423	4,722
Employee restricted shares retired	( 10)	( 53)
Treasury shares transferred to employees	746	3,555
Treasury shares repurchased	( 1,864)	-
At December 31	378,763	373,574

- B. The Company's Board of Directors resolved to retire of treasury shares amounting to 4,739 thousand shares on October 29, 2018. The effective date for capital reduction was October 30, 2018 and the reduction was registered on November 26, 2018.
- C. On September 13, 2018, the Company's Board of Directors resolved to purchase treasury shares with the ceiling of 10 million shares to be reissued to employees. As of December 31, 2018 (the expiration of the execution period), the Company has purchased 1,864 thousand treasury shares.
- D. On July 10, 2018, the Company's Board of Directors during its meeting resolved to retire 699 thousand treasury shares. The effective date of capital reduction was set on July 11, 2018 and the registration was completed on July 31, 2018.
- E. On June 7, 2018, the shareholders at the stockholders' meeting approved to issue common stock dividends amounting to \$18,937. The above capitalisation has issued a total of 1,894 thousand shares were issued for the above capitalisation which was approved by the authorities. The effective date was set on August 2, 2018 and the registration was completed on August 16, 2018.
- F. On March 6, 2018, the Company issued 4,423 thousand shares as the Board of Directors of the Company during its meeting resolved to appropriate employees' stock dividends of \$259,196 which was calculated based on the closing price of NT\$58.6 (in dollars) per share of the date (March 5, 2018) before the date the Board of Directors resolved the issuance. The issuance was approved by the authority, with the effective date set on April 8, 2018 and the registration was completed on May 1, 2018.
- G. On June 5, 2017, the stockholders at the annual stockholders' meeting had approved to issue common stock dividends amounting to \$18,588. This capitalisation had issued a total of 1,859 thousand shares were issued for this capitalisation which was approved by the appropriate authorities. The issuance date was set on July 21, 2017, and the Company had completed the registration on August 7, 2017.
- H. On March 1, 2017, the Company issued 4,722 thousand shares, because the Board of Directors

of the Company approved to appropriate employees' stock dividends of \$229,000 which was calculated based on the closing price of NT\$48.5 (in dollars) per share of the date (2017/2/24) before the day the Board of Directors resolved the issuance. The issuance was approved by the authority with April 6, 2017 as the effective date, and the registration was completed on May 3, 2017.

- I. The Board of Directors during its meeting on March 10, 2014 adopted a resolution to issue employee restricted ordinary shares (please refer to Note 6(12)), and the registration was on August 28, 2015 and March 16, 2016. The subscription price is \$0 (in dollars) per share. The employee restricted ordinary shares issued are subject to certain transfer restrictions before their vesting conditions are met. Other than these restrictions, the rights and obligations of these shares issued are the same as other issued ordinary shares.
- J. Information on retirement of employee stock options due to not meeting the vesting conditions are as follows:

<u>Board meeting resolution</u>	<u>No. of shares (in thousands)</u>	<u>Date of registration</u>
March 1, 2017	5	April 26, 2017
May 2, 2017	31	June 1, 2017
July 31, 2017	12	August 28, 2017
October 30, 2017	5	November 9, 2017
July 10, 2018	10	July 31, 2018

K. Treasury shares:

- (a) Reason for share reacquisition and movements in the number of the Company's treasury shares are as follows:

		<u>December 31, 2018</u>	
<u>Name of company holding the shares</u>	<u>Purpose of buyback</u>	<u>Number of shares (in thousands)</u>	<u>Carrying amount</u>
The Company	To be reissued to employees	4,379	<u>\$ 199,804</u>
		<u>December 31, 2017</u>	
<u>Name of company holding the shares</u>	<u>Purpose of buyback</u>	<u>Number of shares (in thousands)</u>	<u>Carrying amount</u>
The Company	To be reissued to employees	8,699	<u>\$ 365,665</u>

- (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 neither pledged

as collateral nor exercise shareholder's rights on these shares.

(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.

(e) For information of treasury stock transferred to employees, please see Note 6(12).

(14) 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 capitalised 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.

	2018			
	Share	Treasury	Employee	Total
	premium	share	stock option	
		transactions		
At January 1	\$ 1,560,397	\$ 25,872	\$ 110,048	\$ 1,696,317
Share-based payment transactions				
- Employee compensation	214,965	-	-	214,965
- Restricted stocks to employees	( 24,857)	( 40,323)	-	( 65,180)
- Retirement of treasury shares	( 274)	-	-	( 274)
- Treasury stock transferred to employees	-	14,451	-	14,451
At December 31	<u>\$ 1,750,231</u>	<u>\$ -</u>	<u>\$ 110,048</u>	<u>\$ 1,860,279</u>

	2017					
	Share premium	Treasury share transactions	Employee restricted shares	Employee stock option	Changes in equity of associates and joint ventures accounted for under equity method	Total
At January 1	\$1,236,018	\$ -	\$ 143,917	\$ 110,048	\$ -	\$ 1,489,983
Share-based payment transactions						
- Employee compensation	181,784	-	-	-	-	181,784
- Restricted stocks to employees	142,595	-	( 142,595)	-	-	-
- Restricted stocks to employees retired	-	-	( 1,322)	-	-	( 1,322)
- Treasury stock transferred to employees	-	25,872	-	-	-	25,872
Changes in participation of capital increase of associates not proportionate to ownership	-	-	-	-	26,218	26,218
Changes in net value of losing significant control over associates	-	-	-	-	( 26,218)	( 26,218)
At December 31	<u>\$1,560,397</u>	<u>\$ 25,872</u>	<u>\$ -</u>	<u>\$ 110,048</u>	<u>\$ -</u>	<u>\$ 1,696,317</u>

(15) 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; and then 10% of the remaining amount shall be set aside as legal reserve until it reaches the Company's paid-up capital; and then set aside special reserve in accordance with relevant regulations when necessary; and the remainder, if any, to be appropriated shall be resolved by the stockholders at the stockholders' meeting.
- B. The Company's dividend policy is summarised below: the Company is in the development stage of the electronics industry. The dividend policy should be formulated by considering the capital requirements of the new products and promoting the return on equity simultaneously. Therefore, the total amounts of stockholders' dividends should not exceed 90% of the total distributable earnings, and then the cash dividend should not be less than 10% of the total amounts of stockholders' dividends. The above mentioned restrictions will not to be applicable if total amounts of stockholders' dividends are less than \$0.5(in dollars) per share.
- C. The appropriation for legal capital reserve shall be made until the reserve equals the Company's paid-in capital. The reserve may be used to offset a deficit, or be distributed as dividends in cash or stocks for the portion in excess of 25% of the paid-in capital if the Company incurs no loss.

D. Special reserve

- (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 amount of \$205,324, previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Order No. 1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently.
- E. (a) The appropriations of 2017 and 2016 earnings had been approved at the annual stockholders' meeting on June 7, 2018 and June 5, 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	\$ 156,160		\$ 134,065	
Special reserve	560,047		83,411	
Cash dividends	1,174,101	\$ 3.10	1,022,347	\$ 2.75
Stock dividends	18,937	0.05	18,588	0.05

(b) Subsequent events:

The appropriations of 2018 earnings had been proposed at the Board of Directors' meeting on March 5, 2019. Details are summarised below:

	Year ended December 31, 2018	
	Amount	Dividends per share (in dollars)
Legal reserve	\$ 103,021	
Special reserve	568,277	
Cash dividends	764,673	\$ 2.00

- F. For information relating to employees' compensation and directors' and supervisors' remuneration, please refer to Note 6(22).

(16) Other equity items

2018				
	Currency translation	Unrealised gains (losses) on valuation of financial assets	Available- for-sale investment	Total
At January 1	(\$ 236,725)	\$ -	(\$ 806,683)	(\$ 1,043,408)
Effect of retrospective application and retrospective restatement	-	( 1,133,940)	806,683	( 327,257)
Balance at January 1 after adjustments	( 236,725)	( 1,133,940)	-	( 1,370,665)
Currency translation differences:				
- Group	( 72,233)	-	-	( 72,233)
Valuation adjustment:				
- The Company	-	( 156,881)	-	( 156,881)
- Subsidiaries	-	( 26,665)	-	( 26,665)
- Transfer out	-	14,759	-	14,759
At December 31	<u>(\$ 308,958)</u>	<u>(\$ 1,302,727)</u>	<u>\$ -</u>	<u>(\$ 1,611,685)</u>
2017				
	Currency translation	Available-for- sale investment	Others- unearned employee salary	Total
At January 1	(\$ 202,552)	(\$ 280,809)	(\$ 20,813)	(\$ 504,174)
Currency translation differences:				
- Group	( 37,061)	-	-	( 37,061)
- Associates	( 434)	-	-	( 434)
- Associates transfer out	3,322	-	-	3,322
Valuation adjustment:				
- The Company	-	( 224,152)	-	( 224,152)
- Subsidiaries	-	( 14,505)	-	( 14,505)
- Transfer out	-	( 287,217)	-	( 287,217)
Employee restricted shares:				
- Current transferred to expenses	-	-	18,964	18,964
- Current retired	-	-	1,849	1,849
At December 31	<u>(\$ 236,725)</u>	<u>(\$ 806,683)</u>	<u>\$ -</u>	<u>(\$ 1,043,408)</u>

(17) Operating revenue

	Year ended December 31, 2018	
Revenue from contracts with customers		
Electronic component products	\$	19,981,847
Consumer electronic products and other electronic products		7,974,331
Others		57,739
	\$	<u>28,013,917</u>

Operating revenue recognised that was all included in the contract liability balance at the beginning of the year.

(18) Other income

	Years ended December 31,	
	2018	2017
Dividend income	\$ 33,949	\$ 39,383
Interest income:		
Interest income from bank deposits	3,336	1,849
Other interest income	215	345
Other income	47,824	58,325
	<u>\$ 85,324</u>	<u>\$ 99,902</u>

(19) Other gains and losses

	Years ended December 31,	
	2018	2017
Net gains (losses) on financial assets and liabilities at fair value through profit or loss - derivative instruments	\$ 13,871	(\$ 62,049)
Net losses on financial assets and liabilities at fair value through profit or loss - others	( 112,298)	-
Net currency exchange gains (losses)	13,797	( 165,720)
Losses on disposals of property, plant and equipment	( 143)	-
Gains on disposal of investments	-	318,724
Gains on doubtful debt recoveries	-	604
Others	( 6,071)	( 6,755)
	<u>(\$ 90,844)</u>	<u>\$ 84,804</u>

(20) Finance costs

	Years ended December 31,	
	2018	2017
Interest expense:		
Bank borrowings	\$ 55,240	\$ 37,633



(21) Personnel expenses, depreciation and amortisation

Year ended December 31, 2018			
	Operating cost	Operating expense	Total
Employee benefit expenses	\$ 32,898	\$ 994,994	\$ 1,027,892
Depreciation	13,916	36,375	50,291
Amortisation	1,917	43,801	45,718

  

Year ended December 31, 2017			
	Operating cost	Operating expense	Total
Employee benefit expenses	\$ 19,869	\$ 1,118,553	\$ 1,138,422
Depreciation	4,275	32,940	37,215
Amortisation	643	39,209	39,852

(22) Employee benefit expense

Year ended December 31, 2018			
	Operating cost	Operating expense	Total
Wages and salaries	\$ 27,152	\$ 848,961	\$ 876,113
Labour and health insurance fees	2,434	60,028	62,462
Pension costs	1,269	35,012	36,281
Directors' and supervisors' remuneration	-	13,649	13,649
Other personnel expenses	2,043	37,344	39,387
	<u>\$ 32,898</u>	<u>\$ 994,994</u>	<u>\$ 1,027,892</u>

  

Year ended December 31, 2017			
	Operating cost	Operating expense	Total
Wages and salaries	\$ 16,387	\$ 972,742	\$ 989,129
Labour and health insurance fees	1,461	58,157	59,618
Pension costs	754	32,814	33,568
Directors' and supervisors' remuneration	-	19,991	19,991
Other personnel expenses	1,267	34,849	36,116
	<u>\$ 19,869</u>	<u>\$ 1,118,553</u>	<u>\$ 1,138,422</u>

- 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 10% 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 \$220,372 and \$259,196, respectively; directors' and supervisors' remuneration was accrued at \$13,649 and \$19,991, respectively. The aforementioned amounts were recognised in salary expenses.

The employees' compensation and directors' and supervisors' remuneration were estimated and

accrued based on 16.14% and 1% of distributable profit for the year ended December 31, 2018. On March 5, 2019, the employees' compensation and directors' and supervisors' remuneration resolved by the Board of Directors were \$220,372 and \$13,649, respectively, and the employees' compensation will be distributed in the form of cash and stocks.

- C. Employees' compensation of \$259,196 and directors' and supervisors' remuneration of \$19,991 for 2017 as resolved at the meeting of Board of Directors were in agreement with those amounts recognised in the 2017 financial statements. Actual number of shares distributed as employees' compensation for 2017 is 4,423 thousand shares.

Information about employees' compensation and directors' and supervisors' remuneration of the Company as resolved by the Board of Directors will be posted in the Market Observation Post System website of the Taiwan Stock Exchange.

- D. The Company's headcount totaled 668 and 646 employees as of December 31, 2018 and 2017, respectively. There were 4 directors who have not served as employees as of December 31, 2018 and 2017.

## (23) Income tax

- A. Components of income tax expense:

	Years ended December 31,	
	2018	2017
Current tax:		
Current tax on profits for the year	\$ 56,196	\$ 166,457
Tax on undistributed surplus earnings	-	7,568
Total current tax	<u>56,196</u>	<u>174,025</u>
Deferred tax:		
Origination and reversal of temporary differences	58,393 (	15,725)
Impact of change in tax rate	( 13,828)	-
Total deferred tax	<u>44,565</u> (	<u>15,725)</u>
Income tax expense	<u>\$ 100,761</u>	<u>\$ 158,300</u>

- B. Reconciliation between income tax expense and profit before tax:

	Years ended December 31,	
	2018	2017
Tax calculated based on profit before tax and statutory tax rate	\$ 226,194	\$ 292,383
Expenses from items allowed by tax regulation	( 105,433)	( 134,651)
Effect from investment tax credits	( 20,000)	( 7,000)
Tax on undistributed earnings	-	7,568
Income tax expense	<u>\$ 100,761</u>	<u>\$ 158,300</u>

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	December 31
Temporary differences:			
— Deferred tax assets:			
Provision for inventory price			
decline and obsolescence	\$ 6,014	\$ 8,124	\$ 14,138
Impairment loss	565	( 565)	-
Unrealised loss on financial assets	95	348	443
Unrealised commission expense	66,300	( 44,682)	21,618
Unfunded pension expense	2,256	( 792)	1,464
Others	5,197	918	6,115
	<u>80,427</u>	<u>( 36,649)</u>	<u>43,778</u>
— Deferred tax liabilities:			
Unrealised exchange gain	(\$ 2,087)	(\$ 7,916)	(\$ 10,003)
	<u>\$ 78,340</u>	<u>(\$ 44,565)</u>	<u>\$ 33,775</u>
2017			
	January 1	Recognised in profit or loss	December 31
Temporary differences:			
— Deferred tax assets:			
Provision for inventory price			
decline and obsolescence	\$ 8,924	(\$ 2,910)	\$ 6,014
Impairment loss	565	-	565
Unrealised loss on financial assets	-	95	95
Unrealised commission expense	63,476	2,824	66,300
Unfunded pension expense	2,115	141	2,256
Others	5,197	-	5,197
	<u>80,277</u>	<u>150</u>	<u>80,427</u>
— Deferred tax liabilities:			
Unrealised exchange gain	(\$ 11,416)	\$ 9,329	(\$ 2,087)
Unrealised gain on financial assets	( 6,246)	6,246	-
	<u>( 17,662)</u>	<u>15,575</u>	<u>( 2,087)</u>
	<u>\$ 62,615</u>	<u>\$ 15,725</u>	<u>\$ 78,340</u>

D. The Tax Authorities have examined the income tax returns of the Company through 2016.

E. 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.

(24) Earnings per share

Year ended December 31, 2018			
	Amount after tax	Weighted-average number of ordinary shares outstanding (in thousands)	Earnings per share (in dollars)
<u>Basic EPS</u>			
Profit attributable to ordinary shareholders of the parent	<u>\$ 1,030,209</u>	379,238	<u>\$ 2.72</u>
<u>Diluted EPS</u>			
Assumed conversion of all dilutive potential ordinary shares			
- Employees' bonus	<u>-</u>	<u>5,673</u>	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 1,030,209</u>	<u>384,911</u>	<u>\$ 2.68</u>
Year ended December 31, 2017			
	Amount after tax	Weighted-average number of ordinary shares outstanding (in thousands)	Earnings per share (in dollars)
<u>Basic EPS</u>			
Profit attributable to ordinary shareholders of the parent	<u>\$ 1,561,602</u>	372,842	<u>\$ 4.19</u>
<u>Diluted EPS</u>			
Assumed conversion of all dilutive potential ordinary shares			
- Employees' bonus	<u>-</u>	<u>4,944</u>	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 1,561,602</u>	<u>377,786</u>	<u>\$ 4.13</u>

The abovementioned weighted average number of outstanding shares was retrospectively adjusted proportionately to the capitalised amount of earnings for the year ended December 31, 2017.

7. RELATED PARTY TRANSACTIONS

(1) Parent and ultimate controlling party

The ultimate parent of the Company is Chicony Electronics Co., Ltd.

(2) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Company</u>
Chicony Electronics Co., Ltd.	Parent company
Chicony Global Inc.	Entity controlled by the same parent company
Chicony Electronics (DongGuan) Co., Ltd.	Entity controlled by the same parent company
Chicony Electronics CEZ s.r.o	Entity controlled by the same parent company
Hipro Electronics Ltd.	Entity controlled by the same parent company
Quansun Investment Corp. Ltd.	Entity controlled by the same parent company
Qun-Jing Power Co., Ltd.	Entity controlled by the same parent company
XAVi Technology Corp.	Entity controlled by the same parent company
Chicony Electronics Japan Co., Ltd.	Entity controlled by the same parent company
Chicony Power Technology Hong Kong Limited	Subsidiary
Chicony Power USA, Inc.	Subsidiary
Carlight Technology Co., Ltd.	Subsidiary
Chicony Power International Inc.	Subsidiary
Clevo Co.	Other related party
Kapok Computer (KUNSHAN) Co.	Other related party

(3) Significant related party transactions and balances

A. Sales of goods

	<u>Years ended December 31,</u>	
	<u>2018</u>	<u>2017</u>
Sales of goods:		
- Entities controlled by the same parent company	\$ 918,122	\$ 853,229
- Other related parties	396,468	301,613
- Parent company	157,418	71,637
- Subsidiaries	960,178	787,977
	<u>\$ 2,432,186</u>	<u>\$ 2,014,456</u>

The terms of the sales to related parties were not significantly different from those of sales to third parties.

B. Purchases of goods

	<u>Years ended December 31,</u>	
	<u>2018</u>	<u>2017</u>
Purchases of goods:		
- Chicony Power International Inc.	<u>\$ 26,456,021</u>	<u>\$ 22,619,351</u>

The terms of the purchases from related parties were not significantly different from those of purchases from third parties.

### C. Purchases of services

	Years ended December 31,	
	2018	2017
- Entities controlled by the same parent company	\$ 593	\$ -
- Parent company	18,520	21,059
- Subsidiaries	124,643	126,533
	<u>\$ 143,756</u>	<u>\$ 147,592</u>

The purchases from related parties arise mainly from providing management services to the Company.

### D. Receivables from related parties

	December 31, 2018	December 31, 2017
Accounts receivable:		
- Other related parties	\$ 122,318	\$ 89,373
- Entities controlled by the same parent company	309,476	272,003
- Parent company	37,708	22,500
- Subsidiaries	411,821	245,201
	<u>881,323</u>	<u>629,077</u>
Other receivables:		
- Other related parties	24	-
- Entities controlled by the same parent company	71	1,065
- Subsidiaries	171	171
	<u>266</u>	<u>1,236</u>
	<u>\$ 881,589</u>	<u>\$ 630,313</u>

The accounts receivable arise mainly from sale transactions. The receivables are unsecured in nature and bear no interest. Other receivables arise from payments on behalf of others and interest receivables from loans to related parties.

### E. Payables to related parties

	December 31, 2018	December 31, 2017
Accounts payable:		
- Chicony Power International Inc.	<u>\$ 7,149,606</u>	<u>\$ 6,226,360</u>
Other payables:		
- Entities controlled by the same parent company	199	554
- Parent company	9,960	6,409
- Subsidiaries	11,863	10,703
	<u>22,022</u>	<u>17,666</u>
	<u>\$ 7,171,628</u>	<u>\$ 6,244,026</u>

The accounts payable arise mainly from purchase transactions. The payables are unsecured in

nature and bear no interest. Other payables arise mainly from admission fees, collections, operating leases and payments on behalf of others.

F. Loans to/from related parties:

Loans to related parties:

(a) Outstanding balance:

	December 31, 2018	December 31, 2017
- Subsidiaries	\$ 26,300	\$ 15,000

(b) Interest income

	Years ended December 31,	
	2018	2017
- Subsidiaries	\$ 215	\$ 303

The loans to associates are repayable monthly over 1 year and carry interest at 1.5% per annum for the years ended December 31, 2018 and 2017.

G. Operating leases:

(a) Rental expense arising from leases in office and plants from related parties is as follows:

	Years ended December 31,	
	2018	2017
- Parent company	\$ 52,752	\$ 49,377

(b) As of December 31, 2018, the main lease contracts between the Company and related parties are as follows:

Lessor	Lease subject	Rental calculation and payment
- Parent company	Property, plant and equipment	\$4,396 per month

(4) Key management compensation

	Years ended December 31,	
	2018	2017
Salaries and other short-term employee benefits	\$ 104,312	\$ 165,847
Post-employment benefits	1,081	1,331
	\$ 105,393	\$ 167,178

## 8. PLEDGED ASSETS

The Company's assets pledged as collateral are as follows:

Pledged asset	Book value		Purpose
	December 31, 2018	December 31, 2017	
Guarantee deposits paid (shown as 'other non-current assets')	\$ 48,690	\$ -	Performance guarantee and bid bond
"	4,030	3,470	Guarantee for rentals
"	930	7,751	Others
	<u>\$ 53,650</u>	<u>\$ 11,221</u>	

## 9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

- (1) As of December 31, 2018, for financing forward exchange contracts and for bill purchase purposes, the Company provided standby promissory notes totaling \$13,717,220 as security.
- (2) As of December 31, 2018 and 2017, due to the Company's leasing of plants, offices and parking lots, the Company shall pay rental expense as follows:

	December 31, 2018	December 31, 2017
Not later than one year	\$ 66,990	\$ 60,504
Later than one year but not later than five years	28,256	35,462
	<u>\$ 95,246</u>	<u>\$ 95,966</u>

## 10. SIGNIFICANT DISASTER LOSS

None.

## 11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

The appropriations of 2018 earnings and proposal of employees' compensation and supervisors' and directors' remuneration distribution have been resolved by the Board of Directors on March 5, 2019, please see Notes 6(15) and (22).

## 12. OTHERS

### (1) 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 parent company only balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the parent company only balance sheet plus net debt.



(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
<u>Financial assets</u>		
Financial assets mandatorily measured		
at fair value through profit or loss - current	\$ 948,487	\$ 1,194
Financial assets at fair value through other		
comprehensive income - current	424,150	-
Available-for-sale financial assets - current	-	1,586,808
Financial assets mandatorily measured		
at fair value through profit or loss -		
non-current	411,549	-
Financial assets at fair value through other		
comprehensive income - non-current	27,103	-
Available-for-sale financial assets -		
non-current	-	62,884
Financial assets carried at cost - non-current	-	410,000
Financial assets at amortised cost		
Cash and cash equivalents	250,807	376,849
Notes receivable	112	-
Accounts receivable (including related		
parties)	6,799,372	6,148,045
Other receivables (including related parties)	42,124	16,596
Guarantee deposits paid	53,650	11,221
	<u>\$ 8,957,354</u>	<u>\$ 8,613,597</u>
<u>Financial liabilities</u>		
Financial liabilities mandatorily measured		
at fair value through profit or loss - current	\$ 2,616	\$ 1,755
Financial liabilities at amortised cost		
Short-term borrowings	1,450,000	-
Accounts payable (including related parties)	7,197,329	6,270,586
Other payables (including related parties)	793,255	1,097,686
	<u>\$ 9,443,200</u>	<u>\$ 7,370,027</u>

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 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 (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) 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 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. The Company hedges exchange rate risk by foreign exchange rate and foreign exchange swap rate. However, the Company does not adopt hedging accounting. Details of financial assets or liabilities at fair value through profit or loss are provided in Note 6(2).
- iii. The Company's businesses involve some non-functional currency operations. 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				
	Foreign currency amount			Book value
	(In thousands)		Exchange rate	(NTD)
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	\$	227,092	30.715	\$ 6,975,131
<u>Non-monetary items</u>				
USD:NTD		145,453	30.715	4,467,589
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	\$	233,670	30.715	\$ 7,177,174

December 31, 2017			
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 215,873	29.8	\$ 6,433,015
<u>Non-monetary items</u>			
USD:NTD	139,914	29.8	4,169,437
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ 223,176	29.8	\$ 6,650,645

- iv. Total exchange gain (loss), 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 \$13,797 and (\$165,720), respectively.
- v. Analysis of foreign currency market risk arising from significant foreign exchange variation:

Year ended December 31, 2018			
Sensitivity analysis			
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 69,751	\$ -
<u>Non-monetary items</u>			
USD:NTD	1%	-	44,676
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 71,772	\$ -

	Year ended December 31, 2017		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 64,330	\$ -
<u>Non-monetary items</u>			
USD:NTD	1%	-	41,694
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 66,506	\$ -

#### 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 \$11,111 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 \$4,513 and \$14,002, 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 rates were denominated in NTD and USD.

As of December 31, 2018 and 2017, if interest rates on USD-denominated borrowings had been 0.25% higher/lower with all other variables held constant, post-tax profit for the years ended December 31, 2018 and 2017 would have been \$0 and \$250 lower/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 fair value through profit or loss.
- ii. 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.
- iii. The Company adopts the assumptions under IFRS 9, that is, 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. Also, the default occurs when the contract payments are past due over 360 days.
- iv. The Company classifies customer's accounts receivable in accordance with customer types. The Company applies the simplified approach using provision matrix, loss rate methodology to estimate expected credit loss under the provision matrix basis.
- v. The Company used the forecastability to adjust historical and timely information to assess the default possibility of accounts receivable. On December 31, 2018, the provision matrix is as follows:

	<u>Expected loss rate</u>	<u>Total book value</u>	<u>Loss allowance</u>
<u>December 31, 2018</u>			
Not past due	0%~0.03%	\$ 5,911,861	\$ 357
1-30 days past due	2%~15%	6,468	647
31-120 days past due	8%~25%	901	180
121-210 days past due	20%~60%	4	1
		<u>\$ 5,919,234</u>	<u>\$ 1,185</u>

- vi. Movements in relation to the Company applying the simplified approach to provide loss allowance for accounts receivable are as follows:

	<u>2018</u>
	<u>Accounts receivable</u>
At January 1_IAS 39	\$ 1,781
Adjustments under new standards	-
At January 1_IFRS 9	1,781
Reversal of impairment	( 596)
At December 31	<u>\$ 1,185</u>

vii. 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.

viii. Credit risk information for 2017 is provided in Note 12(4).

(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 (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Company's debt financing plans, covenant compliance, compliance with internal financial ratio targets and, if applicable external regulatory or legal requirements.
- ii. Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Company treasury. 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 of December 31, 2018 and 2017, the Company held money market position of \$1,621,299 and \$1,961,761, respectively, which are expected to generate sufficient cash inflows to cover liquidity risk.

iii. The Company has the following undrawn borrowing facilities:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Floating rate:		
Expiring within one year	\$ 5,800,050	\$ 5,394,000
Expiring beyond one year	4,500,000	4,400,000
	<u>\$ 10,300,050</u>	<u>\$ 9,794,000</u>

- 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	Less than 1 year	Over 1 year
<u>Non-derivative financial liabilities</u>		
Short-term borrowings	\$ 1,451,796	\$ -
Accounts payable (including related parties)	7,197,329	-
Other payables (including related parties)	793,255	-
<u>Derivative financial liabilities</u>		
Financial liabilities at fair value through profit or loss	2,616	-
December 31, 2017	Less than 1 year	Over 1 year
<u>Non-derivative financial liabilities</u>		
Accounts payable (including related parties)	\$ 6,270,586	\$ -
Other payables (including related parties)	1,097,686	-
Long-term borrowings	-	100,551
<u>Derivative financial liabilities</u>		
Financial liabilities at fair value through profit or loss	1,755	-

(3) Fair value of financial instruments

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 (including emerging) stocks, convertible bonds and beneficiary certificates 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 private placement of listed shares and 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 equity investment without active market 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 (including related parties) 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	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Assets</b>				
<u>Recurring fair value measurements</u>				
Financial assets mandatorily measured at fair value through profit or loss - current				
Equity securities	\$ 505,588	\$ -	\$ -	\$ 505,588
Debt securities	248,500	-	-	248,500
Beneficiary certificates	193,996	-	-	193,996
Non-hedging derivatives				
Forward exchange contracts	-	403	-	403
Financial assets mandatorily measured at fair value through profit or loss - non-current				
Equity securities	-	-	182,679	182,679
Beneficiary certificates	24,120	-	204,750	228,870
Financial assets at fair value through other comprehensive income - current				
Equity securities	424,150	-	-	424,150
Financial assets at fair value through other comprehensive income - non-current				
Equity securities	-	9,831	17,272	27,103
	<u>\$1,396,354</u>	<u>\$ 10,234</u>	<u>\$ 404,701</u>	<u>\$ 1,811,289</u>
<b>Liabilities</b>				
<u>Recurring fair value measurements</u>				
Financial liabilities mandatorily measured at fair value through profit or loss - current				
Non-hedging derivatives				
Exchange rate swap contracts	\$ -	\$ 2,616	\$ -	\$ 2,616



December 31, 2017	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Assets</b>				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Forward exchange contracts	\$ -	\$ 1,194	\$ -	\$ 1,194
Available-for-sale financial assets				
Equity securities	1,337,308	20,584	-	1,357,892
Debt securities	249,500	-	-	249,500
Beneficiary certificates	42,300	-	-	42,300
	<u>\$1,629,108</u>	<u>\$ 21,778</u>	<u>\$ -</u>	<u>\$ 1,650,886</u>
<b>Liabilities</b>				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Forward exchange contracts	\$ -	\$ 1,755	\$ -	\$ 1,755

(b) The methods and assumptions the Company used to measure fair value are as follows:

- i. The instruments the Company used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

	<u>Listed shares</u>	<u>Emerging Stocks</u>	<u>Open-end fund</u>	<u>Convertible bond</u>
Market quoted price	Closing price	Average trade price	Net asset value	Closing Price

- ii. Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes.

C. For the years ended December 31, 2018 and 2017, there was no transfer between Level 1 and Level 2.

D. The following chart is the movement of Level 3 for the year ended December 31, 2018:

	<u>2018</u>		
	<u>Beneficiary certificates</u>	<u>Equity instruments</u>	<u>Total</u>
At January 1	\$ 203,280	\$ 197,302	\$ 400,582
Gains (losses) recognised in profit or loss	1,470	( 309)	1,161
Gains (losses) recognised in other comprehensive income	-	2,958	2,958
At December 31	<u>\$ 204,750</u>	<u>\$ 199,951</u>	<u>\$ 404,701</u>
Movement of unrealised gain or loss in profit or loss of assets and liabilities held as at December 31, 2018 (Note)	<u>\$ 1,470</u>	<u>(\$ 309)</u>	<u>\$ 1,161</u>

Note: Recorded as non-operating income and expense.

E. For the year ended December 31, 2018, there was no transfer into or out from Level 3.

F. 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 of fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 199,951	Net asset value	N/A	-	N/A
Venture capital shares	\$ 204,750	Net asset value	N/A	-	N/A
Private equity fund investment					

G. 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:

			December 31, 2018			
			Recognised in profit or loss		Recognised in other comprehensive income	
			Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets	Input	Change				
Equity instruments	Net asset value	±1%	\$ 1,827	(\$ 1,827)	\$ 173	(\$ 173)
Beneficiary certificates	Net asset value	±1%	2,048	( 2,048)	-	-
			<u>\$ 3,875</u>	<u>(\$ 3,875)</u>	<u>\$ 173</u>	<u>(\$ 173)</u>

(4) 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) Financial 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 assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets 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 carried at cost'.

(c) Accounts receivable

Receivables are non-derivative financial assets originated from the ordinary course of business. Accounts receivable 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 effect of discounting is immaterial.

(d) Impairment of financial assets

- i. 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.

ii. The criteria that the Company uses to determine whether there is objective evidence of 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 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;
- (iv) It becomes probable that the borrower will enter bankruptcy or other financial reorganization;
- (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 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:

- (i) Financial assets carried 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 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 amortization) 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.

B. For the year ended December 31, 2017, the information on critical judgements in applying the Company's accounting policies is as follows:

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 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 - current	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	Accounted for under equity method	Total	Retained earnings	Others equity
IAS 39	\$ 1,194	\$ 1,586,808	\$ -	\$ 62,884	\$ 410,000	\$ 4,087,317	\$ 6,148,203	\$ -	\$ -
Transferred into and measured at fair value through profit or loss	978,705	( 978,705)	428,568	( 42,300)	( 395,000)	( 7,245)	( 15,977)	( 197,910)	181,933
Transferred into and measured at fair value through other comprehensive income	-	-	-	14,314	( 15,000)	-	( 686)	-	( 686)
Impairment loss adjustment	-	-	-	-	-	-	-	508,504	( 508,504)
IFRS 9	<u>\$ 979,899</u>	<u>\$ 608,103</u>	<u>\$ 428,568</u>	<u>\$ 34,898</u>	<u>\$ -</u>	<u>\$ 4,080,072</u>	<u>\$ 6,131,540</u>	<u>\$ 310,594</u>	<u>(\$ 327,257)</u>

D. The reconciliation of allowance for impairment and provision 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	Total
	Measured at fair value through other comprehensive income - current	Measured at fair value through other comprehensive income - non-current	
IAS 39	\$ 102,847	\$ 405,657	\$ 508,504
Impairment loss adjustment	( 102,847)	( 405,657)	( 508,504)
IFRS 9	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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	
Foreign exchange swap contracts	\$ 1,194
Financial liabilities held for trading	
Non-hedging derivatives	
Foreign exchange swap contracts	(\$ 1,755)

- i. The Company recognised net loss amounting to \$62,049 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
	Contract amount
	(notional principal)
Contract period	
Current items:	
Foreign exchange swap contracts	
- Buy USD sell NTD	USD 34,700 thousand 2018.1.3 ~ 2018.12.27
Foreign exchange swap contracts	

The Company entered into foreign exchange swap contracts to hedge exchange rate risk of import and export proceeds. However, these foreign exchange swap contracts are not accounted for under hedge accounting.

- iii. The Company 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	\$ 2,072,475
Emerging stocks	14,520
Corporate bonds	251,250
	2,338,245
Valuation adjustment	( 648,590)
Accumulated impairment	( 102,847)
	\$ 1,586,808

Items	December 31, 2017
Non-current items:	
Listed stocks	\$ 422,100
Beneficiary certificates	60,000
	<u>482,100</u>
Valuation adjustment	( 13,559)
Accumulated impairment	( 405,657)
	<u>\$ 62,884</u>

- 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 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 the restrictions.
- ii. The above available-for-sale financial assets - non-current beneficiary certificates were private fund investment, the invested shares of the fund are all listed. As the stock has quoted market price in an active market, it was reclassified from financial assets carried at cost to available-for-sale financial assets – non-current beneficiary certificates.
- iii. Certain stocks held by the Company had quoted market price in an active market starting the first quarter of 2017, they were reclassified from financial assets carried at cost - non-current to available-for-sale financial assets - current.
- iv. The Company recognised (\$238,657) in other comprehensive income for fair value change and reclassified (\$287,217) from equity to profit or loss for the year ended December 31, 2017.
- v. The Company has accumulated impairment loss of \$508,504 on equity investments as of December 31, 2017.
- vi. No interest income was recognised from debt instruments held for the years ended December 31, 2017.
- vii. The counterparties of the Company's investments in debt instruments have good credit quality.
- viii. The Company has no available-for-sale financial assets pledged to others.

(c) Financial assets at cost

Items	December 31, 2017
Non-current items:	
Unlisted shares	\$ 247,110
Beneficiary certificates	210,000
	<u>457,110</u>
Accumulated impairment	( 47,110)
	<u>\$ 410,000</u>



- i. According to the Company's intention, its investment in stocks and beneficiary certificates should be classified as 'available-for-sale financial assets'. However, as similar companies stocks are not traded in active market, and no sufficient industry information of companies similar to investees or investees' financial information cannot be obtained, the fair value of the investment in investees' stocks cannot be measured reliably. The Company classified those stocks as 'financial assets measured at cost'.
  - ii. For details of the financial assets carried at cost transferred to available-for-sale financial assets, please see Note 12(4)E(b).
  - iii. There has been objective evidence of impairment on the above certain stocks after the Company's assessment and an impairment loss has been recognised. As of December 31, 2017, the Company has recognised accumulated impairment loss of \$47,110 on equity investments.
  - iv. No financial assets measured at cost held by the Company was pledged to others.
- F. Credit risk information for the year ended December 31, 2017 are 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.
  - i. For the year ended December 31, 2017, no credit risk was found during the reporting period, and management does not expect any significant losses from non-performance by these counterparties.
  - ii. The credit quality information of the Company's accounts receivable (including related parties) that are neither past due nor impaired is as follows:

	<u>December 31, 2017</u>
Group 1	\$ 4,044,588
Group 2	<u>2,048,416</u>
	<u>\$ 6,093,004</u>

Group 1: Low-risk customers which have larger scale of operations.

Group 2: Other normal-risk customers.

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

	<u>December 31, 2017</u>
1 - 30 days past due	\$ 41,283
31 - 120 days past due	13,758
	<u>\$ 55,041</u>

iv. The analysis of the Company's accounts receivable that were impaired is as follows:

	<u>2017</u>
<u>Individual provision</u>	
At January 1	\$ 2,385
Reversal of impairment	( 604)
At December 31	<u>\$ 1,781</u>

(5) 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:

Revenue recognition

The Company 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 effects and description on current balance sheet and comprehensive income statement if the Company continues adopting above accounting policies are as follows:

		<u>December 31, 2018</u>		
		Balance by using	Balance by using	Effects from
		IFRS 15	previous accounting policies	changes in accounting policy
Balance sheet items	Description			
Contract liabilities - current	(b)	\$ 113,012	\$ -	\$ 113,012
Other current liabilities	(b)	-	113,012	( 113,012)

Explanation:

- (a) The initial application of IFRS 15 has no effect on the Company's current comprehensive income statement.
- (b) 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.
- (6) Deferred tax assets and liabilities shall not be offset under the current regulations and IAS 12, hence, the Company reclassified the amounts which shall belong to deferred tax liabilities and were originally recognised under deferred tax assets as deferred tax liabilities. The reclassification has no effect on basic earnings per share and diluted earnings per share.

	December 31, 2017		
	Before reclassifications	Reclassifications	After reclassifications
Deferred tax assets	\$ 78,340	\$ 2,087	\$ 80,427
Deferred tax liabilities	-	( 2,087)	( 2,087)

### 13. SUPPLEMENTARY DISCLOSURES

#### (1) Significant transactions information

- A. Loans to others: Please refer to table 1.
- B. Provision of endorsements and guarantees to others: None.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 2.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: Please refer to table 3.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 4.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 5.
- I. Trading in derivative instruments undertaken during the reporting periods: Please refer to Note 6(2).
- J. Significant inter-company transactions during the reporting periods: Please refer to table 6.

#### (2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland

China): Please refer to table 7.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 8.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to Note 13(1).

14. SEGMENT INFORMATION

Not applicable.

CHICONY POWER TECHNOLOGY CO., LTD.  
DETAILS OF CASH AND CASH EQUIVALENTS  
December 31, 2018  
(In thousands of New Taiwan Dollars)

Items	Summary	Amount
Cash on hand and revolving funds		\$ 1,742
Checking accounts		1,590
Demand deposits		
- New Taiwan Dollars		\$ 44,669
- Foreign currency	USD \$ 6,285 rate 30.715	193,044
	Other foreign currency	9,762
		<u>247,475</u>
		<u>\$ 250,807</u>

CHICONY POWER TECHNOLOGY CO., LTD.  
DETAILS OF FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS - CURRENT

December 31, 2018

(In thousands of New Taiwan Dollars)

Name of financial instrument	Summary	No. of shares/sheets/ units (Note)	Face value	Amount	Interest rate	Acquisition cost	Fair value	
							Unit price	Amount
<u>Financial assets at fair value through profit or loss - current</u>								
<u>Non-hedging derivatives</u>								
Forward exchange contracts						\$ -	\$ -	\$ 403
<u>Listed stocks</u>								
Newmax Technology Co., Ltd		3,009				166,085	65.90	198,279
Laster Tech Corporation Ltd.		1,300				102,970	34.80	45,246
Powertech Technology Inc.		1,500				139,030	66.10	99,150
Amazing Microelectronic Corp.		131				11,282	70.00	9,164
Formosa Sumco Thechnology Corporation		550				123,852	118.00	64,900
WIN Semiconductors Corp.		290				85,690	118.00	34,220
Yageo Corporation		60				56,423	319.00	19,110
Lite-On Semiconductor Corp.		500				22,680	26.90	13,450
Prosperity Dielectrics Co., Ltd.		150				16,320	59.90	8,985
Advanced Power Electronics Corp.		297				9,039	30.95	9,192
<u>Emerging stocks</u>								
TWi Biotechnology, Inc		195				12,870	19.96	3,892
<u>Corporate bond</u>								
Everlight Electronics Co., Ltd.		2,500	100	5,000,000	-	251,250	99.40	248,500
<u>Beneficiary certificates</u>								
Fuh Hwa Digital Economy Fund		4,483	10	16,303		220,000	43.27	193,996
						<u>\$ 1,217,491</u>		<u>\$ 948,487</u>
<u>Financial liabilities at fair value through profit or loss - current</u>								
<u>Non-hedging derivatives</u>								
Forward exchange contracts						\$ -	\$ -	\$ 2,616

Note: In thousand shares/thousand sheet/thousand units

CHICONY POWER TECHNOLOGY CO., LTD.  
DETAILS OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - CURRENT  
December 31, 2018  
(In thousands of New Taiwan Dollars)

Name of financial instrument	Summary	No. of shares/sheets,	Face	Amount	Interest rate	Acquisition cost	Fair value	
		units (Note)	value				Unit price	Amount
<u>Financial assets at fair value through other comprehensive income - current</u>								
<u>Listed stocks</u>								
CLEVO CO.		4,538				\$ 261,615	\$ 30.45	\$ 138,182
Everlight Electronics Co., Ltd.		157				18,223	29.55	4,639
KINSUS INTERCONNECT TECHNOLOGY CORP.		920				112,569	43.60	40,112
Genesis Photonics Inc.		8,380				124,718	1.64	13,743
AcBel Polytech Inc.		1,908				88,158	18.90	36,061
Cheng Uei Precision Industry Co., Ltd.		250				13,733	23.70	5,925
Zippy Technology Corp.		312				15,292	31.40	9,797
Green Seal Holding Limited		2,356				325,108	35.70	84,116
Hon Hai Precision Industry Co., Ltd.		800				116,945	70.80	56,640
Flytech Technology Co., Ltd.		230				25,430	68.00	15,641
Apogee Optocom Co., Ltd.		264				43,517	73.00	19,294
						\$ 1,145,308		\$ 424,150

Note: In thousand shares/thousand sheet/thousand units

CHICONY POWER TECHNOLOGY CO., LTD.  
DETAILS OF ACCOUNTS RECEIVABLE  
December 31, 2018  
(In thousands of New Taiwan Dollars)

<u>Client Name</u>	<u>Amount</u>	<u>Remark</u>
<u>Client</u>		
A Company	\$ 817,236	
B Company	754,777	
C Company	693,676	
D Company	354,295	
		Each individual customer balance
		did not exceed 5% of the account
Others	<u>3,299,250</u>	balance
	5,919,234	
Less: Allowance for doubtful accounts	( <u>1,185</u> )	
	<u>\$ 5,918,049</u>	
<u>Related parties</u>		
Chicony Power USA, Inc. (CPUS)	\$ 411,821	
Chicony Electronics (DongGuan) Co., Ltd.	305,660	
Kapok Computer (KUNSHAN) Co.	122,318	
		Each individual customer balance
		did not exceed 5% of the account
Others	<u>41,524</u>	balance
	<u>\$ 881,323</u>	



CHICONY POWER TECHNOLOGY CO., LTD.  
DETAILS OF INVENTORIES  
December 31, 2018  
(In thousands of New Taiwan Dollars)

Items	Amount		Remark
	Cost	Net realisable value	
Raw materials	\$ 3,652	\$ 3,652	
Work in process	12,556	12,556	
Finished goods	3,410,857	3,705,286	The Company uses net realisable value as fair value.
Less: Allowance for valuation loss	( 72,863)	-	
	<u>\$ 3,354,202</u>	<u>\$ 3,721,494</u>	

CHICONY POWER TECHNOLOGY CO., LTD.  
DETAILS OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS – NON-CURRENT  
December 31, 2018  
(In thousands of New Taiwan Dollars)

		At January 1		Additions for the year		Decrease for the year		At December 31			
Name and type		Shares (in thousands)	Book value	Shares (in thousands)	Amount	Shares (in thousands)	Amount	Shares (in thousands)	Book value	Collateral	Remark
<u>Financial assets at fair value through profit or loss - non-current (Note)</u>											
WK Venature Capital Management Co. Ltd.	Stock	1,000	\$ 13,677	-	\$ -	-	(\$ 1,142)	1,000	\$ 12,535	None	
Top Taiwan Venture Capital Management Co., Ltd.	"	7,500	69,311	-	2,378	-	-	7,500	71,689	"	
Chen Ding Venture Capital Management Co., Ltd.	"	10,000	100,000	-	-	-	( 1,545)	10,000	98,455	"	
Fuh Hwa New Oriental Securities Investment Trust Fund	Beneficiary certificate	6,000	42,300	-	-	-	( 18,180)	6,000	24,120	"	
Fuh Hwa New Smart Energy Securities Investment Trust Fund	"	21,000	203,280	-	1,470	-	-	21,000	204,750	"	
Total			\$ 428,568		\$ 3,848		(\$ 20,867)		\$ 411,549		

Note: The reason for additions and decrease in financial assets at fair value through profit or loss - non-current was fair value valuation.

CHICONY POWER TECHNOLOGY CO., LTD.  
DETAILS OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME – NON-CURRENT  
December 31, 2018  
(In thousands of New Taiwan Dollars)

Name and type		At January 1		Additions for the year		Decrease for the year		At December 31		Collateral	Remark
		Shares	Book value	Shares	Amount	Shares	Amount	Shares	Book value		
		(in thousands)		(in thousands)		(in thousands)		(in thousands)			
<u>Financial assets at fair value through other comprehensive income - non-current (Note)</u>											
Genesis Photonics Inc.	Stock	8,700	\$ 20,584	-	\$ -	-	(\$ 10,753)	8,700	\$ 9,831	None	
TAIPEI TECH Venture Capital Co., Ltd.	"	1,500	14,314	-	2,958	-	-	1,500	17,272	"	
			\$ 34,898		\$ 2,958		(\$ 10,753)		\$ 27,103		

Note: The reason for additions and decrease in financial assets at fair value through profit or loss - non-current was fair value valuation.

CHICONY POWER TECHNOLOGY CO., LTD.  
DETAILS OF INVESTMENTS ACCOUNTED FOR UNDER EQUITY METHOD  
Year ended December 31, 2018  
(In thousands of New Taiwan Dollars)

Name	Balance at January 1		Additions for the year		Reduction for the year		Balance at December 31			Fair value or net assets value			
	Shares (in thousands)	Amount	Shares (in thousands)	Amount	Shares (in thousands)	Amount	Shares (in thousands)	Ownership	Amount	Unit price (in NT\$)	Total amount	Collateral	Remark
CPH	10,000,000	\$ 4,087,317	-	\$ 363,736	-	(\$ 106,143)	10,000,000	100%	\$ 4,344,910	\$ 446.76	\$ 4,467,582	N/A	Note

Note: The reason for additions in investment accounted for under equity method was the increase in share of loss of associates and joint ventures accounted for under equity method of \$363,736.  
The reason for decrease in investment accounted for under equity method was applying the new rules under IFRS 9, and decreasing retained earnings, unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income, financial statements translation differences of foreign operations under equity method and unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income under equity method \$6,872, \$373, \$72,233 and \$26,665 respectively.

CHICONY POWER TECHNOLOGY CO., LTD.  
DETAILS OF PROPERTY, PLANT AND EQUIPMENT  
Year ended December 31, 2018  
(In thousands of New Taiwan Dollars)

Please refer to Note 6(7) Property, plant and equipment.  
For depreciation method the Company is using and useful lives for property, plant and equipment,  
please refer to Note 4(13) Property, plant and equipment.

CHICONY POWER TECHNOLOGY CO., LTD.  
DETAILS OF SHORT-TERM LOAN  
December 31, 2018  
(In thousands of New Taiwan Dollars)

<u>Type</u>	<u>Balance at December 31</u>	<u>Contract period</u>	<u>Range of interest rates</u>	<u>Loan commitments</u>	<u>Collateral</u>
Unsecured loans (Note)	\$ <u>1,450,000</u>	Less than 1 year	0.9%~1%	\$ <u>7,250,050</u>	None

Note: The partners of unsecured loans were Hua Nan Bank Huaisheng Branch, Mega Bank Taipei Branch, DBS Bank Taipei Branch, Hwatai Bank Business Department, Bank SinoPac Tunpei Branch, and E.Sun Bank Xinzhuang Branch.

CHICONY POWER TECHNOLOGY CO., LTD.  
DETAILS OF SALES REVENUE  
Year ended December 31, 2018  
(In thousands of New Taiwan Dollars)

<u>Item</u>	<u>Shipments</u>	<u>Amount</u>
Electronic component products	88,071 thousand pieces	\$ 19,981,847
Consumer electronic products and other electornic products	38,403 thousand pieces	7,974,331
Others	1 thousand pieces	57,739
		<u>\$ 28,013,917</u>

CHICONY POWER TECHNOLOGY CO., LTD.  
DETAILS OF OPERATING COSTS  
Year ended December 31, 2018  
(In thousands of New Taiwan Dollars)

<u>Items</u>	<u>Amount</u>
Inventories, Balance at January 1	\$ 2,319,830
Add: Purchasing	20,245,091
Less: Inventories, balance at December 31	( 3,427,065)
Loss on physical inventory	( 190)
Scrapped	( 314)
Transferred to manufacturing or operating expenses	( 6,623)
Cost of goods sold	19,130,729
Loss on obsolete inventories and decline in market value	35,320
Loss on physical inventory	190
Scrapped	314
Other operating costs	6,314,026
Operating costs	<u>\$ 25,480,579</u>



CHICONY POWER TECHNOLOGY CO., LTD.  
DETAILS OF OPERATING EXPENSES  
Year ended December 31, 2018  
(In thousands of New Taiwan Dollars)

Items	Selling expenses	General and administrative expenses	Research and development expenses	Total
Wages and salaries	\$ 85,275	\$ 115,790	\$ 661,545	\$ 862,610
Pension costs	3,792	8,095	23,125	35,012
Rental expenses	4,873	6,181	38,557	49,611
Travelling expenses	6,942	4,395	17,659	28,996
Employee benefits	1,378	2,368	9,387	13,133
Shipment expenses	22,467	178	52	22,697
Insurance expenses	23,265	16,299	42,916	82,480
Depreciation	481	2,000	33,894	36,375
Amortisation	574	3,624	39,603	43,801
Export charge fees	62,002	-	139	62,141
Commission	49,193	-	-	49,193
Service fees	273	12,458	131,610	144,341
Inspection fees	609	3,531	25,376	29,516
Safety rule expenses	219	-	79,698	79,917
Management fees	736	20,057	7,253	28,046
Other expenses	36,028	29,385	72,658	138,071
	<u>\$ 298,107</u>	<u>\$ 224,361</u>	<u>\$ 1,183,472</u>	<u>\$ 1,705,940</u>

CHICONY POWER TECHNOLOGY CO., LTD.  
DETAILS OF EMPLOYEE BENEFITS, DEPRECIATION AND AMORTISATION  
Year ended December 31, 2018  
(In thousands of New Taiwan Dollars)

Please refer to Note 6(21) Personnel expenses, depreciation and amortisation  
and Note 6(22) Employee benefit expenses.

## CHICONY POWER TECHNOLOGY CO., LTD.

## Loans to others

Year ended December 31, 2018

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

No. (Note 1)	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended December 31, 2018 (Note 2)	Balance at December 31, 2018 (Note 3)	Actual amount drawn down	Interest rate	Nature of loan (Note 4)	Amount of transactions with the borrower (Note 5)	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party (Note 6)	Ceiling on total loans granted (Note 6)	Footnote
0	CP	CT	Other receivables - related parties	YES	\$ 75,000	\$ 45,000	\$ 26,300	1.5	2	\$ -	working capital	\$ -	None	None	\$ 2,920,683	\$ 2,920,683	-
1	CPI	WT	Other receivables - related parties	YES	30,610	-	-	1.3	2	-	working capital	-	None	None	1,787,031	1,787,031	-
1	CPI	CPUS	Other receivables - related parties	YES	170,253	168,933	153,575	1.6	2	-	working capital	-	None	None	2,190,512	2,920,683	-
1	CPI	CPHK	Other receivables - related parties	YES	1,269,155	1,259,315	1,136,455	1.6	2	-	working capital	-	None	None	2,190,512	2,920,683	-
1	CPI	WTS	Other receivables - related parties	YES	40,242	39,930	29,410	2.0	2	-	working capital	-	None	None	1,787,031	1,787,031	-
2	CPSZ	TORCH	Other receivables - related parties	YES	555,272	322,056	254,961	1.6	2	-	working capital	-	None	None	746,416	746,416	-
2	CPSZ	WTK	Other receivables - related parties	YES	31,794	16,103	16,103	1.6	2	-	working capital	-	None	None	746,416	746,416	-
3	WTS	WT	Other receivables - related parties	YES	58,368	43,001	39,854	1.3-2.0	2	-	working capital	-	None	None	69,579	69,579	-
4	CPDG	TORCH	Other receivables - related parties	YES	224,250	223,650	-	1.6	2	-	working capital	-	None	None	403,425	403,425	-

Note 1: The numbers filled in for the loans provided by the Company or subsidiaries are as follows:

(1) The Company is '0'.

(2) The subsidiaries are numbered in order starting from '1'.

Note 2: Fill in the maximum outstanding balance of loans to others during the year ended December 31, 2018.

Note 3: The amounts of funds to be loaned to others which have been approved by the board of directors of a public company in accordance with Article 14, Item 1 of the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" should be included in its published balance of loans to others at the end of the reporting period to reveal the risk of loaning the public company bears, even though they have not yet been appropriated. However, this balance should exclude the loans repaid when repayments are done subsequently to reflect the risk adjustment. In addition, if the board of directors of a public company has authorised the chairman to loan funds in instalments or in revolving within certain lines and within one year in accordance with Article 14, Item 2 of the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies", the balance of loans to others at the end of the reporting period should also include these lines of loaning approved by the board of directors, and these lines of loaning should not be excluded from this balance even though the loans are repaid subsequently, for taking into consideration they could be loaned again thereafter.

Note 4: The numbers filled in the column of 'Nature of loan are as follows:

(1) The business transaction is '1'.

(2) The short-term financing is '2'.

Note 5: Fill in the amount of business transactions when nature of the loan is related to business transactions, which is the amount of business transactions occurred between the creditor and borrower in the current year.

Note 6: (1) Total financing amount should not exceed the Company's stockholders' equity and

a. the total financing amount to any individual party should not exceed 40% of the Company's stockholders' equity for the purpose of short-term financing.

b. the total financing amount to any individual party should not exceed 50% of the Company's stockholders' equity and the amount of sales/purchase during the year for the purpose of business.

(2) Total financing amount should not exceed 40% of the subsidiary's stockholders' equity and

a. the total financing amount to any individual party should not exceed 40% of the subsidiary's stockholders' equity for the purpose of short-term financing.

b. the total financing amount to any individual party should not exceed 50% of the subsidiary's stockholders' equity and the amount of sales/purchase during the year for the purpose of business.

(3) Loans for foreign companies whose voting rights are 100% directly or indirectly held by the Company are not limited to the restriction of 40% of the lending company's net assets based on the latest audited or reviewed financial statements. However, limit on loans granted to a single company is 30% of the Company's net assets based on the latest audited or reviewed financial statements, or the higher of sales and purchases during the year. Ceiling on total loans is 40% of the Company's net assets based on the latest audited or reviewed financial statements, and the financing period should not exceed 3 years.

(4) Except for (3), the financing period should not exceed one year.

CHICONY POWER TECHNOLOGY CO., LTD.  
Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)  
December 31, 2018

Table 2

Expressed in thousands of NTD  
(Except as otherwise indicated)

				As of December 31, 2018					
Securities held by	Marketable securities		Relationship with the securities issuer	General ledger account	Number of shares	Book value	Ownership(%)	Fair value	Footnote
The Company	Common stock	Newmax Technology Co., Ltd.	The Company's parent company is this company's corporate director	Financial assets at fair value through profit or loss - current	3,008,779	\$ 198,279	1.88	\$ 198,279	-
The Company	Common stock	Laster Tech Corporation Ltd.	The Company's parent company is this company's corporate director	Financial assets at fair value through profit or loss - current	1,300,176	45,246	1.90	45,246	-
The Company	Common stock	Powertech Technology Inc.	The Company's independent director is the chairman of the securities issuer	Financial assets at fair value through profit or loss - current	1,500,000	99,150	0.19	99,150	-
The Company	Common stock	Amazing Microelectronic Corp.	-	Financial assets at fair value through profit or loss - current	130,920	9,164	0.18	9,164	-
The Company	Common stock	Formosa Sumco Technology Corporation	-	Financial assets at fair value through profit or loss - current	550,000	64,900	0.14	64,900	-
The Company	Common stock	WIN Semiconductors Corp.	-	Financial assets at fair value through profit or loss - current	290,000	34,220	0.07	34,220	-
The Company	Common stock	Yageo Corporation	-	Financial assets at fair value through profit or loss - current	59,905	19,110	0.01	19,110	-
The Company	Common stock	Lite-On Semiconductor Corp.	The Company's independent director is the director of the securities issuer	Financial assets at fair value through profit or loss - current	500,000	13,450	0.16	13,450	-
The Company	Common stock	Prosperity Dielectrics Co., Ltd.	-	Financial assets at fair value through profit or loss - current	150,000	8,985	0.09	8,985	-
The Company	Common stock	Advanced Power Electronics Corp.	-	Financial assets at fair value through profit or loss - current	297,000	9,192	0.37	9,192	-
The Company	Emerging Stock	TwI Biotechnology, Inc.	-	Financial assets at fair value through profit or loss - current	195,000	3,892	0.29	3,892	-
The Company	Bond	Everlight Electronics Co., Ltd.	-	Financial assets at fair value through profit or loss - current	2,500,000	248,500	-	248,500	-
The Company	Beneficiary certificates	Fuh Hwa Digital Economy Fund	-	Financial assets at fair value through profit or loss - current	4,483,391	193,996	-	193,996	-
The Company	Beneficiary certificates	WK Venature Capital Management CO. Ltd.	-	Financial assets at fair value through profit or loss - non-current	1,000,000	12,535	1.00	12,535	-
The Company	Common stock	Top Taiwan Venture Capital Management Co., Ltd.	The Company's independent director is the chairman of the securities issuer, and the Company is its supervisor	Financial assets at fair value through profit or loss - non-current	7,500,000	71,689	9.38	71,689	-
The Company	Common stock	Chen Ding Venture Capital Management Co., Ltd.	The Company is this company's corporate director	Financial assets at fair value through profit or loss - non-current	10,000,000	98,455	7.41	98,455	-
The Company	Beneficiary certificates	Fuh Hwa New Oriental Securities Investment Trust Fund	-	Financial assets at fair value through profit or loss - non-current	6,000,000	24,120	-	24,120	-
The Company	Beneficiary certificates	Fuh Hwa New Smart Energy Securities Investment Trust	-	Financial assets at fair value through profit or loss - non-current	21,000,000	204,750	-	204,750	-
The Company	Common stock	CLEVO CO.	The director of the Company's parent company is the director of the securities issuer	Financial assets at fair value through other comprehensive income - current	4,538,000	138,182	0.67	138,182	-
The Company	Common stock	Everlight Electronics Co., Ltd.	-	Financial assets at fair value through other comprehensive income - current	157,000	4,639	0.04	4,639	-
The Company	Common stock	KINSUS INTERCONNECT TECHNOLOGY CORP.	-	Financial assets at fair value through other comprehensive income - current	920,000	40,112	0.20	40,112	-
The Company	Common stock	Genesis Photonics Inc.	-	Financial assets at fair value through other comprehensive income - current	8,379,940	13,743	2.72	13,743	-
The Company	Common stock	AcBel Polytech Inc.	-	Financial assets at fair value through other comprehensive income - current	1,908,000	36,061	0.37	36,061	-
The Company	Common stock	Cheng Uei Precision Industry Co., Ltd.	-	Financial assets at fair value through other comprehensive income - current	250,000	5,925	0.05	5,925	-
The Company	Common stock	Zippy Technology Corp.	-	Financial assets at fair value through other comprehensive income - current	312,000	9,797	0.20	9,797	-
The Company	Common stock	Green Seal Holding Limited	-	Financial assets at fair value through other comprehensive income - current	2,356,200	84,116	1.44	84,116	-
The Company	Common stock	Hon Hai Precision Industry Co., Ltd.	-	Financial assets at fair value through other comprehensive income - current	800,000	56,640	0.01	56,640	-
The Company	Common stock	Flytech Technology Co., Ltd.	-	Financial assets at fair value through other comprehensive income - current	230,000	15,641	0.16	15,641	-
The Company	Common stock	Apogee Optocom Co., Ltd.	-	Financial assets at fair value through other comprehensive income - current	264,307	19,294	0.79	19,294	-
The Company	Common stock	Genesis Photonics Inc.	-	Financial assets at fair value through other comprehensive income - non-current	8,699,899	9,831	2.83	9,831	-
The Company	Common stock	TAIPEI TECH Venture Capital Co.,Ltd.	The Company is this company's corporate director	Financial assets at fair value through other comprehensive income - non-current	1,500,000	17,272	5.00	17,272	-
CPI	Common stock	Q Technology (Group) Company Limited	-	Financial assets at fair value through profit or loss - current	700,000	12,215	0.06	12,215	-
CPI	Beneficiary certificates	WRV II, L.P	-	Financial assets at fair value through profit or loss - non-current	3,689,266	114,211	-	114,211	-
CPI	Common stock	Anxin-China Holdings Ltd.	-	Financial assets at fair value through other comprehensive income - current	8,300,000	-	0.27	-	-
CPI	Common stock	Merrimack Pharmaceuticals, Inc. MACK	-	Financial assets at fair value through other comprehensive income - current	49,228	5,897	0.37	5,897	-

CHICONY POWER TECHNOLOGY CO., LTD.  
Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more  
Year ended December 31, 2018

Table 3

Expressed in thousands of NTD  
(Except as otherwise indicated)

Real estate acquired by	Real estate acquired	Date of the event	Transaction amount	Status of payment	Counterparty	Relationship with the counterparty	If the counterparty is a related party, information as to the last transaction of the real estate is disclosed below:					Reason for acquisition of real estate and status of the real estate	Other
							Original owner who sold the real estate to the counterparty	Relationship between the original owner and the acquirer	Date of the original transaction	Amount	Basis or reference used in setting the price		
CPSZ	Construction in Process	2018/12/27	\$1,103,069 (RMB247,825 thousand)	\$ -	Suzhou Weiye Group Co., Ltd.	None	-	-	-	\$ -	Contract	Plant (For the Purpose of Conducting Business)	None

Note 1: The appraisal result should be presented in the 'Basis or reference used in setting the price' column if the real estate acquired should be appraised pursuant to the regulations.

Note 2: Paid-in capital referred to herein is the paid-in capital of parent company. In the case that shares were issued with no par value or a par value other than NT\$10 per share, the 20 % of paid-in capital shall be replaced by 10% of equity attributable to owners of the parent in the calculation.

CHICONY POWER TECHNOLOGY CO., LTD.

Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more

Year ended December 31, 2018

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

Differences in transaction terms compared to third party											
Transaction											
transactions											
Notes/accounts receivable (payable)											
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes / accounts receivable (payable)	Footnote
Sales											
The Company	Kapok Computer (KUNSHAN) Co.	Other related party	Sales	(\$ 396,443)	1	60 days	Note 1	Note 1	\$ 122,318	2	-
The Company	Chicony Electronics CEZ s.r.o.	Entity controlled by the same parent company	Sales	( 108,320)	-	90 days	Note 1	Note 1	3,816	-	-
The Company	Chicony Electronics (Dong Guan) Co., Ltd.	Entity controlled by the same parent company	Sales	( 809,797)	3	90 days	Note 1	Note 1	305,660	4	-
The Company	CPUS	Subsidiary	Sales	( 954,424)	3	90 days	Note 1	Note 1	411,821	6	-
The Company	Chicony Electronics Co., Ltd.	Parent Company	Sales	( 157,418)	1	90 days	Note 1	Note 1	37,708	1	-
CPI	The Company	The Company	Sales	( 26,456,021)	93	45 days	Note 1	Note 1	7,149,606	90	-
CPI	Chicony Electronics (Suzhou) Co., Ltd.	Entity controlled by the same parent company	Sales	( 1,142,639)	4	90 days	Note 1	Note 1	488,157	6	-
CPI	Mao-Ray(Dong Guan) Co., Ltd.	Entity controlled by the same parent company	Sales	( 192,999)	1	90 days	Note 1	Note 1	87,025	1	-
CPI	Chicony Electronics (Chong-Qing) Co., Ltd.	Entity controlled by the same parent company	Sales	( 478,619)	2	90 days	Note 1	Note 1	150,282	2	-
CPDG	CPI	Subsidiary	Sales	( 9,730,341)	98	45 days	Note 1	Note 1	1,557,649	95	-
CPSZ	CPI	Subsidiary	Sales	( 12,534,468)	97	45 days	Note 1	Note 1	4,066,243	97	-
CPSZ	Chicony Electronics (Suzhou) Co., Ltd.	Entity controlled by the same parent company	Sales	( 224,741)	2	90 days	Note 1	Note 1	102,235	2	-
CPCQ	CPI	Subsidiary	Sales	( 5,408,980)	85	45 days	Note 1	Note 1	1,577,010	87	-
CPCQ	CPSZ	Subsidiary	Sales	( 866,747)	14	60 days	Note 1	Note 1	222,049	12	-
GSE	CPDG	Subsidiary	Sales	( 394,003)	38	60 days	Note 1	Note 1	143,062	41	-
GSE	CPSZ	Subsidiary	Sales	( 363,124)	35	60 days	Note 1	Note 1	118,411	34	-
GSE	CPCQ	Subsidiary	Sales	( 160,257)	16	60 days	Note 1	Note 1	50,530	14	-
Purchases											
The Company	CPI	Subsidiary	Purchases	\$ 26,456,021	97	45 days	Note 2	Note 2	(\$ 7,149,606)	99	-
CPUS	The Company	The Company	Purchases	954,424	100	90 days	Note 2	Note 2	( 411,821)	100	-
CPI	CPDG	Subsidiary	Purchases	9,730,341	33	45 days	Note 2	Note 2	( 1,557,649)	20	-
CPI	CPSZ	Subsidiary	Purchases	12,534,468	46	45 days	Note 2	Note 2	( 4,066,243)	53	-
CPI	CPCQ	Subsidiary	Purchases	5,408,980	20	45 days	Note 2	Note 2	( 1,577,010)	21	-
CPDG	GSE	Subsidiary	Purchases	394,003	4	60 days	Note 2	Note 2	( 143,062)	4	-
CPSZ	CPCQ	Subsidiary	Purchases	866,747	7	60 days	Note 2	Note 2	( 222,049)	5	-
CPSZ	GSE	Subsidiary	Purchases	363,124	3	60 days	Note 2	Note 2	( 118,411)	3	-
CPCQ	GSE	Subsidiary	Purchases	160,257	3	60 days	Note 2	Note 2	( 50,530)	2	-

Note 1 : The terms of the sales to related parties were not significantly different from those of sales to third parties.

Note 2 : The terms of the purchases to related parties were not significantly different from those of purchases to third parties.

## CHICONY POWER TECHNOLOGY CO., LTD.

Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more

December 31, 2018

Table 5

Expressed in thousands of NTD

(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2018	Turnover rate	Overdue receivables		Amount collected subsequent to the balance	Allowance for Creditor Counterparty doubtful accounts
					Amount	Action taken		
Financial funds receivable								
CPI	CPHK	Subsidiary	\$ 1,173,781	-	-	-	-	-
CPI	CPUS	Subsidiary	158,592	-	-	-	-	-
CPSZ	TORCH	Subsidiary	256,877	-	-	-	-	-
Accounts receivable								
The Company	CPUS	Subsidiary	\$ 411,821	2.91	-	-	-	-
The Company	Chicony Electronics (Dong Guan) Co., Ltd.	Entity controlled by the same parent company	305,660	2.80	-	-	-	-
The Company	Kapok Computer (KUNSHAN) Co.	Other related party	122,318	3.75	-	-	-	-
CPI	The Company	The Company	7,149,606	3.96	-	-	-	-
CPI	Chicony Electronics (Suzhou) Co., Ltd.	Entity controlled by the same parent company	488,157	2.14	-	-	-	-
CPI	Chicony Electronics (Chong-Qing) Co., Ltd.	Entity controlled by the same parent company	150,282	3.48	-	-	-	-
CPDG	CPI	Subsidiary	1,557,649	6.16	-	-	-	-
CPSZ	CPI	Subsidiary	4,066,243	3.14	-	-	-	-
CPSZ	Chicony Electronics (Suzhou) Co., Ltd.	Entity controlled by the same parent company	102,235	2.58	-	-	-	-
CPCQ	CPI	Subsidiary	1,577,010	3.69	-	-	-	-
CPCQ	CPSZ	Subsidiary	222,049	3.60	-	-	-	-
GSE	CPDG	Subsidiary	143,062	2.70	-	-	-	-
GSE	CPSZ	Subsidiary	118,411	3.52	-	-	-	-

CHICONY POWER TECHNOLOGY CO., LTD.  
Significant inter-company transactions during the reporting period  
Year ended December 31, 2018

Table 6

Expressed in thousands of NTD  
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			
				General ledger account	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
0	The Company	CPUS	1	Sales	\$ 954,424	Note 4	3
0	The Company	CPUS	1	Accounts receivable - related party	411,821	Note 4	2
1	CPI	The Company	2	Sales	26,456,021	Note 4	85
1	CPI	The Company	2	Accounts receivable - related party	7,149,606	Note 4	33
1	CPI	CPHK	3	Other receivables - related party	1,173,781	Note 5	5
2	CPDG	CPI	3	Sales	9,730,341	Note 4	31
2	CPDG	CPI	3	Accounts receivable - related party	1,557,649	Note 4	7
3	CPSZ	CPI	3	Sales	12,534,468	Note 4	40
3	CPSZ	CPI	3	Accounts receivable - related party	4,066,243	Note 4	19
3	CPSZ	TORCH	3	Other receivables - related party	256,877	Note 5	1
4	CPCQ	CPI	3	Sales	5,408,980	Note 4	25
4	CPCQ	CPI	3	Accounts receivable - related party	1,577,010	Note 4	7
4	CPCQ	CPSZ	3	Sales	866,747	Note 4	3
4	CPCQ	CPSZ	3	Accounts receivable - related party	222,049	Note 4	1
5	GSE	CPDG	3	Sales	394,003	Note 4	1
5	GSE	CPSZ	3	Sales	363,124	Note 4	1

Other transactions between the parent company and subsidiaries not exceeding 1% of the consolidated total revenue or total assets are not disclosed. Those transactions are shown in other assets and revenue.

Note 1 : The number filled in for the transaction company in respect of inter-company transactions are as follows :

(1) Parent company is '0'

(2) The subsidiaries are numbered in order starting from '1'

Note 2 : Relationship between transaction company and counterparty is classified into the following three categories; fill in the number of category each case belong to (If transactions between parent company and subsidiaries or between refer to the same transactions, it is not required to disclose twice. For example, if the parent company has already disclosed its transaction with a subsidiary, then the subsidiary is not required to disclose the transaction; for transactions subsidiaries, if one of the subsidiaries has disclosed the transactions, then the other is not required to disclose the transaction.) :

(1) Parent company to subsidiary.

(2) Subsidiary to parent company

(3) Subsidiary to subsidiary

Note 3 : Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on year-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

Note 4 : Depends on the transaction quantity and the market situation.

Note 5 : The terms of related parties loans depend on both parties' operation situation.



## CHICONY POWER TECHNOLOGY CO., LTD.

## Information on investees

Year ended December 31, 2018

Table 7

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2018			Net profit (loss) of the investee for the year ended December 31, 2018	Investment income (loss) recognised by the Company for the year ended December 31, 2018	Footnote
				Balance as at December 31, 2018	Balance as at December 31, 2017	Number of shares	Ownership (%)	Book value			
The Company	Chicony Power Holdings Inc. (CPH)	BVI	Investment holdings	\$ 326,350	326,350	10,000,000	\$ 100	\$ 4,344,910	\$ 404,288	\$ 363,736	Subsidiary
CPH	Chicony Power International Inc. (CPI)	Cayman Islands	Sales of switching power supplies and other electronic parts	307,150 (USD 10,000 thousand)	307,150 (USD 10,000 thousand)	10,000,000	100	4,467,577	404,367	-	Subsidiary
CPI	Chicony Power USA, Inc. (CPUS)	U.S.A	Sales of switching power supplies and other electronic parts	40,452 (USD 1,317 thousand)	40,452 (USD 1,317 thousand)	1,500,000	100	28,383	14,143	-	Subsidiary
CPI	Chicony Power Technology Hong Kong Limited (CPHK)	Hong Kong	Research and development center and investment holdings	336,534 (HKD 85,800 thousand)	336,534 (HKD 85,800 thousand)	46,800,000	100	2,768,233	329,363	-	Subsidiary
CPI	WitsLight Technology Co., Ltd (WTS)	Samoa	Design, R&D, manufacturing and sales of LED lighting module	276,435 (USD 9,000 thousand)	276,435 (USD 9,000 thousand)	10,000,000	78.125	191,550 (	31,126)	-	Subsidiary
WTS	WitsLight Technology Co, Ltd.(WT)	Taiwan	Design, R&D, manufacturing and sales of LED lighting module	5,000	5,000	500,000	100 (	79,587) (	3,987)	-	Subsidiary
WTS	Carlight Technology Co., Ltd (CT)	Taiwan	Design, R&D, developing and sales of automotive and motorcycle lamps and other components	3,000	3,000	300,000	100 (	23,481) (	8,535)	-	Subsidiary

Note: For the amounts denominated in foreign currencies, profit and loss amounts are translated into New Taiwan dollars at the yearly average exchange rate of 2018, while others are translated into New Taiwan dollars at the spot exchange rates prevailing at the end of the annual reporting period.

## CHICONY POWER TECHNOLOGY CO., LTD.

## Information on investments in Mainland China

Year ended December 31, 2018

Table 8

Expressed in thousands of NTD  
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2018	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2018		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2018	Net income of investee for the year ended December 31, 2018	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2018 (Note 2, 3)	Book value of investments in Mainland China as of December 31, 2018	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2018	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Chicony Power Technology (DongGuan) Co., Ltd.	Manufacturing and sales of switching power supplies and other electronics parts	\$ 593,135	2.(1)	\$ 114,408	\$ -	\$ -	\$ 114,408	(\$ 95,365)	100	(\$ 95,365)	\$ 1,008,561	\$ -	-
Chicony Power Technology (Suzhou) Co., Ltd.	Manufacturing and sales of electronics components and LED lighting equipment	676,167	2.(1)	45,197	-	-	45,197	328,704	100	328,704	1,866,041	-	-
Quang Sheng Electronics (Nangchang) Co., Ltd.	Manufacturing and sales of electronics components and transformers	131,175	2.(1)	33,573	-	-	33,573	7,665	100	7,304	226,134	-	-
Chicony Power Technology (Chong Qing) Co., Ltd.	Manufacturing and sales of electronics components and LED lighting equipment	301,744	2.(1)	-	-	-	-	120,690	100	120,690	870,468	-	-
Chicony Energy Saving Technology (Shanghai) Co., Ltd.	Sales of LED lighting equipment	44,379	2.(1)	-	-	-	-	6,937	100	6,937	53,004	-	-
Chicony Power Technology Trading (Dong Guan) Co., Ltd.	Importing and exporting of power supplies, LED lighting equipments, and other electronics and smart building system industry.	10,491	2.(1)	-	-	-	-	( 9,265)	100	( 9,265)	402	-	-
WitsLight Technology (Kushun) Co, Ltd.	Manufacturing and sales of LED lighting module	331,859	2.(2)	-	-	-	-	( 4,528)	78.125	( 3,538)	206,528	-	-
Zhuzhou Torch Auto Lamp CO., Ltd	Production and sales of automotive and motorcycle components, electric machine and device, lamps and plastic products	228,654	2.(2)	-	-	-	-	( 2,163)	78.125	( 1,690)	189,448	-	-

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2018	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
The Company	\$ 193,178	\$ 2,164,327	\$ 4,381,025

Note 1: Investment methods are classified into the following three categories; fill in the number of category each case belongs to:

1. Directly invest in a company in Mainland China..

2. Through investing in an existing company in the third area, which then invested in the investee in Mainland China. The third areas are as follows:

(1) Chicony Power Technology Hong Kong Limited.

(2) Witslight Technology Co., Ltd.

3. Others

Note 2: The gain or loss from investment which recognised in the current period including the recognition and derecognition of realised and unrealised profit or income of upstream and sidestream sales.

Note 3: Based on the financial statements audited by the parent companies' CPA.

Note 4: The numbers in this table are expressed in New Taiwan Dollars.