CHICONY POWER TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND

REPORT OF INDEPENDENT ACCOUNTANTS

DECEMBER 31, 2019 AND 2018

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.

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REPORT OF INDEPENDENT ACCOUNTANTS

PWCR19003558

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

Opinion

We have audited the accompanying consolidated balance sheets of Chicony Power Technology Co., Ltd. and its subsidiaries (the "Group") as of December 31, 2019 and 2018, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the report of other independent accountants (refer to "other matter"), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for Opinion

We conducted our audits in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" and generally accepted auditing standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. 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 consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

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

Appropriateness of Cut-off of Warehouse Sales Revenue

Description

Refer to Notes 4(29) and 6(20) for accounting policy on revenue recognition and related details of revenue.

The Group 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 Group's warehouses are located in multiple countries, and the revenue recognition process involves several manual operations. Thus, we determine the warehouse sales revenue cut off as one of the key areas of focus for this fiscal year's audit.

How our audit addressed the matter

We performed the following audit procedures in respect of the above key audit matter:

1. Evaluated the internal controls for regular reconciliation between the Group 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 Group's accounting records.
3. Audited the warehouse inventory by performing physical counts or using confirmation letters to validate inventory balances with the warehouse custodians.

Inventory Valuation

Description

Refer to Notes 4(12), 5(2) and 6(5) for inventory accounting policy, accounting estimates and assumptions, and details of inventory valuation. As of December 31, 2019, the balances of inventory and allowance for inventory valuation losses are NT$6,123,923 thousand and NT$246,281 thousand, respectively.

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The Group's main inventories are switching power supply, electronic components, and LED lighting modules. As the 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 is subject to management's judgement. Considering that the Group's inventory balance and the allowance for inventory valuation losses are material to the financial statements, we consider the valuation of inventory as one of the key audit matters.

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

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

1. Assessed whether the accounting policies comply 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 by 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 a consolidated subsidiary, which statements reflect total assets of NT$628,569 thousand and NT$605,061 thousand, constituting 2.89% and 2.77% of consolidated total assets as at December 31, 2019 and 2018, respectively, and sales revenue amounting to NT$1,262,843 thousand and NT$930,415 thousand, constituting 3.67% and 2.97% of consolidated total sales revenue 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.

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Other Matter - Parent Company Only Financial Reports

We have audited and expressed an unqualified opinion on the parent company only financial statements of Chicony Power Technology Co., Ltd. as at and for the years ended December 31, 2019 and 2018.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including audit committee, are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ROC GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of

not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our 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 2, 2020

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

CHICONY POWER TECHNOLOGY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands of New Taiwan dollars)

	Assets	Notes	December 31, 2019 AMOUNT	%	December 31, 2018 AMOUNT	%
	CURRENT ASSETS					
1100	Cash and cash equivalents	6(1)	$ 1,387,541	6	$ 705,018	3
1110	Financial assets at fair value through profit or loss - current	6(2)	832,900	4	971,324	4
1120	Financial assets at fair value through other comprehensive income - current	6(3)	240,545	1	430,047	2
1150	Notes receivable, net	6(4)	113,207	1	106,263	-
1170	Accounts receivable, net	6(4)	6,987,191	32	6,536,534	30
1180	Accounts receivable - related parties	7	1,416,178	7	1,347,721	6
1200	Other receivables		35,895	-	165,578	1
1210	Other receivables - related parties	7	803	-	457	-
130X	Inventories, net	6(5)	5,877,642	27	7,354,907	34
1410	Prepayments		303,013	1	336,604	2
1470	Other current assets		6,085	-	550	-
11XX	**TOTAL CURRENT ASSETS**		17,201,000	79	17,955,003	82
	NON-CURRENT ASSETS					
1510	Financial assets at fair value through profit or loss - non-current	6(2)	525,320	2	525,760	2
1517	Financial assets at fair value through other comprehensive income - non-current	6(3)	25,874	-	27,103	-
1600	Property, plant and equipment, net	6(6)	3,129,044	14	2,499,500	12
1755	Right-of-use assets	6(7)	355,209	2	-	-
1780	Intangible assets	6(8)	112,635	1	194,445	1
1840	Deferred income tax assets	6(26)	118,019	1	68,139	-
1900	Other non-current assets	6(9) and 8	305,923	1	605,768	3
15XX	**TOTAL NON-CURRENT ASSETS**		4,572,024	21	3,920,715	18
1XXX	**TOTAL ASSETS**		$ 21,773,024	100	$ 21,875,718	100

(Continued)

CHICONY POWER TECHNOLOGY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands of New Taiwan dollars)

	Liabilities and Equity	Notes	December 31, 2019 AMOUNT	%	December 31, 2018 AMOUNT	%
	CURRENT LIABILITIES					
2100	Short-term borrowings	6(10)	$ 250,000	1	$ 1,450,000	7
2120	Financial liabilities at fair value through profit or loss - current	6(2)	63,404	-	15,543	-
2130	Contract liabilities - current	6(20)	108,190	1	114,222	-
2150	Notes payable		317	-	217	-
2170	Accounts payable	6(11)	10,002,907	46	10,334,645	47
2200	Other payables	6(12)	2,367,271	11	2,127,772	10
2220	Other payables - related parties	7	14,949	-	12,600	-
2230	Current income tax liabilities		270,296	1	360,727	2
2280	Lease liabilities - current	7	44,693	-	-	-
2300	Other current liabilities		19,376	-	24,426	-
21XX	**TOTAL CURRENT LIABILITIES**		13,141,403	60	14,440,152	66
	NON-CURRENT LIABILITIES					
2540	Long-term borrowings	6(13)	100,000	1	-	-
2570	Deferred income tax liabilities	6(26)	89,848	1	10,453	-
2580	Lease liabilities - non-current	7	62,005	-	-	-
2600	Other non-current liabilities	6(14)	62,356	-	85,269	-
25XX	**TOTAL NON-CURRENT LIABILITIES**		314,209	2	95,722	-
2XXX	**TOTAL LIABILITIES**		13,455,612	62	14,535,874	66
	EQUITY ATTRIBUTABLE TO OWNERS OF PARENT					
	SHARE CAPITAL	6(16)				
3110	Share capital - common stock		3,867,154	18	3,831,413	18
	CAPITAL SURPLUS	6(17)				
3200	Capital surplus		2,007,888	10	1,860,279	8
	RETAINED EARNINGS	6(18)				
3310	Legal reserve		950,691	4	847,670	4
3320	Special reserve		1,611,685	7	1,043,408	5
3350	Unappropriated retained earnings		1,352,568	6	1,530,427	7
	OTHER EQUITY INTEREST	6(19)				
3400	Other equity interest		(1,306,489)	(6)	(1,611,685)	(7)
3500	**TREASURY STOCKS**	6(16)	(199,804)	(1)	(199,804)	(1)
31XX	**EQUITY ATTRIBUTABLE TO OWNERS OF PARENT**		8,283,693	38	7,301,708	34
36XX	**NON-CONTROLLING INTEREST**		33,719	-	38,136	-
3XXX	**TOTAL EQUITY**		8,317,412	38	7,339,844	34
	SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS	9				
	SIGNIFICANT SUBSEQUENT EVENTS	11				
3X2X	**TOTAL LIABILITIES AND EQUITY**		$ 21,773,024	100	$ 21,875,718	100

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

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

			Years ended December 31, 2019		2018	
	Items	Notes	AMOUNT	%	AMOUNT	%
4000	**SALES REVENUE**	6(20) and 7	$ 34,415,370	100	$ 31,292,361	100
5000	**OPERATING COSTS**	6(5)(24)(25)	(28,780,982)	(84)	(26,908,680)	(86)
5900	**GROSS PROFIT**		5,634,388	16	4,383,681	14
	OPERATING EXPENSES	6(24)(25) and 7				
6100	Selling expenses		(928,349)	(3)	(786,441)	(3)
6200	General and administrative expenses		(846,736)	(2)	(735,666)	(2)
6300	Research and development expenses		(1,649,361)	(5)	(1,438,813)	(4)
6450	Expected credit loss		(9,773)	-	(418)	-
6000	**TOTAL OPERATING EXPENSES**		(3,434,219)	(10)	(2,961,338)	(9)
6900	**OPERATING PROFIT**		2,200,169	6	1,422,343	5
	NON-OPERATING INCOME AND EXPENSES					
7010	Other income	6(21)	138,317	-	155,846	-
7020	Other gains and losses	6(22)	(68,394)	-	(187,902)	(1)
7050	Finance costs	6(23) and 7	(50,285)	-	(55,621)	-
7000	**TOTAL NON-OPERATING INCOME AND EXPENSES**		19,638	-	(87,677)	(1)
7900	**PROFIT BEFORE INCOME TAX**		2,219,807	6	1,334,666	4
7950	Income tax expense	6(26)	(501,917)	(1)	(311,266)	(1)
8200	**PROFIT FOR THE YEAR**		$ 1,717,890	5	$ 1,023,400	3
	OTHER COMPREHENSIVE INCOME COMPONENTS OF OTHER COMPREHENSIVE INCOME THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS					
8311	Remeasurement of defined benefit plan	6(14)	($ 4,619)	-	($ 11,072)	-
8316	Unrealised gain (loss) from investments in equity instruments measured at fair value through other comprehensive income	6(19)	71,391	-	(183,546)	(1)
	COMPONENTS OF OTHER COMPREHENSIVE INCOME THAT WILL BE RECLASSIFIED TO PROFIT OR LOSS					
8361	Financial statements translation differences of foreign operations		(225,771)	-	(73,369)	-
8300	**TOTAL OTHER COMPREHENSIVE LOSS FOR THE YEAR**		($ 158,999)	-	($ 267,987)	(1)
8500	**TOTAL COMPREHENSIVE INCOME FOR THE YEAR**		$ 1,558,891	5	$ 755,413	2
	PROFIT (LOSS) ATTRIBUTABLE TO:					
8610	Owners of the parent		$ 1,720,487	5	$ 1,030,209	3
8620	Non-controlling interest		($ 2,597)	-	($ 6,809)	-
	COMPREHENSIVE INCOME (LOSS) ATRRIBUTABLE TO:					
8710	Owners of the parent		$ 1,563,308	5	$ 763,358	2
8720	Non-controlling interest		($ 4,417)	-	($ 7,945)	-
	EARNINGS PER SHARE (NT$)	6(27)				
9750	**BASIC EARNINGS PER SHARE**		$	4.51	$	2.72
9850	**DILUTED EARNINGS PER SHARE**		$	4.45	$	2.68

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

CHICONY POWER TECHNOLOGY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In thousands of New Taiwan dollars)

		Equity attributable to owners of the parent									
				Retained Earnings							
	Notes	Share capital - common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Other equity interest	Treasury stocks	Total	Non-controlling interest	Total equity
Year ended December 31, 2018											
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	$ 46,081	$ 7,546,481
Effects of retrospective application and retrospective restatement	6(19)	-	-	-	-	310,594	(327,257)	-	(16,663)	-	(16,663)
BALANCE AT JANUARY 1, 2018 AFTER ADJUSTMENTS		3,822,723	1,696,317	691,510	483,361	2,526,156	(1,370,665)	(365,665)	7,483,737	46,081	7,529,818
Profit for the year		-	-	-	-	1,030,209	-	-	1,030,209	(6,809)	1,023,400
Other comprehensive loss for the year	6(14)(19)	-	-	-	-	(11,072)	(255,779)	-	(266,851)	(1,136)	(267,987)
Total comprehensive income for the year		-	-	-	-	1,019,137	(255,779)	-	763,358	(7,945)	755,413
Distribution of 2017 earnings	6(18)										
Legal reserve		-	-	156,160	-	(156,160)	-	-	-	-	-
Special reserve		-	-	-	560,047	(560,047)	-	-	-	-	-
Cash dividends		-	-	-	-	(1,174,101)	-	-	(1,174,101)	-	(1,174,101)
Stock dividends		18,937	-	-	-	(18,937)	-	-	-	-	-
Stock for employee compensation	6(16)(17)	44,231	214,965	-	-	-	-	-	259,196	-	259,196
Retirement of treasury stock	6(16)	(54,380)	(65,180)	-	-	(90,862)	-	210,422	-	-	-
Acquisition of treasury stock	6(16)	-	-	-	-	-	-	(75,678)	(75,678)	-	(75,678)
Retirement of restricted employee stock options	6(16)(17)	(98)	(274)	-	-	-	-	-	(372)	-	(372)
Transfer of treasury stock to employees	6(17)	-	14,451	-	-	-	-	31,117	45,568	-	45,568
Disposal of financial assets at fair value through other comprehensive income	6(3)(19)	-	-	-	-	(14,759)	14,759	-	-	-	-
BALANCE AT DECEMBER 31, 2018		$ 3,831,413	$ 1,860,279	$ 847,670	$ 1,043,408	$ 1,530,427	($ 1,611,685)	($ 199,804)	$ 7,301,708	$ 38,136	$ 7,339,844
Year ended December 31, 2019											
BALANCE AT JANUARY 1, 2019		$ 3,831,413	$ 1,860,279	$ 847,670	$ 1,043,408	$ 1,530,427	($ 1,611,685)	($ 199,804)	$ 7,301,708	$ 38,136	$ 7,339,844
Profit for the year		-	-	-	-	1,720,487	-	-	1,720,487	(2,597)	1,717,890
Other comprehensive loss for the year	6(14)(19)	-	-	-	-	(4,619)	(152,560)	-	(157,179)	(1,820)	(158,999)
Total comprehensive income for the year		-	-	-	-	1,715,868	(152,560)	-	1,563,308	(4,417)	1,558,891
Distribution of 2018 earnings	6(18)										
Legal reserve		-	-	103,021	-	(103,021)	-	-	-	-	-
Special reserve		-	-	-	568,277	(568,277)	-	-	-	-	-
Cash dividends		-	-	-	-	(764,673)	-	-	(764,673)	-	(764,673)
Stock for employee compensation	6(16)(17)	35,741	147,609	-	-	-	-	-	183,350	-	183,350
Disposal of financial assets at fair value through other comprehensive income	6(3)(19)	-	-	-	-	(457,756)	457,756	-	-	-	-
BALANCE AT DECEMBER 31, 2019		$ 3,867,154	$ 2,007,888	$ 950,691	$ 1,611,685	$ 1,352,568	($ 1,306,489)	($ 199,804)	$ 8,283,693	$ 33,719	$ 8,317,412

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

CHICONY POWER TECHNOLOGY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands of New Taiwan dollars)

	Notes	Years ended December 31, 2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 2,219,807	$ 1,334,666
Adjustments			
Income and expenses having no effect on cash flows			
Depreciation	6(6)(7)(24)	663,276	603,523
Amortisation	6(8)(24)	57,893	56,125
Other non-current assets recognised as expense	6(24)	106,070	57,839
Long-term prepaid rents recognised as expense	6(9)	-	4,826
Expected credit loss	12(2)	9,773	418
Share-based payments	6(15)	-	16,077
Interest income	6(21)	(14,736)	(12,629)
Dividend income	6(21)	(29,109)	(40,295)
Interest expense	6(7)(23)	50,285	55,621
Loss on disposal of property, plant and equipment	6(22)	5,195	4,700
Net loss on financial assets at fair value through profit or loss - derivative instruments	6(2)(22)	192,905	117,757
Net (income) loss on financial assets at fair value through profit or loss - others	6(2)(22)	(187,506)	121,812
Impairment loss on non-financial assets	6(8)(22)	71,299	-
Gain on disposal of investments	6(22)	(13,401)	-
Changes in assets/liabilities relating to operating activities			
Changes in operating assets			
Financial assets or liabilities at fair value through profit or loss - derivative instruments		(146,257)	(55,206)
Notes receivable, net		(6,944)	(22,734)
Accounts receivable, net		(460,430)	(467,406)
Accounts receivable - related parties		(68,457)	84,646
Other receivables		129,741	86,333
Other receivables - related parties		(346)	939
Inventories, net		1,477,265	(1,881,930)
Prepayments		32,879	230,510
Other current assets		(5,558)	658
Net changes in liabilities relating to operating activities			
Contract liabilities - current		(6,032)	(33,234)
Notes payable		100	64
Accounts payable		(331,686)	714,502
Other payables		418,299	(144,717)
Other payables - related parties		2,349	3,705
Other current liabilities		(9,688)	(2,374)
Accrued pension liabilities		(4,784)	(5,952)
Cash inflow generated from operations		4,152,202	828,244
Interest received		14,678	12,624
Dividends received		29,109	40,295
Interest paid		(50,417)	(55,482)
Income taxes paid		(562,834)	(245,832)
Net cash flows from operating activities		3,582,738	579,849

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CHICONY POWER TECHNOLOGY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands of New Taiwan dollars)

	Notes	Years ended December 31, 2019	2018
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of financial assets at fair value through profit or loss - others		($ 148,951)	($ 746,526)
Proceeds from disposal of financial assets at fair value through profit or loss - others		479,287	659,619
Proceeds from disposal of financial assets at fair value through other comprehensive income		261,109	34,867
Decrease in other current assets		-	27,514
Disposal of subsidiary		(22)	-
Acquisition of property, plant and equipment	6(6)	(1,326,733)	(527,945)
Proceeds from disposal of property, plant and equipment		25,384	2,862
Acquisition of intangible assets	6(8)	(53,967)	(44,805)
Increase in prepayments for business facilities		(137,996)	(74,450)
Acquisition of long-term prepaid rents		-	(153,656)
Increase in other non-current assets		(1,822)	(102,781)
Net cash flows used in investing activities		(903,711)	(925,301)
CASH FLOWS FROM FINANCING ACTIVITIES			
(Decrease) increase in short-term borrowings		(1,200,000)	1,450,000
Proceeds from long-term borrowings		100,000	-
Repayments of long-term borrowings		-	(100,000)
Repayments of lease liabilities		(36,021)	-
Decrease in other non-current liabilities		(738)	(501)
Cash dividends paid	6(18)	(764,673)	(1,174,101)
Payments for the acquisition of treasury shares		-	(75,678)
Transfer of treasury stock to employees		-	29,119
Net cash flows (used in) from financing activities		(1,901,432)	128,839
Effect of exchange rate changes on cash and cash equivalents		(95,072)	(37,158)
Net increase (decrease) in cash and cash equivalents		682,523	(253,771)
Cash and cash equivalents at beginning of year	6(1)	705,018	958,789
Cash and cash equivalents at end of year	6(1)	$ 1,387,541	$ 705,018

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

CHICONY POWER TECHNOLOGY CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018
(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 and its subsidiaries (collectively referred herein as the "Group") are primarily engaged in developing, manufacturing and sales of switching power supplies, electronic components and LED lighting modules, and smart building solutions. Chicony Electronics Co., Ltd. is the Group's ultimate parent company. As of December 31, 2019, Chicony Electronics Co., Ltd. and its subsidiaries hold 49.59% equity interest in the Company.

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

These consolidated financial statements were authorised for issuance by the Board of Directors on March 2, 2020.

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 2019 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 9, 'Prepayment features with negative compensation'	January 1, 2019
IFRS 16, 'Leases'	January 1, 2019
Amendments to IAS 19, 'Plan amendment, curtailment or settlement'	January 1, 2019
Amendments to IAS 28, 'Long-term interests in associates and joint ventures'	January 1, 2019
IFRIC 23, 'Uncertainty over income tax treatments'	January 1, 2019
Annual improvements to IFRSs 2015-2017 cycle	January 1, 2019

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

IFRS 16, 'Leases'

A. 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.

B. The Group has elected to apply IFRS 16 by not restating the comparative information (referred herein as the 'modified retrospective approach') when applying "IFRSs" effective in 2019 as endorsed by the FSC. Accordingly, the Group increased 'right-of-use asset' by $338,913, increased 'lease liability' by $74,192 and decreased long-term prepaid rents recognised (shown as 'other non-current assets') by $264,721 with respect to the lease contracts of lessees on January 1, 2019.

C. The Group has used the following practical expedients permitted by the standard at the date of initial application of IFRS 16:

(a) Reassessment as to whether a contract is, or contains, a lease is not required, instead, the application of IFRS 16 depends on whether or not the contracts were previously identified as leases applying IAS 17 and IFRIC 4.

(b) The use of a single discount rate to a portfolio of leases with reasonably similar characteristics.

(c) The accounting for operating leases whose period will end before December 31, 2019 as short-term leases and accordingly, rent expense of $96,562 was recognised in 2019.

(d) The exclusion of initial direct costs for the measurement of 'right-of-use asset'.

D. The Group recognised lease liabilities which had previously been classified as 'operating leases' under the principles of IAS 17, 'Leases'. The reconciliation between operating lease commitments under IAS 17 measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate and lease liabilities recognised as of January 1, 2019 is as follows:

	Amount
Operating lease commitments disclosed by applying IAS 17 as at December 31, 2018	$ 173,468
Less: Short-term leases	(96,562)
Total lease contracts amount recognised as lease liabilities by applying IFRS 16 on January 1, 2019	$ 76,906
Lease liabilities recognised as at January 1, 2019 by applying IFRS 16	$ 74,192

	Weighted average incremental borrowing interest rate
Incremental borrowing interest rate at the date of initial application	1.797%~5.65%

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

New standards, interpretations and amendments endorsed by the FSC effective from 2020 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 1 and IAS 8, 'Disclosure Initiative-Definition of Material'	January 1, 2020
Amendments to IFRS 3, 'Definition of a business'	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7, 'Interest rate benchmark reform'	January 1, 2020

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

(3) IFRSs issued by IASB but not yet endorsed by the FSC

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to 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
IFRS 17, 'Insurance contracts'	January 1, 2021
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2022

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC

Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs").

(2) Basis of preparation

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

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

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

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

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

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

(a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.

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

(c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

B. Subsidiaries included in the consolidated financial statements:

			Ownership (%)		
Name of Investor	Name of Subsidiary	Main Business Activities	December 31, 2019	December 31, 2018	Remark
Chicony Power Technology Co., Ltd.	Chicony Power Holdings Inc. (CPH)	Investment holdings	100%	100%	

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%) December 31, 2019	Ownership (%) December 31, 2018	Remark
Chicony Power Technology Co., Ltd.	Chicony Power Technology (Thailand) Co., Ltd. (CPTH)	Manufacturing and sales of switching power supplies and other electronic parts	100%	-	Note 1
CPH	Chicony Power International Inc. (CPI)	Sales of switching power supplies and other electronic parts and investment holdings	100%	100%	
CPI	Chicony Power USA, Inc. (CPUS)	Sales of switching power supplies and other electronic parts	100%	100%	
"	Chicony Power Technology Hong Kong Limited (CPHK)	Research and development center and investment holdings	100%	100%	
"	WitsLight Technology Co., Ltd. (WTS)	Design, researching and developing of LED lighting modules and investment holdings	78.125%	78.125%	
CPHK	Chicony Power Technology (DongGuan) Co., Ltd. (CPDG)	Manufacturing and sales of switching power supplies and other electronic parts	100%	100%	
"	Chicony Power Technology (Suzhou) Co., Ltd. (CPSZ)	Manufacturing and sales of electronic components and LED lighting modules	100%	100%	
"	Quang Sheng Electronics (Nangchang) Co., Ltd. (GSE)	Manufacturing and sales of electronic components and transformers	100%	100%	
"	Chicony Power Technology (Chong Qing) Co., Ltd. (CPCQ)	Manufacturing and sales of electronic components and LED lighting modules	100%	100%	
"	Chicony Power Technology Trading (Dong Guan) Co., Ltd. (CPDGT)	Importing and exporting of power supplies, LED lighting modules, and other electronics and smart building system industry	100%	100%	

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%) December 31, 2019	Ownership (%) December 31, 2018	Remark
CPHK	Chicony Power Technology (Taizhou) Co., Ltd. (CPTZ)	Researching and developing, manufacturing, sales, installation, after-sale, and advisory services of electric machinery, electric frequency device and industry automation equipment	100%	-	Note 2
WTS	WitsLight Technology Co., Ltd. (WT)	Design, researching and developing and sales of LED lighting modules	-	100%	Note 3
"	WitsLight Technology (Kunshan) Co., Ltd. (WTK)	Manufacturing and sales of LED lighting modules	100%	100%	
"	Carlight Technology Co.,Ltd. (CT)	Design, researching and developing and sales of automotive and motorcycle lamps and other components	100%	100%	
WTK	Zhuzhou Torch Auto Lamp Co., Ltd. (TORCH)	Production and sales of automotive and motorcycle components, electric machine and device, lamps and plastic products	100%	100%	
CPSZ	Chicony Energy Saving Technology (Shanghai) Co., Ltd. (CPSH)	Sales of LED lighting modules	100%	100%	

Note 1: On November 4, 2019, the Board of Directors of the Company resolved to increase capital by THB 38 million to establish CPTH. The registration was completed in the fourth quarter of 2019.

Note 2: On May 6, 2019, the Board of Directors of the Company resolved to increase capital by USD 3 million to establish CPTZ. The capital increase was a reinvestment through CPHK. The registration was completed in June 2019.

Note 3: WTS sold 100% of shares in WT on August 1, 2019 and accordingly, lost its control over the subsidiary. The Group recognised gain of $13,401 presented as ‘other gains and losses’ in the statements of comprehensive income.

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

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

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group: None.

(4) Foreign currency translation

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

A. Foreign currency transactions and balances

(a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are 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 operating results and financial position of all the group entities, associates and joint arrangements that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

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

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

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

(b) 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.

(5) 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.

(6) 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.

(7) Financial assets at fair value through profit or loss

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

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

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

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

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

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

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

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

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

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

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

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

(9) Accounts and notes receivable

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

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

(10) Impairment of financial assets

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

(11) Derecognition of financial assets

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

(12) 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.

(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 Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

C. Land is not depreciated. Other property, plant and equipment 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 1-10 years.

(14) Leasing arrangements (lessee)-right-of-use assets/ lease liabilities

Effective 2019

A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.

B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are fixed payments, less any lease incentives receivable.

The Group subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

C. At the commencement date, the right-of-use asset is stated at cost comprising the following:

(a) The amount of the initial measurement of lease liability; and

(b) Any lease payments made at or before the commencement date.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

(15) 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.

(16) Intangible assets

A. Trademark, right, patent and computer software are amortised on a straight-line basis over their estimated useful lives of 1-15 years.

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

C. Other intangible asset, mainly expertise, is amortised on a straight-line basis over its estimated useful lives of 2-10 years.

(17) Impairment of non-financial assets

A. The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for 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.

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

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

(18) 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.

(19) 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.

(20) Financial liabilities at fair value through profit or loss

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.

(21) 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.

(22) 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.

(23) 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.

(24) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

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

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

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

C. Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the Group's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept an offer of redundancy benefits in exchange for the termination of employment. The Group 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' and directors' remuneration

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

(25) Employee share-based payment

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.

(26) Income tax

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

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

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

D. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be 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.

(27) 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.

(28) 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.

(29) Revenue recognition

A. Sales of goods

(a) Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.

(b) 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 Group 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 Group recognises the incremental costs of obtaining a contract as an expense when incurred although the Group expects to recover those costs.

(30) Government grants

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

(31) Operating segments

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

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. The information is addressed below:

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

There have been no significant changes as of December 31, 2019.

(2) Critical accounting estimates and assumptions

A. Impairment assessment of goodwill

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

B. Evaluation of inventories

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

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2019	December 31, 2018
Cash on hand and revolving funds	$ 4,328	$ 7,039
Checking accounts and demand deposits	1,215,307	639,810
Time deposits	167,906	58,169
	$ 1,387,541	$ 705,018

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

B. The Group's cash and cash equivalents are pledged as collateral, please see Note 8.

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

Items	December 31, 2019	December 31, 2018
Current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Non-hedging derivatives		
Forward exchange contracts	$ 14,001	$ 11,025
Listed stocks	395,373	763,245
Emerging stocks	7,854	12,870
Beneficiary certificates	101,938	220,000
Corporate bond	251,250	251,250
	770,416	1,258,390
Valuation adjustment	62,484	(287,066)
	$ 832,900	$ 971,324
Financial liabilities mandatorily measured at fair value through profit or loss		
Non-hedging derivatives		
Forward exchange contracts	($ 59,095)	($ 12,927)
Foreign exchange swap contracts	(4,309)	(2,616)
	($ 63,404)	($ 15,543)
Non-current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Unlisted stocks	$ 185,000	$ 185,000
Beneficiary certificates	385,276	383,316
	570,276	568,316
Valuation adjustment	(44,956)	(42,556)
	$ 525,320	$ 525,760

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

	Years ended December 31, 2019	Years ended December 31, 2018
Financial assets and liabilities mandatorily measured at fair value through profit or loss		
Derivatives	($ 192,905)	($ 117,757)
Equity instruments	155,913	(86,316)
Beneficiary certificates	30,093	(34,496)
Debt instrument	1,500	(1,000)
	($ 5,399)	($ 239,569)

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

	December 31, 2019	
Derivative financial assets and liabilities	Contract amount (Notional principal)	Expiry date
Current items:		
Foreign exchange swap contracts		
- Buy USD, sell NTD	USD 47,000 thousand	2020.1.2 ~ 2020.1.3
Forward foreign exchange contracts		
- Buy RMB, sell USD	USD 100,500 thousand	2020.1.22 ~ 2020.12.7

	December 31, 2018	
Derivative financial assets and liabilities	Contract amount (Notional principal)	Expiry date
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
- Buy RMB, sell USD	USD 31,000 thousand	2019.4.26 ~ 2019.12.13
- Currency products	USD 4,198 thousand	2019.3.18 ~ 2019.3.27

Forward foreign exchange contracts / Foreign exchange swap contracts

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

C. The Group has no financial assets 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).

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

Items	December 31, 2019	December 31, 2018
Current items:		
Listed stocks	$ 602,900	$ 1,322,777
Valuation adjustment	(362,355)	(892,730)
	$ 240,545	$ 430,047
Non-current items:		
Listed stocks	$ 422,100	$ 422,100
Unlisted stocks	15,000	15,000
	437,100	437,100
Valuation adjustment	(411,226)	(409,997)
	$ 25,874	$ 27,103

A. The Group has elected to classify equity investments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments was equivalent to the carrying amount as at December 31, 2019 and 2018.

B. During the years ended December 31, 2019 and 2018, the Group sold $261,109 and $34,867 of equity investments at fair value, and the losses initially accumulated in other equity amounting to $457,756 and $14,759 were transferred to unappropriated retained earnings, respectively.

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:

	Years ended December 31,	
	2019	2018
Equity instruments at fair value through other comprehensive income		
Fair value change recognised in other comprehensive income	$ 71,391	($ 183,546)
Cumulative losses reclassified to retained earnings due to derecognition	($ 457,756)	($ 14,759)
Dividend income recognised in profit or loss held at end of year	$ 10,307	$ 14,781

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

(4) Notes and accounts receivable

	December 31, 2019	December 31, 2018
Notes receivable	$ 113,207	$ 106,263
Accounts receivable	$ 7,001,217	$ 6,540,814
Less: Allowance for uncollectible accounts	(14,026)	(4,280)
	$ 6,987,191	$ 6,536,534

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

	December 31, 2019		December 31, 2018	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Not past due	$ 6,976,237	$ 113,207	$ 6,520,266	$ 106,263
1 - 30 days past due	18,052	-	10,734	-
31 - 120 days past due	1,235	-	1,491	-
Over 121 days	5,693	-	8,323	-
	$ 7,001,217	$ 113,207	$ 6,540,814	$ 106,263

The above ageing analysis was based on past due date.

B. As of December 31, 2019 and 2018, accounts receivable and notes receivable were all from contracts with customers. As of January 1, 2018, the balance of receivables from contracts with customers amounted to $6,157,003.

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

D. As at December 31, 2019 and 2018, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents notes and accounts receivable held by the Group was equal to carrying amount.

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

(5) Inventories

	December 31, 2019		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 1,178,361	($ 60,964)	$ 1,117,397
Work in process	574,386	(24,807)	549,579
Finished goods	4,371,176	(160,510)	4,210,666
	$ 6,123,923	($ 246,281)	$ 5,877,642

	December 31, 2018		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 2,260,278	($ 157,617)	$ 2,102,661
Work in process	771,296	(37,176)	734,120
Finished goods	4,789,690	(271,564)	4,518,126
	$ 7,821,264	($ 466,357)	$ 7,354,907

The cost of inventories recognised as expense for the year:

	Years ended December 31,	
	2019	2018
Cost of inventories sold	$ 28,597,055	$ 26,630,016
(Gain on reversal of) loss on decline in market value	(215,548)	134,689
Loss on scrap inventory	397,525	143,228
Others	1,950	747
	$ 28,780,982	$ 26,908,680

Due to clearance of some inventories which were previously provided with allowance for loss on decline in market value, the Group recognised gain on reversal of decline in market value which was accounted for as reduction of cost of goods sold in 2019. Other expenses of inventories mainly refer to loss on physical inventory.

(6) Property, plant and equipment

	2019					
	Buildings and structures	Machinery	Test equipment	Others	Unfinished construction	Total
January 1						
Cost	$ 854,177	$ 2,675,320	$ 1,593,544	$ 1,567,145	$ 4,865	$ 6,695,051
Accumulated depreciation	(459,290)	(1,419,839)	(1,251,911)	(1,064,511)	-	(4,195,551)
	$ 394,887	$ 1,255,481	$ 341,633	$ 502,634	$ 4,865	$ 2,499,500
Balance, January 1	$ 394,887	$ 1,255,481	$ 341,633	$ 502,634	$ 4,865	$ 2,499,500
Additions	-	208,230	130,828	121,167	866,508	1,326,733
Disposals	-	(2,236)	(638)	(27,705)	-	(30,579)
Reclassifications	-	39,430	13,341	11,423	-	64,194
Depreciation charge	(40,724)	(237,901)	(139,090)	(198,427)	-	(616,142)
Net exchange differences	(13,449)	(46,764)	(10,095)	(12,570)	(31,784)	(114,662)
Balance, December 31	$ 340,714	$ 1,216,240	$ 335,979	$ 396,522	$ 839,589	$ 3,129,044
December 31						
Cost	$ 821,866	$ 2,791,024	$ 1,644,863	$ 1,229,107	$ 839,589	$ 7,326,449
Accumulated depreciation	(481,152)	(1,574,784)	(1,308,884)	(832,585)	-	(4,197,405)
	$ 340,714	$ 1,216,240	$ 335,979	$ 396,522	$ 839,589	$ 3,129,044

	2018				
	Buildings and structures	Machinery	Test equipment	Others	Total
January 1					
Cost	$ 863,339	$ 2,314,631	$ 1,539,979	$ 1,415,338	$ 6,133,287
Accumulated depreciation	(427,565)	(1,242,311)	(1,194,072)	(892,289)	(3,756,237)
	$ 435,774	$ 1,072,320	$ 345,907	$ 523,049	$ 2,377,050
Balance, January 1	$ 435,774	$ 1,072,320	$ 345,907	$ 523,049	$ 2,377,050
Additions	9,136	225,715	127,193	165,901	527,945
Disposals	-	(4,322)	(718)	(2,522)	(7,562)
Reclassifications	-	215,170	16,325	20,036	251,531
Depreciation charge	(41,477)	(227,751)	(141,574)	(192,721)	(603,523)
Net exchange differences	(8,546)	(25,651)	(5,500)	(6,244)	(45,941)
Balance, December 31	$ 394,887	$ 1,255,481	$ 341,633	$ 507,499	$ 2,499,500
December 31					
Cost	$ 854,177	$ 2,675,320	$ 1,593,544	$ 1,572,010	$ 6,695,051
Accumulated depreciation	(459,290)	(1,419,839)	(1,251,911)	(1,064,511)	(4,195,551)
	$ 394,887	$ 1,255,481	$ 341,633	$ 507,499	$ 2,499,500

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

(7) Leasing arrangements-lessee

Effective 2019

A. The Group leases various assets including land use right, buildings, business vehicles, multifunction printers. Rental contracts are typically made for periods of 1 to 50 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.

B. Short-term leases with a lease term of 12 months or less comprise warehouses, offices and business vehicles. Low-value assets comprise multifunction printers and are not shown in right-of-use asset.

C. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	December 31, 2019	
	Carrying amount	
Buildings and structures	$	105,842
Land use right		249,367
	$	355,209

	Year ended December 31, 2019	
	Depreciation charge	
Buildings and structures	$	41,594
Land use right		5,540
	$	47,134

D. As of December 31, 2019, the Group entered into land use right contracts with Ministry of Land and Resources for the use of the land in Jiangsu Wujiang District, Chongqing Jiangjin Shuangfu New Area and Guangdong Dongguan City, all with terms of 50 years. All rentals had been paid on the contract date.

E. The carrying amounts of the land use right above mentioned are net of the government land grants received as an investment incentive.

F. For the year ended December 31, 2019, the additions to right-of-use assets was $76,793.

G. Except for the depreciation above mentioned, other information on profit and loss accounts relating to lease contracts is as follows:

	Year ended December 31, 2019	
Items affecting profit or loss		
Interest expense on lease liabilities	$	2,517
Rent expense on short-term lease contracts		114,073
Rent expense on leases of low-value assets		1,245

H. For the year ended December 31, 2019, the Group's total cash outflow for leases was $153,856.

I. Land use right was shown as 'other non-current assets - long-term prepaid rents' on December 31, 2018. Details are provided in Note 6(9).

J. The Group has no right-of-use asset pledged to others.

(8) Intangible assets

	2019				
	Trademarks and patents	Software	Goodwill	Others	Total
January 1					
Cost	$ 54,183	$ 142,730	$ 127,294	$ 56,307	$ 380,514
Accumulated amortisation and impairment	(37,475)	(105,751)	-	(42,843)	(186,069)
	$ 16,708	$ 36,979	$ 127,294	$ 13,464	$ 194,445
Balance, January 1	$ 16,708	$ 36,979	$ 127,294	$ 13,464	$ 194,445
Additions	18,433	33,880	-	1,654	53,967
Reclassifications	-	4,678	-	-	4,678
Amortisation charge	(15,557)	(37,727)	-	(4,609)	(57,893)
Proceeds from disposal of subsidiaries	-	-	-	(9,030)	(9,030)
Impairment loss	-	-	(71,299)	-	(71,299)
Net exchange differences	-	(467)	(1,721)	(45)	(2,233)
Balance, December 31	$ 19,584	$ 37,343	$ 54,274	$ 1,434	$ 112,635
December 31					
Cost	$ 72,615	$ 179,629	$ 123,359	$ 32,831	$ 408,434
Accumulated amortisation and impairment	(53,031)	(142,286)	(69,085)	(31,397)	(295,799)
	$ 19,584	$ 37,343	$ 54,274	$ 1,434	$ 112,635

	2018				
	Trademarks and patents	Software	Goodwill	Others	Total
January 1					
Cost	$ 38,294	$ 114,173	$ 127,241	$ 55,392	$ 335,100
Accumulated amortisation	(24,004)	(68,538)	-	(36,971)	(129,513)
	$ 14,290	$ 45,635	$ 127,241	$ 18,421	$ 205,587
Balance, January 1	$ 14,290	$ 45,635	$ 127,241	$ 18,421	$ 205,587
Additions	15,889	28,916	-	-	44,805
Reclassifications	-	148	-	-	148
Amortisation charge	(13,471)	(37,571)	-	(5,083)	(56,125)
Net exchange differences	-	(149)	53	126	30
Balance, December 31	$ 16,708	$ 36,979	$ 127,294	$ 13,464	$ 194,445
December 31					
Cost	$ 54,183	$ 142,730	$ 127,294	$ 56,307	$ 380,514
Accumulated amortisation	(37,475)	(105,751)	-	(42,843)	(186,069)
	$ 16,708	$ 36,979	$ 127,294	$ 13,464	$ 194,445

A. Goodwill is allocated to the Group's cash-generating units identified according to operating segment as follows:

	December 31, 2019	December 31, 2018
Asia	$ 54,274	$ 71,944
America	-	55,350
	$ 54,274	$ 127,294

B. Goodwill of the Group's America segment is allocated to the cash-generating units identified by WitsLight Technology Co., Ltd. (WT). The recoverable amount of all cash-generating units has been determined based on value-in-use calculations. The key assumptions used for value-in-use calculations are as follows: The value-in-use was discounted at the weighted average cost of capital's discount rate of 3.33% for the year ended December 31, 2019, to reflect the specific risks relating to the relevant cash-generating units. Due to the fact that WT has incurred continued losses for years, the actual growth of operating revenue is not as expected. For the year ended December 31, 2019, based on WT's assessment, an impairment loss of $55,843 (listed under 'other gains and losses' in the statement of comprehensive income) was recognised for the goodwill of America segment due to the recoverable amount is less than the carrying amount.

C. Goodwill of the Group's Asia segment is allocated to the cash-generating units identified by Zhuzhou Torch Auto Lamp Co., Ltd. (TORCH). The recoverable amount of all cash-generating units has been determined based on value-in-use calculations. The key assumptions used for value-in-use calculations are as follows: The value-in-use was discounted at the weighted average cost of capital's discount rate of 4.48% for the year ended December 31, 2019, to reflect the specific risks relating to the relevant cash-generating units. For the year ended December 31, 2019, based on TORCH's assessment that its future operating profit will not be as expected, an impairment loss of $15,456 (listed under 'other gains and losses' in the statement of comprehensive income) was recognised for the goodwill of Asia segment due to the recoverable amount is less than the carrying amount.

(9) Other non-current assets

	December 31, 2019	December 31, 2018
Long-term prepaid rents	$ -	$ 264,721
Guarantee deposits paid	39,883	64,724
Prepayments for business facilities	204,151	135,027
Others	61,889	141,296
	$ 305,923	$ 605,768

The Group recognised rental expenses of $4,826 for the year ended December 31, 2018.

(10) Short-term borrowings

Type of borrowings	December 31, 2019	Interest rate range	Collateral
Bank borrowings			
Unsecured borrowings	$ 250,000	0.87%	None

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

(11) Accounts payable

	December 31, 2019	December 31, 2018
Accounts payable	$ 8,037,538	$ 8,854,515
Estimated accounts payable	1,965,369	1,480,130
	$ 10,002,907	$ 10,334,645

(12) Other payables

	December 31, 2019	December 31, 2018
Salaries payable	$ 749,323	$ 651,703
Employees' compensation and directors' remuneration payable	290,332	234,021
Commissions payable	261,825	261,033
Consumption goods expense payable	161,107	233,833
Processing fee payable	158,947	203,484
Others	745,737	543,698
	$ 2,367,271	$ 2,127,772

(13) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	Interest rate	Collateral	December 31, 2019
Unsecured borrowings	Borrowing period is from November 4, 2019 to February 4, 2020; interest is repayable until maturity of principal (Note)	1.797%	None	$ 100,000

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

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

As of December 31, 2019, a long-term syndicated loan facility amounting to $4,050,000 (can be drawndown in United States Dollars or New Taiwan Dollars within the total credit facility) for five years was signed by the Company, with Taiwan Cooperative Bank as the lead bank in October 2015. It is to be used for the operations.

The main contents of the contract are as follows:

A. 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 (subjected 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.

(14) Pensions

A. Defined benefit plans

(a) The Company and its domestic subsidiaries have 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, 2019	December 31, 2018
Present value of funded defined benefit obligations	($ 97,931)	($ 90,551)
Fair value of plan assets	41,633	34,088
Net defined benefit liability	($ 56,298)	($ 56,463)

(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, 2019			
Balance at January 1	($ 90,551)	$ 34,088	($ 56,463)
Current service cost	(604)	-	(604)
Interest (expense) income	(1,019)	417	(602)
	(92,174)	34,505	(57,669)
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	1,138	1,138
Change in demographic assumptions	(1,332)	-	(1,332)
Change in financial assumptions	(3,890)	-	(3,890)
Experience adjustments	(535)	-	(535)
	(5,757)	1,138	(4,619)
Pension fund contribution	-	5,990	5,990
Balance at December 31	($ 97,931)	$ 41,633	($ 56,298)

	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)

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate 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 and its domestic subsidiaries have no right to participate in managing and operating that fund and hence the Company and its domestic subsidiaries are 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, 2019 and 2018 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,	
	2019	2018
Discount rate	0.750%	1.125%
Future salary increases	2.500%	2.500%

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%
December 31, 2019				
Effect on present value of defined benefit obligation	($ 2,635)	$ 2,746	$ 2,655	($ 2,562)
December 31, 2018				
Effect on present value of defined benefit obligation	($ 2,540)	$ 2,648	$ 2,570	($ 2,479)

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 Group for the year ending December 31, 2020 amount to $5,990.

(g) As of December 31, 2019, the weighted average duration of that retirement plan is 10.9 years. The analysis of timing of the future pension payment for the next ten years was as follows:

Within 1 year	$ 1,317
1-2 years	14,156
2-5 years	12,654
5-10 years	19,457
	$ 47,584

B. Defined contribution plan

(a) Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(b) The Company’s mainland China subsidiaries have a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People’s Republic of China (PRC) are based on certain percentage of employees’ monthly salaries and wages. Other than the monthly contributions, the Group has no further obligations.

(c) The pension costs under the defined contribution pension plan of the Group for the years ended December 31, 2019 and 2018 were $230,225 and $216,255, respectively.

(15) Share-based payment

A. There was no share-based payment for the year ended December 31, 2019.

For the year ended December 31, 2018, the Company’s share-based payment arrangements were as follows:

Type of arrangement	Grant date	Quantity granted (thousand shares)	Contract period	Vesting conditions
Treasury stock transferred to employees	2018.3.06	746	-	Immediately

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

	Year ended December 31, 2018	
	No. of options	Weighted-average exercise price (in dollars)
Options outstanding at January 1	-	$ -
Options granted	746	39.15
Options exercised	(746)	39.15
Options outstanding at December 31	-	-
Options exercisable at December 31	-	-

C. The weighted-average stock price of stock options at exercise dates for the year ended December 31, 2018 was NT$61.91.

D. 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	2018.3.6	NT$61.20	NT$39.15	Note	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.

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

No such transaction in 2019.

		Year ended December 31, 2018
Equity-settled	$	16,077

(16) Share capital/Events after the Balance Sheet Date

A. As of December 31, 2019, the Company's authorised capital was $4,000,000, and the paid-in capital was $3,867,154 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)	2019	2018
At January 1	378,763	373,574
Stock dividends	-	1,894
Employee compensation	3,574	4,423
Employee restricted shares retired	-	(10)
Treasury stock transferred to employees	-	746
Treasury shares repurchased	-	(1,864)
At December 31	382,337	378,763

B. On March 5, 2019, the Company issued 3,574 thousand shares as the Board of Directors of the Company resolved to appropriate employees' stock dividends of $183,350 which was calculated based on the closing price of NT$51.3 (in dollars) per share on the date (March 4, 2019) before the date the Board of Directors resolved the appropriation. The appropriation was approved by the authority, with the effective date set on April 7, 2019 and the registration was completed on April 25, 2019.

C. The Company's Board of Directors resolved to retire 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.

D. 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.

E. On July 10, 2018, the Company's Board of Directors resolved to retire 699 thousand treasury shares and 10 thousand stocks to employees which did not meet the vesting conditions. The effective date of capital reduction was set on July 11, 2018 and July 12, respectively, and the registration was both completed on July 31, 2018.

F. On June 7, 2018, the shareholders at the stockholders' meeting approved to issue common stock dividends amounting to $18,937. 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.

G. On March 6, 2018, the Company issued 4,423 thousand shares as the Board of Directors of the

Company 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 on 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.

H. Events after the balance sheet date: On March 2, 2020, the Company's Board of Directors resolved to retire 2,515 thousand treasury shares and set the effective date on March 27, 2020. The registration is now in progress.

I. Treasury shares:

(a) As of December 31, 2019 and 2018, reason for share reacquisition and movements in the number of the Company's treasury shares are as follows:

		December 31, 2019	
Name of company holding the shares	Purpose of buyback	Number of shares (in thousands)	Carrying amount
The Company	To be reissued to employees	4,379	$ 199,804

		December 31, 2018	
Name of company holding the shares	Purpose of buyback	Number of shares (in thousands)	Carrying amount
The Company	To be reissued to employees	4,379	$ 199,804

(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(15).

(17) 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.

	2019		
	Share premium	Employee stock option	Total
At January 1	$ 1,750,231	$ 110,048	$ 1,860,279
Share-based payment transactions			
- Employee compensation	147,609	-	147,609
At December 31	$ 1,897,840	$ 110,048	$ 2,007,888

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

(18) Retained earnings

A. Under the Company's Articles of Incorporation, the current year's profit before tax, , if any, shall first offset prior years' operating losses (including adjustment of unappropriated earnings); 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 related regulations issued by the Competent Authority when necessary; and the remainder, if any, along with opening unappropriated earnings (including adjustment of unappropriated earnings) shall be proposed by the Board of Directors under the principle of the Company's 25th Articles of Incorporation and resolved by the shareholders as dividends to shareholders.

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 dividends should not be less than 10% of the total amounts of stockholders' dividends. The restrictions above mentioned 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 2018 and 2017 earnings had been approved at the annual stockholders' meeting on June 6, 2019 and June 7, 2018, respectively, and the details are summarised below:

	Years ended December 31,			
	2018		2017	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	$ 103,021		$ 156,160	
Special reserve	568,277		560,047	
Cash dividends	764,673	$ 2.00	1,174,101	$ 3.10
Stock dividends	-	-	18,937	0.05

(b) Subsequent events:

The appropriations of 2019 earnings had been proposed at the Board of Directors' meeting on March 2, 2020. Details are summarised below:

	Year ended December 31, 2019	
	Amount	Dividends per share (in dollars)
Legal reserve appropriated	$ 172,049	
Reversal of special reserve	305,196	
Cash dividends	1,241,072	$ 3.20

As of March 2, 2020, the appropriation of 2019 earnings above mentioned has not yet been resolved by the shareholders.

F. For information relating to employees' compensation and directors' and supervisors' remuneration, please refer to Note 6(25).

(19) Other equity items

	2019		
	Currency translation	Unrealised gains (losses) on valuation of financial assets	Total
At January 1	($ 308,958)	($ 1,302,727)	($ 1,611,685)
Currency translation differences:			
- Group	(223,951)	-	(223,951)
Valuation adjustment:			
- Group	-	71,391	71,391
- Transfer out	-	457,756	457,756
At December 31	($ 532,909)	($ 773,580)	($ 1,306,489)

	2018			
	Currency translation	Unrealised gains (losses) on valuation of financial assets	Available-for-sale investments	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:				
- Group	-	(183,546)	-	(183,546)
- Transfer out	-	14,759	-	14,759
At December 31	($ 308,958)	($ 1,302,727)	$ -	($ 1,611,685)

(20) Operating revenue

A. Disaggregation of revenue from contracts with customers

Year ended December 31, 2019	Taiwan	Asia	America	Total
Revenue from contracts with customers				
Electronic component products	$ 23,360,912	$ 570,730	$ 1,607,214	$ 25,538,856
Consumer electronic products and other electronic products	7,333,901	873,580	458,783	8,666,264
Others	89,997	118,628	1,625	210,250
	$ 30,784,810	$ 1,562,938	$ 2,067,622	$ 34,415,370

Year ended December 31, 2018	Taiwan	Asia	America	Total
Revenue from contracts with customers				
Electronic component products	$ 19,531,250	$ 356,812	$ 2,308,504	$ 22,196,566
Consumer electronic products and other electronic products	7,473,625	979,757	467,034	8,920,416
Others	48,865	126,514	-	175,379
	$ 27,053,740	$ 1,463,083	$ 2,775,538	$ 31,292,361

B. Contract liabilities

The Group has recognised the following revenue-related contract liabilities:

	December 31, 2019	December 31, 2018	January 1, 2018
Contract liabilities	$ 108,190	$ 114,222	$ 147,456

C. Contract liability balance at the beginning of 2019 and 2018 was all recognised in operating revenue for the years ended December 31, 2019 and 2018.

(21) Other income

	Years ended December 31,	
	2019	2018
Dividend income	$ 29,109	$ 40,295
Interest income:		
Interest income from bank deposits	14,736	7,874
Other interest income	-	4,755
Other income	94,472	102,922
	$ 138,317	$ 155,846

(22) Other gains and losses

	Years ended December 31,	
	2019	2018
Net losses on financial assets and liabilities at fair value through profit or loss -derivative instruments	($ 192,905)	($ 117,757)
Net gains (losses) on financial assets and liabilities at fair value through profit or loss-others	187,506	(121,812)
Net currency exchange gains	10,749	68,557
Losses on disposal of property, plant and equipment	(5,195)	(4,700)
Impairment losses on non-financial assets	(71,299)	-
Gains on disposal of investments	13,401	-
Others	(10,651)	(12,190)
	($ 68,394)	($ 187,902)

(23) Finance costs

	Years ended December 31,	
	2019	2018
Interest expense:		
Bank borrowings	$ 47,768	$ 55,621
Lease liabilities	2,517	-
	$ 50,285	$ 55,621

(24) Personnel expenses, depreciation and amortisation

	Year ended December 31, 2019		
	Operating cost	Operating expense	Total
Employee benefit expenses	$ 2,803,604	$ 1,763,833	$ 4,567,437
Depreciation	494,954	168,322	663,276
Amortisation	3,000	54,893	57,893
Other non-current assets recognised as expenses	40,843	65,227	106,070

	Year ended December 31, 2018		
	Operating cost	Operating expense	Total
Employee benefit expenses	$ 2,794,204	$ 1,466,872	$ 4,261,076
Depreciation	476,216	127,307	603,523
Amortisation	3,888	52,237	56,125
Other non-current assets recognised as expenses	32,849	24,990	57,839

(25) Employee benefit expense

	Year ended December 31, 2019		
	Operating cost	Operating expense	Total
Wages and salaries	$ 2,480,728	$ 1,568,028	$ 4,048,756
Labour and health insuarance fees	76,946	77,952	154,898
Pension costs	167,393	64,038	231,431
Other personnel expenses	78,537	53,815	132,352
	$ 2,803,604	$ 1,763,833	$ 4,567,437

	Year ended December 31, 2018		
	Operating cost	Operating expense	Total
Wages and salaries	$ 2,500,442	$ 1,288,412	$ 3,788,854
Labour and health insuarance fees	70,173	71,232	141,405
Pension costs	157,851	59,517	217,368
Other personnel expenses	65,738	47,711	113,449
	$ 2,794,204	$ 1,466,872	$ 4,261,076

A. In accordance with the Articles of Incorporation of the Company, the pretax income before distribution of employees' compensation and directors' remuneration shall be appropriated based on a ratio of not lower than 10% for employees' compensation and not higher than 1% for directors' remuneration. However, the employees' compensation and directors' remuneration shall be appropriated based on the abovementioned ratios only after covering the accumulated losses (including adjustment of unappropriated earnings), if there is any.

B. For the years ended December 31, 2019 and 2018, employees' compensation was accrued at $268,034 and $220,372, respectively; directors' remuneration was accrued at $22,298 and $13,649, respectively. The aforementioned amounts were recognised in salary expenses.

The employees' compensation and directors' remuneration were estimated and accrued based on 12.02% and 1% of distributable profit for the year ended December 31, 2019. On March 2, 2020, the employees' compensation and directors' remuneration resolved by the Board of Directors were $268,034 and $22,298, respectively, and the employees' compensation will be distributed in the form of cash and stocks.

C. Employees' compensation of $220,372 and directors' remuneration of $13,649 for 2018 as resolved at the meeting of Board of Directors were in agreement with those amounts recognised in the 2018 financial statements. The difference of $652 between the amounts of employees' compensation and directors' remuneration and the amounts actual distributed, mainly resulting from the overestimation of directors' remuneration, had been adjusted in the profit or loss for 2019. Actual number of shares distributed as employees' compensation for 2018 is 3,574 thousand shares.

Information about employees' compensation and directors' 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.

(26) Income tax

A. Components of income tax expense:

	Years ended December 31, 2019	Years ended December 31, 2018
Current tax:		
Current tax on profits for the year	$ 480,984	$ 268,095
Prior year income tax overestimation	(8,582)	(4,749)
Total current tax	472,402	263,346
Deferred tax:		
Origination and reversal of temporary differences	29,515	61,748
Impact of change on tax rate	-	(13,828)
Total deferred tax	29,515	47,920
Income tax expense	$ 501,917	$ 311,266

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

	Years ended December 31, 2019	Years ended December 31, 2018
Tax calculated based on profit before tax and statutory tax rate (Note)	$ 743,140	$ 356,183
Effects from items allowed by tax regulation	(222,641)	(20,168)
Effect from investment tax credits	(10,000)	(20,000)
Prior year income tax overestimation	(8,582)	(4,749)
Income tax expense	$ 501,917	$ 311,266

Note: The basis for computing the applicable tax rate are the rates applicable in the respective countries where the Group entities operate.

C. Amounts of deferred tax assets or liabilities as a result of temporary differences are as follows:

	Year ended December 31, 2019		
	January 1	Recognised in profit or loss	December 31
Temporary differences:			
- Deferred tax assets:			
Provision for inventory price decline and obsolescence	$ 19,611	$ 12,615	$ 32,226
Unrealised loss on financial assets	443	(443)	-
Unrealised commission expense	21,618	30,747	52,365
Unfunded pension expense	1,464	(957)	507
Unrealised government grants	18,888	1,289	20,177
Others	6,115	6,629	12,744
	68,139	49,880	118,019
- Deferred tax liabilities:			
Unrealised exchange gain	($ 10,003)	($ 1,449)	($ 11,452)
Others	(450)	(77,946)	(78,396)
	(10,453)	(79,395)	(89,848)
	$ 57,686	($ 29,515)	$ 28,171

	Year ended December 31, 2018		
	January 1	Recognised in profit or loss	December 31
Temporary differences:			
- Deferred tax assets:			
Provision for inventory price decline and obsolescence	$ 13,999	$ 5,612	$ 19,611
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
Unrealised government grants	19,752	(864)	18,888
Others	5,198	917	6,115
	108,165	(40,026)	68,139
- Deferred tax liabilities:			
Unrealised exchange gain	($ 2,087)	($ 7,916)	($ 10,003)
Others	(472)	22	(450)
	(2,559)	(7,894)	(10,453)
	$ 105,606	($ 47,920)	$ 57,686

D. The Tax Authority has examined the income tax returns of the Company through 2017.

E. CPCQ applied for the Enterprise Income Tax Law of the People's Republic of China and the State Administration of Taxation on Tax Policy Issues Concerning Further Implementing China's Western Development Strategy, which refers to an enterprise whose main business falls within the scope of industry projects set out in the Catalogue of Encouraged Industries in China's Western Territory and whose revenues generated from its main business accounts for 70% or more of its gross income. The applications have been authorised, and CPCQ's income tax shall be paid at the reduced tax rate of 15% before 2020.

F. Under the amendments to the Income Tax Act which was promulgated by the President of the Republic of China on February 7, 2018, the Company's applicable income tax rate was raised from 17% to 20% effective from January 1, 2018. The Group has assessed the impact of the change in income tax rate.

(27) Earnings per share

	Year ended December 31, 2019		
	Amount after tax	Weighted-average number of ordinary shares outstanding (In thousands)	Earnings per share (in dollars)
Basic EPS			
Profit attributable to ordinary shareholders of the parent	$ 1,720,487	381,679	$ 4.51
Diluted EPS			
Assumed conversion of all dilutive potential ordinary shares			
-Employees' compensation	-	4,885	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 1,720,487	386,564	$ 4.45

	Year ended December 31, 2018		
	Amount after tax	Weighted-average number of ordinary shares outstanding (In thousands)	Earnings per share (in dollars)
Basic EPS			
Profit attributable to ordinary shareholders of the parent	$ 1,030,209	379,238	$ 2.72
Diluted EPS			
Assumed conversion of all dilutive potential ordinary shares			
-Employees' compensation	-	5,673	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 1,030,209	384,911	$ 2.68

(28) Changes in liabilities from financing activities

	2019				
	Short-term borrowings	Long-term borrowings	Lease liability	Others	Total
At January 1	$1,450,000	$ -	$ 74,192	$ 8,092	$1,532,284
Changes in cash flow from financing activities	(1,200,000)	100,000	(36,021)	(738)	(1,136,759)
Changes in other non-cash items	-	-	69,134	-	69,134
Impact of changes in foreign exchange rate	-	-	(607)	-	(607)
At December 31	$ 250,000	$ 100,000	$ 106,698	$ 7,354	$ 464,052

	2018			
	Short-term borrowings	Long-term borrowings	Others	Total
At January 1	$ -	$ 100,000	$ 8,593	$ 108,593
Changes in cash flow from financing activities	1,450,000	(100,000)	(501)	1,349,499
At December 31	$ 1,450,000	$ -	$ 8,092	$ 1,458,092

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

Names of related parties	Relationship with the Group
Chicony Electronics Co., Ltd.	Parent company
Chicony Global Inc.	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 (Thailand) Co., Ltd.	Entity controlled by the same parent company
Chicony Electronics CEZ s.r.o	Entity controlled by the same parent company
Chicony Electronics Japan Co., Ltd.	Entity controlled by the same parent company
Chicony Electronics (DongGuan) Co., Ltd.	Entity controlled by the same parent company
Chicony Electronics (Chong-Qing) Co., Ltd.	Entity controlled by the same parent company
Chicony Electronics (Suzhou) Co., Ltd.	Entity controlled by the same parent company
Mao-Ray Electronics (DongGuan) Co., Ltd.	Entity controlled by the same parent company
Clevo Co.	Other related party
Kapok Computer (KUNSHAN) Co.	Other related party
Buynow Group	Other related party
Chicony Co., Ltd.	Other related party
Shanghai Hongwell Co. Ltd.	Other related party

(3) Significant related party transactions and balances

A. Sales of goods

	Years ended December 31,	
	2019	2018
Sales of goods:		
-Entities controlled by the same parent company	$ 3,387,239	$ 3,015,022
-Other related parties	433,063	411,039
-Parent company	30,907	157,418
	$ 3,851,209	$ 3,583,479

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

B. Purchases of services

	Years ended December 31,	
	2019	2018
-Entities controlled by the same parent company	$ 7,895	$ 27,252
-Other related parties	1,476	-
-Parent company	24,896	18,520
	$ 34,267	$ 45,772

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

C. Receivables from related parties

	December 31, 2019	December 31, 2018
Accounts receivable:		
-Entities controlled by the same parent company	$ 1,291,964	$ 1,152,922
-Other related parties	124,214	157,091
-Parent company	-	37,708
	1,416,178	1,347,721
Other receivables:		
-Entities controlled by the same parent company	803	433
-Other related parties	-	24
	803	457
	$ 1,416,981	$ 1,348,178

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.

D. Payables to related parties

		December 31, 2019		December 31, 2018
Other payables:				
-Entities controlled by the same parent company	$	1,790	$	2,554
-Other related parties		1,550		-
-Parent company		11,609		10,046
	$	14,949	$	12,600

The other payables arise mainly from collections, short-term lease payments payable and payments on behalf of others.

E. Lease transactions-lessee

(a) As of December 31, 2019, the main lease contracts between the Company and related parties are as follows:

Lessor	Lease subject	Rental calculation and payment	Lease term
-Entities controlled by the same parent company	Buildings and structures	RMB￥10,761 (in thousands) per year	Within one year
-Parent company	"	$3,938 per month	Within one year
-Parent company	"	$ 750 per month	2018.1.1~2024.1.1

(b) On January 1, 2019 (the date of initial application of IFRS 16), the Group increased right-of-use assets by $19,165.

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

	Years ended December 31,			
		2019		2018
Rental expense:				
-Entities controlled by the same parent company	$	48,083	$	48,597
-Parent company		47,256		52,752
	$	95,339	$	101,349

(d) Lease liabilities

i. Outstanding balance:

		December 31, 2019
-Parent company	$	10,875

ii. Interest expense

		Year ended December 31, 2019
-Parent company	$	276

(4) Key management compensation

	Years ended December 31,	
	2019	2018
Salaries and other short-term employee benefits	$ 106,213	$ 118,051
Post-employment benefits	1,098	1,081
	$ 107,311	$ 119,132

8. PLEDGED ASSETS

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

	Book value		
Pledged asset	December 31, 2019	December 31, 2018	Purpose
Guarantee deposits paid (shown as 'other non-current assets')	$ 24,345	$ 48,690	Performance guarantee and bid bond
"	11	11	Guarantee for purchase equipment
"	14,693	13,304	Guarantee for rentals
"	834	2,719	Others
	$ 39,883	$ 64,724	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) As of December 31, 2019, for financing forward exchange contracts and for bill purchase purposes, the Group provided standby promissory notes totaling $15,459,930 as security.

(2) Rental commitments

Prior to 2018

As of December 31, 2018, due to the Group's leasing of plants, offices and parking lots, the Group's future minimum rental commitments are as follows:

	December 31, 2018
Not later than one year	$ 136,193
Later than one year but not later than five years	37,275
	$ 173,468

(3) On December 27, 2018, the subsidiary, CPSZ, and Suzhou Weiye Group Co., Ltd. signed a construction contract amounting to RMB 247,825 thousand dollars (NT$1,103,069) and the subcontract work will follow the construction schedule. As of December 31, 2019, capital expenditure for the contract but not yet incurred amounted to RMB 83,071 thousand dollars (NT$357,645).

(4) Apart from section (3) above, the amounts of unpaid payment for construction in progress and acquisition of machinery and equipment are as follows:

December 31, 2019		December 31, 2018	
$	137,782	$	55,134

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

The appropriations of 2019 earnings and proposal for employees' compensation and supervisors' and directors' remuneration distribution have been resolved by the Board of Directors on March 2, 2020. Please see Notes 6(18) and (25). For retirement of treasury shares, please see Note 6(16).

12. OTHERS

(1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus net debt.

(2) Financial instruments

A. Financial instruments by category

	December 31, 2019		December 31, 2018	
Financial assets				
Financial assets mandatorily measured at fair value through profit or loss	$	1,358,220	$	1,497,084
Financial asset at fair value through other comprehensive income - designation of equity instrument		266,419		457,150
Financial assets at amortised cost				
Cash and cash equivalents		1,387,541		705,018
Notes receivable		113,207		106,263
Accounts receivable (including related parties)		8,403,369		7,884,255
Other receivables (including related parties)		36,698		166,035
Guarantee deposits paid		39,883		64,724
	$	11,605,337	$	10,880,529

	December 31, 2019	December 31, 2018
Financial liabilities		
Financial liabilities at fair value through profit or loss	$ 63,404	$ 15,543
Financial liabilities at amortised cost		
Short-term borrowings	250,000	1,450,000
Notes payable	317	217
Accounts payable	10,002,907	10,334,645
Other payables (including related parties)	2,382,220	2,140,372
Long-term borrowings	100,000	-
Lease liability	106,698	-
	$ 12,905,546	$ 13,940,777

B. Financial risk management policies

(a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. To minimise any adverse effects on the financial performance of the Group, derivative financial instruments, such as foreign exchange contracts and foreign exchange swap contracts are used to hedge certain exchange rate risk. Derivatives are used exclusively for hedging purposes and not as trading or speculative instruments.

(b) Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

(c) Information about derivative financial instruments that are used to hedge certain exchange rate risk are provided in Note 6(2).

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

i. The Group operates internationally and is exposed to exchange rate risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the USD and RMB. Exchange rate risk arises from future commercial transactions and recognised assets and liabilities.

ii. The Group hedges exchange rate risk by foreign exchange rate and foreign exchange swap rate. However, the Group does not adopt hedging accounting. Details of financial assets or liabilities at fair value through profit or loss are provided in Note 6(2).

iii. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: USD, RMB and HKD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	December 31, 2019		
	Foreign Currency Amount (In Thousands)	Exchange Rate	Book Value (NTD)
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	$ 330,577	30.010	$ 9,920,616
USD:RMB (Note)	302,949	6.9693	9,091,499
Financial liabilities			
Monetary items			
USD:NTD	$ 353,888	30.010	$ 10,620,179
USD:RMB (Note)	194,881	6.9693	5,848,379

	December 31, 2018		
	Foreign Currency Amount (In Thousands)	Exchange Rate	Book Value (NTD)
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	$ 227,092	30.715	$ 6,975,131
USD:RMB (Note)	247,576	6.8668	7,604,297
Financial liabilities			
Monetary items			
USD:NTD	$ 233,670	30.715	$ 7,177,174
USD:RMB (Note)	188,244	6.8668	5,781,914

Note: The method is to disclose in foreign currency. The functional currencies of certain subsidiaries belonging to the Group are not NTD, thus, this information has to be considered when reporting. For example, when a subsidiary's functional currency is RMB, the subsidiary's segments that are involved with USD have to be taken into consideration.

iv. Total exchange gain, including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2019 and 2018 amounted to $10,749 and $68,557, respectively.

v. Analysis of foreign currency market risk arising from significant foreign exchange variation:

	Year ended December 31, 2019		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	1%	$ 99,206	$ -
USD:RMB	1%	90,915	-
Financial liabilities			
Monetary items			
USD:NTD	1%	$ 106,202	$ -
USD:RMB	1%	58,484	-

	Year ended December 31, 2018		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	1%	$ 69,751	$ -
USD:RMB	1%	76,043	-
Financial liabilities			
Monetary items			
USD:NTD	1%	$ 71,772	$ -
USD:RMB	1%	57,819	-

Price risk

i. The Group’s equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

ii. The Group’s investments in equity securities comprise shares and open-end funds issued by the domestic and foreign companies. The prices of financial instruments would change due to the change of the future value of investee companies. If the prices of these financial instruments had increased/decreased by 1% with all other variables held constant, post-tax profit for the years ended December 31, 2019 and 2018 would have increased/decreased by $10,942 and $12,376, respectively, as a result of gains/losses on financial instruments classified as at fair value through profit or loss. Other components of equity would have increased/decreased by $2,664 and $4,572, respectively, as a result of other comprehensive income classified as equity investment at fair value through other comprehensive income.

Cash flow and fair value interest rate risk

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash and cash equivalents held at variable rates. During the years ended December 31, 2019 and 2018, the Group's borrowings at variable rates were denominated in NTD and USD.

As of December 31, 2019 and 2018, 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, 2019 and 2018 would have been $250 and $0 lower/higher, respectively.

(b) Credit risk

i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at fair value through profit or loss.

ii. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors.

iii. The Group manages credit risk of cash in banks and other financial instruments based on the Group's credit policy. Banks with good credit and financial institutions with investment-grade credit ratings are accepted as counterparties.

iv. The Group 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. According to the internal management policy, the default occurs when the contract payments are past due over 360 days.

v. The Group classifies customer's accounts receivable in accordance with customer types. The Group applies the simplified approach using provision matrix and loss rate methodology to estimate expected credit loss under the provision matrix basis.

vi. The Group used the forecastability of industry prospect and macroeconomic environment to adjust historical and timely information to assess the default possibility of accounts receivable (including related parties). On December 31, 2019 and 2018, the provision matrix is as follows:

December 31, 2019	Expected loss rate	Total book value	Loss allowance
Not past due	0%~0.1%	$ 8,392,415	$ 7,278
1 - 30 days past due	2%~15%	18,052	850
31 - 120 days past due	8%~25%	1,235	205
Over 121 days	40%~100%	5,693	5,693
		$ 8,417,395	$ 14,026

December 31, 2018	Expected loss rate	Total book value	Loss allowance
Not past due	0%~0.03%	$ 7,867,987	$ 357
1 - 30 days past due	2%~15%	10,734	647
31 - 120 days past due	8%~25%	1,491	180
Over 121 days	20%~60%	8,323	3,096
		$ 7,888,535	$ 4,280

vii. Movements in relation to the Group applying the simplified approach to provide loss allowance for accounts receivable are as follows:

	2019	2018
	Accounts receivable	Accounts receivable
At January 1	$ 4,280	$ 3,928
Provision for impairment	9,773	418
Effect of foreign exchange	(27)	(66)
At December 31	$ 14,026	$ 4,280

viii. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:

(a) It becomes probable that the issuer will enter bankruptcy or other financial reorganisation due to their financial difficulties;

(b) The disappearance of an active market for that financial asset because of financial difficulties;

(c) Default or delinquency in interest or principal repayments;

(d) Adverse changes in national or regional economic conditions that are expected to cause a default.

(c) Liquidity risk

i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the

Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group'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 Group treasury. Group treasury invests surplus cash in interest bearing current accounts, time deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts. As of December 31, 2019 and 2018, the Group held money market position of $2,442,657 and $2,088,325, respectively, which are expected to generate sufficient cash inflows to cover liquidity risk.

iii. The Group has the following undrawn borrowing facilities:

	December 31, 2019	December 31, 2018
Floating rate:		
Expiring within one year	$ 7,751,000	$ 5,953,625
Expiring beyond one year	3,950,000	4,500,000
	$ 11,701,000	$ 10,453,625

iv. The table below analyses the Group's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

December 31, 2019	Less than 1 year	Over 1 year
Non-derivative financial liabilities:		
Short-term borrowings	$ 250,179	$ -
Notes payable	317	-
Accounts payable	10,002,907	-
Other payables (including related parties)	2,382,220	-
Lease liability	49,241	66,612
Long-term borrowings	-	100,172
Derivative financial liabilities:		
Financial liabilities at fair value through profit or loss	63,404	-

December 31, 2018	Less than 1 year	Over 1 year
Non-derivative financial liabilities:		
Short-term borrowings	$ 1,451,796	$ -
Notes payable	217	-
Accounts payable	10,334,645	-
Other payables (including related parties)	2,140,372	-

December 31, 2018	Less than 1 year	Over 1 year
Derivative financial liabilities:		
Financial liabilities at fair value through profit or loss	$ 15,543	$ -

(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 Group'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 Group'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 Group'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, notes payable, accounts payable and other payables (including related parties) are approximate to their fair values.

C. The related information of financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities at December 31, 2019 and 2018 are as follows:

(a) The related information of the nature of the assets and liabilities is as follows:

December 31, 2019	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets mandatorily measured at fair value through profit or loss - current				
Equity securities	$ 456,574	$ -	$ -	$ 456,574
Debt securities	250,000	-	-	250,000
Beneficiary certificates	112,325	-	-	112,325
Non-hedging derivatives				
Forward exchange contracts	-	14,001	-	14,001
Financial assets mandatorily measured at fair value through profit or loss - non-current				
Equity securities	-	-	196,552	196,552
Beneficiary certificates	19,080	-	309,688	328,768
Financial assets at fair value through other comprehensive income - current				
Equity securities	240,545	-	-	240,545
Financial assets at fair value through other comprehensive income - non-current				
Equity securities	-	5,977	19,897	25,874
	$ 1,078,524	$ 19,978	$ 526,137	$ 1,624,639
Liabilities				
Recurring fair value measurements				
Financial liabilities at fair value through profit or loss - current				
Non-hedging derivatives				
Forward exchange contracts	$ -	$ 59,095	$ -	$ 59,095
Exchange rate swap contracts	-	4,309	-	4,309
	$ -	$ 63,404	$ -	$ 63,404

December 31, 2018	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets mandatorily measured at fair value through profit or loss - current				
Equity securities	$ 517,803	$ -	$ -	$ 517,803
Debt securities	248,500	-	-	248,500
Beneficiary certificates	193,996	-	-	193,996
Non-hedging derivatives				
Forward exchange contracts	-	11,025	-	11,025
Financial assets mandatorily measured at fair value through profit or loss - non-current				
Equity securities	-	-	182,679	182,679
Beneficiary certificates	24,120	-	318,961	343,081
Financial assets at fair value through other comprehensive income - current				
Equity securities	430,047	-	-	430,047
Financial assets at fair value through other comprehensive income - non-current				
Equity securities	-	9,831	17,272	27,103
	$ 1,414,466	$ 20,856	$ 518,912	$ 1,954,234
Liabilities				
Recurring fair value measurements				
Financial liabilities at fair value through profit or loss - current				
Non-hedging derivatives				
Forward exchange contracts	$ -	$ 12,927	$ -	$ 12,927
Exchange rate swap contracts	-	2,616	-	2,616
	$ -	$ 15,543	$ -	$ 15,543

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

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

	Listed shares	Emerging Stocks	Open-end fund	Convertible bond
Market quoted price	Closing price	Average trades 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.

D. For the years ended December 31, 2019 and 2018, there was no transfer between Level 1 and Level 2.

E. The following chart is the movement of Level 3:

	2019		
	Beneficiary certificates	Equity instruments	Total
At January 1	$ 318,961	$ 199,951	$ 518,912
Acquired in the year	4,699	-	4,699
(Losses) gains recognised in profit or loss	(11,292)	13,873	2,581
Gains and losses recognised in other comprehensive income	-	2,625	2,625
Effect of exchange rate changes	(2,680)	-	(2,680)
At December 31	$ 309,688	$ 216,449	$ 526,137
Movement of unrealised gain or loss in profit or loss of assets and liabilities held as at December 31, 2019 (Note)	($ 11,292)	$ 13,873	$ 2,581

	2018		
	Beneficiary certificates	Equity instruments	Total
At January 1	$ 292,291	$ 197,302	$ 489,593
Acquired in the year	13,860	-	13,860
Gains (losses) recognised in profit or loss	9,688	(309)	9,379
Gains and losses recognised in other comprehensive income	-	2,958	2,958
Effect of exchange rate changes	3,122	-	3,122
At December 31	$ 318,961	$ 199,951	$ 518,912
Movement of unrealised gain or loss in profit or loss of assets and liabilities held as at December 31, 2018 (Note)	$ 9,688	($ 309)	$ 9,379

Note: Recorded as non-operating income and expense.

F. For the years ended December 31, 2019 and 2018, there was no transfer into or out from Level 3.

G. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	Fair value at December 31, 2019	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	$ 216,449	Net asset value	N/A	-	N/A
Venture capital shares					
Private equity fund investment	309,688	Net asset value	N/A	-	N/A

	Fair value at December 31, 2018	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	$ 199,951	Net asset value	N/A	-	N/A
Venture capital shares					
Private equity fund investment	318,961	Net asset value	N/A	-	N/A

H. The Group has carefully assessed the valuation models and assumptions used to measure fair value. However, use of different valuation models or assumptions may result in different measurement. The following is the effect of profit or loss or of other comprehensive income from financial assets and liabilities categorised within Level 3 if the inputs used to valuation models have changed:

			December 31, 2019			
			Recognised in profit or loss		Recognised in other comprehensive income	
	Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets						
Equity instruments	Net asset value	±1%	$ 1,966	($ 1,966)	$ 199	($ 199)
Beneficiary certificates	Net asset value	±1%	3,097	(3,097)	-	-
			$ 5,063	($ 5,063)	$ 199	($ 199)

			December 31, 2018			
			Recognised in profit or loss		Recognised in other comprehensive income	
	Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets						
Equity instruments	Net asset value	±1%	$ 1,827	($ 1,827)	$ 173	($ 173)
Beneficiary certificates	Net asset value	±1%	3,190	(3,190)	-	-
			$ 5,017	($ 5,017)	$ 173	($ 173)

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

(1) General information

The Chief Operating Decision-Maker considers the business from a geographic and product type perspective; geographically, the Group currently focuses on wholesale in Taiwan, Mainland China and US.

The Group's organisation, basis of department segmentation and principles for measuring segment information for the period were not significantly changed.

(2) Measurement of segment information

A. The accounting policies of operating departments are the same as the accounting policies summarised in Note 4.

B. The Group evaluates performance based on external revenue and segment income which had already eliminated the effect of segment transactions.

(3) Information about segment profit or loss, assets and liabilities

The segment information provided to the Chief Operating Decision-Maker for the reportable segments is as follows:

Year ended December 31, 2019	Taiwan	Asia	America	Total
Revenue from external customers	$ 30,784,810	$ 1,562,938	$ 2,067,622	$ 34,415,370
Inter-segment revenue	1,056,906	31,276,479	12,876,076	45,209,461
Total-segment revenue	$ 31,841,716	$ 32,839,417	$ 14,943,698	$ 79,624,831
Segment profit	$ 729,064	$ 2,117,874	$ 251,496	$ 3,098,434

Year ended December 31, 2018	Taiwan	Asia	America	Total
Revenue from external customers	$ 27,053,740	$ 1,463,083	$ 2,775,538	$ 31,292,361
Inter-segment revenue	960,178	29,736,787	26,544,834	57,241,799
Total-segment revenue	$ 28,013,918	$ 31,199,870	$ 29,320,372	$ 88,534,160
Segment profit	$ 928,093	$ 1,041,582	$ 235,656	$ 2,205,331

The adoption of IFRS 16, 'Leases', had the following impact on the segment information in 2019.

	Taiwan	Asia	America	Total
Depreciation expense increased	$ 17,769	$ 27,334	$ 2,031	$ 47,134

(4) Reconciliation for segment income

A. The revenue from external parties reported to the Chief Operating Decision-Maker is measured in a manner consistent with that in the statement of comprehensive income.

B. A reconciliation of reportable segment profit to the profit before tax for the years ended December 31, 2019 and 2018 is provided as follows:

	Years ended December 31,	
	2019	2018
Reportable segment profit	$ 3,098,434	$ 2,205,331
Unclassified related profit and loss	(898,265)	(782,988)
Non-operating revenue and expense	19,638	(87,677)
Profit before tax	$ 2,219,807	$ 1,334,666

(5) Information on products and services

Revenue from third parties is mainly derived from the sale of electronic component products, consumer electronic products and other electronic products as follows:

	Years ended December 31,	
	2019	2018
Electronic component products	$ 25,538,856	$ 22,196,566
Consumer electronic products and other electronic products	8,666,264	8,920,416
Others	210,250	175,379
	$ 34,415,370	$ 31,292,361

(6) Geographical information

Geographical information for the years ended December 31, 2019 and 2018 is as follows:

	Years ended December 31,			
	2019		2018	
	Revenue	Non-current assets	Revenue	Non-current assets
Asia	$ 30,516,722	$ 3,857,943	$ 27,855,409	$ 3,137,589
US	3,300,507	4,985	2,988,857	97,400
Europe	575,633	-	444,344	-
Others	22,508	-	3,751	-
	$ 34,415,370	$ 3,862,928	$ 31,292,361	$ 3,234,989

Non-current assets include property, plant and equipment, right-of-use assets, intangible assets and other non-current assets, but exclude financial instruments and deferred income tax assets.

(7) Major customer information

Major customer information of the Group for the years ended December 31, 2019 and 2018 is as follows:

	Years ended December 31,			
	2019		2018	
	Revenue	Segment	Revenue	Segment
Company A	$ 5,339,423	Taiwan	$ 4,754,448	Taiwan

CHICONY POWER TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Loans to others

Year ended December 31, 2019

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, 2019 (Note 2)	Balance at December 31, 2019 (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 Item	Collateral Value	Limit on loans granted to a single party (Note 6)	Ceiling on total loans granted (Note 6)	Footnote
0	The Company	CPUS	Other receivables - related parties	YES	$ 189,630	$ 180,060	$ 156,052	1.7	2	$ -	working capital	$ -	None	None	$ 3,313,477	$ 3,313,477	-
0	The Company	CPHK	Other receivables - related parties	YES	1,517,040	1,440,480	1,301,534	1.7	2	-	working capital	-	None	None	3,313,477	3,313,477	-
0	The Company	CPTH	Other receivables - related parties	YES	91,500	90,030	360	1.7	2	-	working capital	-	None	None	3,313,477	3,313,477	-
0	The Company	WTS	Other receivables - related parties	YES	63,210	60,020	34,632	1.7	2	-	working capital	-	None	None	3,313,477	3,313,477	-
0	The Company	CT	Other receivables - related parties	YES	90,000	45,000	27,600	1.5-1.7	2	-	working capital	-	None	None	3,313,477	3,313,477	-
1	CPI	CPUS	Other receivables - related parties	YES	173,828	-	-	1.6	2	-	working capital	-	None	None	2,485,108	3,313,477	-
1	CPI	CPHK	Other receivables - related parties	YES	1,295,805	-	-	1.6	2	-	working capital	-	None	None	2,485,108	3,313,477	-
1	CPI	WTS	Other receivables - related parties	YES	41,087	-	-	2.0	2	-	working capital	-	None	None	2,252,467	2,252,467	-
2	CPSZ	TORCH	Other receivables - related parties	YES	331,056	-	-	1.6	2	-	working capital	-	None	None	981,449	981,449	-
2	CPSZ	WTK	Other receivables - related parties	YES	16,553	-	-	1.6	2	-	working capital	-	None	None	981,449	981,449	-
3	WTS	WT	Other receivables - related parties	YES	44,247	-	-	2	2	-	working capital	-	None	None	61,505	61,505	-
4	CPDG	TORCH	Other receivables - related parties	YES	257,070	245,442	244,581	1.6	2	-	working capital	-	None	None	460,477	460,477	-
4	CPDG	WTK	Other receivables - related parties	YES	16,236	15,502	15,502	1.6	2	-	working capital	-	None	None	460,477	460,477	-

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, 2019.

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 limited to the restriction of 40% of the Company's net assets. However, ceiling on total loans is the lending company's net assets. In addition, limit on loans granted to a single company with business transactions is 30% of the Company's net assets, or the higher of sales and purchases during the year; limit on loans granted to a single company with short-term financing is 30% of the Company's net assets.

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

CHICONY POWER TECHNOLOGY CO., LTD. AND SUBSIDIARIES
Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)
December 31, 2019

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

Securities held by	Marketable securities		Relationship with the securities issuer	General ledger account	As of December 31, 2019				Footnote
					Number of shares	Book value	Ownership (%)	Fair value	
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	3,038,983	$ 279,587	1.64	$ 279,587	-
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	1,202,252	36,488	1.59	36,488	-
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	228,000	22,754	0.03	22,754	-
The Company	Common stock	Phison Electronics Corp.	-	Financial assets at fair value through profit or loss - current	200,000	68,100	0.10	68,100	-
The Company	Common stock	Apex International Co., Ltd.	-	Financial assets at fair value through profit or loss - current	300,000	13,800	0.16	13,800	-
The Company	Emerging Stock	TWi Biotechnology, Inc.	-	Financial assets at fair value through profit or loss - current	119,000	1,045	0.18	1,045	-
The Company	Bond	Everlight Electronics Co., Ltd.	-	Financial assets at fair value through profit or loss - current	2,500,000	250,000	-	250,000	-
The Company	Beneficiary certificates	Fuh Hwa Digital Economy Fund	-	Financial assets at fair value through profit or loss - current	2,077,391	112,325	-	112,325	-
The Company	Common stock	WK Venature Capital Management CO. Ltd.	The Company's parent company is this company's corporate director	Financial assets at fair value through profit or loss - non-current	1,000,000	20,060	1.00	20,060	-
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	68,672	9.38	68,672	-
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	107,820	7.41	107,820	-
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	19,080	-	19,080	-
The Company	Beneficiary certificates	Fuh Hwa New Smart Energy Securities Investment Trust Fund	-	Financial assets at fair value through profit or loss - non-current	21,000,000	196,140	-	196,140	-
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	166,998	0.68	166,998	-
The Company	Common stock	KINSUS INTERCONNECT TECHNOLOGY CORP.	-	Financial assets at fair value through other comprehensive income - current	920,000	47,657	0.20	47,657	-
The Company	Common stock	Genesis Photonics Inc.	-	Financial assets at fair value through other comprehensive income - current	1,892,392	8,402	2.70	8,402	-
The Company	Common stock	Cheng Uei Precision Industry Co., Ltd.	-	Financial assets at fair value through other comprehensive income - current	80,000	3,664	0.02	3,664	-
The Company	Common stock	Flytech Technology Co., Ltd.	-	Financial assets at fair value through other comprehensive income - current	192,000	13,824	0.13	13,824	-
The Company	Common stock	Genesis Photonics Inc.	-	Financial assets at fair value through other comprehensive income - non-current	1,979,291	5,977	2.83	5,977	-
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	19,897	5.00	19,897	-
CPI	Common stock	Q Technology (Group) Company Limited	-	Financial assets at fair value through profit or loss - current	700,000	34,800	0.06	34,800	-
CPI	Beneficiary certificates	WRV II, L.P	-	Financial assets at fair value through profit or loss - non-current	3,841,266	113,548	-	113,548	-
CPI	Common stock	Anxin-China Holdings Ltd.	-	Financial assets at fair value through other comprehensive income - current	8,300,000	-	0.27	-	-

CHICONY POWER TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Acquisition of real estate reaching NT$300 million or 20% of paid-in capital or more

Year ended December 31, 2019

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: 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	Reason for acquisition of real estate and status of the real estate	Other commitments
CPSZ	Construction in Process	2018/12/27	$1,103,069 (RMB247,825 thousand)	$ 709,310	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.

Note 3: Date of the event referred to herein is the date of contract signing, date of payment, date of execution of a trading order, date of title transfer, date of board resolution, or other date that can confirm the counterparty and the monetary amount of the transaction, whichever is earlier.

CHICONY POWER TECHNOLOGY CO., LTD. AND SUBSIDIARIES

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, 2019

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

			Transaction				Differences in transaction terms compared to third party 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	($ 429,059)	1	60 days	Note 1	Note 1	$ 116,100	1	-
The Company	Chicony Electronics CEZ s.r.o.	Entity controlled by the same parent company	Sales	(270,875)	1	90 days	Note 1	Note 1	41,230	1	-
The Company	Chicony Electronics (Dong Guan) Co., Ltd.	Entity controlled by the same parent company	Sales	(747,776)	2	90 days	Note 1	Note 1	210,086	3	-
The Company	Chicony Electronics (Suzhou) Co., Ltd.	Entity controlled by the same parent company	Sales	(680,203)	2	90 days	Note 1	Note 1	485,253	6	-
The Company	Chicony Electronics (Chong-Qing) Co., Ltd.	Entity controlled by the same parent company	Sales	(295,779)	1	90 days	Note 1	Note 1	200,609	3	-
The Company	CPUS	Subsidiary	Sales	(1,024,656)	3	90 days	Note 1	Note 1	409,201	5	-
CPI	The Company	The Company	Sales	(12,800,291)	93	45 days	Note 1	Note 1	1,464,316	100	-
CPI	Chicony Electronics (Suzhou) Co., Ltd.	Entity controlled by the same parent company	Sales	(462,023)	3	90 days	Note 1	Note 1	-	-	-
CPI	Chicony Electronics (Chong-Qing) Co., Ltd.	Entity controlled by the same parent company	Sales	(289,923)	2	90 days	Note 1	Note 1	-	-	-
CPDG	The Company	The Company	Sales	(5,448,640)	52	45 days	Note 1	Note 1	2,377,120	96	-
CPDG	CPI	Subsidiary	Sales	(4,858,322)	46	45 days	Note 1	Note 1	-	-	-
CPSZ	The Company	The Company	Sales	(7,461,190)	53	45 days	Note 1	Note 1	4,527,265	93	-
CPSZ	CPI	Subsidiary	Sales	(6,034,179)	42	45 days	Note 1	Note 1	-	-	-
CPSZ	Chicony Electronics (Suzhou) Co., Ltd.	Entity controlled by the same parent company	Sales	(502,751)	4	90 days	Note 1	Note 1	291,460	6	-
CPCQ	The Company	The Company	Sales	(3,078,550)	47	45 days	Note 1	Note 1	1,949,480	87	-
CPCQ	CPI	Subsidiary	Sales	(2,644,660)	39	45 days	Note 1	Note 1	-	-	-
CPCQ	CPSZ	Subsidiary	Sales	(872,312)	13	60 days	Note 1	Note 1	261,583	12	-
GSE	CPDG	Subsidiary	Sales	(381,428)	43	60 days	Note 1	Note 1	119,982	42	-
GSE	CPSZ	Subsidiary	Sales	(256,007)	29	60 days	Note 1	Note 1	86,377	30	-
GSE	CPCQ	Subsidiary	Sales	(130,869)	15	60 days	Note 1	Note 1	33,388	12	-
Purchases											
The Company	CPI	Subsidiary	Purchases	$ 12,800,291	44	45 days	Note 2	Note 2	($ 1,464,316)	14	-
The Company	CPDG	Subsidiary	Purchases	5,448,640	19	45 days	Note 2	Note 2	(2,377,120)	23	-
The Company	CPSZ	Subsidiary	Purchases	7,461,190	25	45 days	Note 2	Note 2	(4,527,265)	43	-
The Company	CPCQ	Subsidiary	Purchases	3,078,550	11	45 days	Note 2	Note 2	(1,949,480)	19	-
CPUS	The Company	The Company	Purchases	1,024,656	100	45 days	Note 2	Note 2	(409,201)	100	-
CPI	CPDG	Subsidiary	Purchases	4,858,322	36	45 days	Note 2	Note 2	-	-	-
CPI	CPSZ	Subsidiary	Purchases	6,034,179	44	45 days	Note 2	Note 2	-	-	-
CPI	CPCQ	Subsidiary	Purchases	2,644,660	19	45 days	Note 2	Note 2	-	-	-
CPDG	GSE	Subsidiary	Purchases	381,428	5	60 days	Note 2	Note 2	(119,982)	4	-
CPSZ	CPCQ	Subsidiary	Purchases	872,312	7	60 days	Note 2	Note 2	(261,583)	5	-
CPSZ	GSE	Subsidiary	Purchases	256,007	2	60 days	Note 2	Note 2	(86,377)	2	-
CPCQ	GSE	Subsidiary	Purchases	130,869	3	60 days	Note 2	Note 2	(33,388)	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. AND SUBSIDIARIES

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

December 31, 2019

Table 5

Expressed in thousands of NTD

(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2019	Turnover rate	Overdue receivables: Amount	Overdue receivables: Action taken	Amount collected subsequent to the balance	Allowance for Creditor Counterparty doubtful accounts
Financial funds receivable								
The Company	CPHK	Subsidiary	$ 1,314,328	-	$ -	-	$ -	$ -
The Company	CPUS	Subsidiary	157,726	-	-	-	-	-
CPDG	TORCH	Subsidiary	246,518	-	-	-	-	-
Accounts receivable								
The Company	Kapok Computer (KUNSHAN) Co.	Other related party	$ 116,100	3.60	$ -	-	$ -	$ -
The Company	Chicony Electronics (Dong Guan) Co., Ltd.	Entity controlled by the same parent company	210,086	2.90	-	-	-	-
The Company	Chicony Electronics (Suzhou) Co., Ltd.	Entity controlled by the same parent company	485,253	2.80	-	-	-	-
The Company	Chicony Electronics (Chong-Qing) Co., Ltd.	Entity controlled by the same parent company	200,609	2.95	-	-	-	-
The Company	CPUS	Subsidiary	409,201	2.50	-	-	-	-
CPI	The Company	The Company	1,464,316	2.97	-	-	-	-
CPDG	The Company	The Company	2,377,120	4.58	-	-	-	-
CPSZ	The Company	The Company	4,527,265	3.30	-	-	-	-
CPSZ	Chicony Electronics (Suzhou) Co., Ltd.	Entity controlled by the same parent company	291,460	2.55	-	-	-	-
CPCQ	The Company	The Company	1,949,480	3.16	-	-	-	-
CPCQ	CPSZ	Subsidiary	261,583	3.61	-	-	-	-
GSE	CPDG	Subsidiary	119,982	2.90	-	-	-	-

CHICONY POWER TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Significant inter-company transactions during the reporting period

Year ended December 31, 2019

Table 6

Expressed in thousands of NTD

(Except as otherwise indicated)

				Transaction			
Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	General ledger account	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
0	The Company	CPUS	1	Sales	$ 1,024,656	Note 4	3
0	The Company	CPUS	1	Accounts receivable - related party	409,201	Note 4	2
0	The Company	CPHK	1	Other receivables - related party	1,314,328	Note 5	6
1	CPI	The Company	2	Sales	12,800,291	Note 4	37
1	CPI	The Company	2	Accounts receivable - related party	1,464,316	Note 4	7
2	CPDG	The Company	2	Sales	5,448,640	Note 4	16
2	CPDG	The Company	2	Accounts receivable - related party	2,377,120	Note 4	11
2	CPDG	CPI	3	Sales	4,858,322	Note 4	14
2	CPDG	TORCH	3	Other receivables - related party	246,518	Note 5	1
3	CPSZ	The Company	2	Sales	7,461,190	Note 4	22
3	CPSZ	The Company	2	Accounts receivable - related party	4,527,265	Note 4	21
3	CPSZ	CPI	3	Sales	6,034,179	Note 4	18
4	CPCQ	The Company	2	Sales	3,078,550	Note 4	9
4	CPCQ	The Company	2	Accounts receivable - related party	1,949,480	Note 4	9
4	CPCQ	CPI	3	Sales	2,644,660	Note 4	8
4	CPCQ	CPSZ	3	Sales	872,312	Note 4	3
4	CPCQ	CPSZ	3	Accounts receivable - related party	261,583	Note 4	1
5	GSE	CPDG	3	Sales	381,428	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. AND SUBSIDIARIES

Information on investees

Year ended December 31, 2019

Table 7

Expressed in thousands of NTD

(Except as otherwise indicated)

				Initial investment amount		Shares held as at December 31, 2019					
Investor	Investee	Location	Main business activities	Balance as at December 31, 2019	Balance as at December 31, 2018	Number of shares	Ownership (%)	Book value	Net profit (loss) of the investee for the year ended December 31, 2019	Investment income (loss) recognised by the Company for the year ended December 31, 2019	Footnote
The Company	Chicony Power Holdings Inc. (CPH)	BVI	Investment holdings	$ 326,350	$ 326,350	10,000,000	100	$ 5,318,754	$ 1,383,105	$ 1,193,322	Subsidiary
The Company	Chicony Power Technology (Thailand) Co., Ltd. (CPTH)	Thailand	Sales of switching power supplies and other electronic parts	38,171	-	3,800,000	100	36,396	(1,761)	(1,761)	Subsidiary
CPH	Chicony Power International Inc. (CPI)	Cayman Islands	Sales of switching power supplies and other electronic parts and investment holdings	300,100 (USD 10,000 thousand)	300,100 (USD 10,000 thousand)	10,000,000	100	5,631,168	1,383,066	-	Subsidiary
CPI	Chicony Power USA, Inc. (CPUS)	U.S.A	Sales of switching power supplies and other electronic parts	39,523 (USD 1,317 thousand)	39,523 (USD 1,317 thousand)	1,500,000	100	48,621	21,517	-	Subsidiary
CPI	Chicony Power Technology Hong Kong Limited (CPHK)	Hong Kong	Research and development center and investment holdings	330,612 (HKD 85,800 thousand)	330,612 (HKD 85,800 thousand)	46,800,000	100	3,915,378	1,201,885	-	Subsidiary
CPI	WitsLight Technology Co,. Ltd. (WTS)	Samoa	Design and R&D of LED lighting modules and investment holdings	270,090 (USD 9,000 thousand)	270,090 (USD 9,000 thousand)	10,000,000	78.125	120,424	(11,870)	-	Subsidiary
WTS	WitsLight Technology Co, Ltd.(WT)	Taiwan	Design, R&D and sales of LED lighting modules	-	5,000	-	-	-	67,205	-	Subsidiary
WTS	Carlight Technology Co., Ltd. (CT)	Taiwan	Design, R&D and sales of automotive and motorcycle lamps and other components	3,000	3,000	300,000	78.125	(31,202)	(7,772)	-	Subsidiary

Note: For the amounts denomimated in foreign currencies, profit and loss amounts are translated into New Taiwan dollars at the yearly average exchange rate of 2019,while others are translated into New Taiwan dollars at the spot exchaenge rates prvailing at the end of the annual reporting period.

CHICONY POWER TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Information on investments in Mainland China

Year ended December 31, 2019

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, 2019	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2019		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2019	Net income of investee for the year ended December 31, 2019	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2019 (Note 2, 3)	Book value of investments in Mainland China as of December 31, 2019	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2019	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	$ 187,633	100	$ 187,633	$ 1,151,194	$ -	-
Chicony Power Technology (Suzhou) Co., Ltd.	Manufacturing and sales of electronics components and LED lighting modules	1,297,467	2.(1)	45,197	-	-	45,197	683,093	100	683,093	2,453,622	-	-
Quang Sheng Electronics (Nangchang) Co., Ltd.	Manufacturing and sales of electronics components and transformers	131,175	2.(1)	33,573	-	-	33,573	8,634	100	7,565	224,735	-	-
Chicony Power Technology (Chong Qing) Co., Ltd.	Manufacturing and sales of electronics components and LED lighting modules	301,744	2.(1)	-	-	-	-	371,801	100	371,801	1,195,776	-	-
Chicony Energy Saving Technology (Shanghai) Co., Ltd.	Sales of LED lighting modules	44,379	2.(1)	-	-	-	-	(4,045)	100	(4,045)	47,101	-	-
Chicony Power Technology Trading (Dong Guan) Co., Ltd.	Importing and exporting of power supplies, LED lighting modules, and other electronics and smart building system industry.	10,491	2.(1)	-	-	-	-	(778)	100	(778)	(362)	-	-
Chicony Power Technology (Taizhou) Co., Ltd. (CPTZ)	Researching and developing, manufacturing, sales, installation, after-sale, and advisory services of electric machinery, electric frequency device and industry automation equipment	90,030	2.(1)	-	-	-	-	(4,189)	100	(4,189)	84,796	-	-
WitsLight Technology (Kushun) Co, Ltd.	Manufacturing and sales of LED lighting modules	331,859	2.(2)	-	-	-	-	(21,259)	78.125	(16,609)	182,876	-	-
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)	-	-	-	-	10,506	78.125	8,208	190,338	-	-

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2019	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	$ 2,257,522	$ 4,970,216

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.