Annual Report Query： Stock Code：TWSE 6412
M.O.P.S：http://mops.twse.com.tw
Chicony Power：http://www.chiconypower.com.tw/

Chicony Power Technology Co., Ltd.

2018 Annual Report

Dated by May 6, 2019

Chicony Power Technology Co., Ltd.
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One. Letter to Shareholders

I. Business Performance in 2018

(I) Results Accomplished with the Business Operating Plan for 2018

In 2018, thanks to the remarkable teamwork of the managerial team and entire staff, the Company achieved consolidated sales revenues of NTD 31,292,361,000, a growth of 12.3% over 2017. The net earnings after taxes came to NTD 1,030,209,000, decreasing by 34% over 2017.

(II) Analyses on Financial Revenues and Expenditures and Profitability

1. Financial revenues and Expenditures

Unit: NTD 1,000

Item	2018	2017	Increase (decrease) %
Operating profit	1,422,343	1,633,641	(12.93%)
Net earnings after tax	1,030,209	1,561,602	(34.03%)
Average total assets	21,142,685	19,935,264	6.06%
Average total shareholders' equity	7,401,054	7,302,846	1.34%

2. Profitability

Item	2018	2017
Average return on assets (%)	5.08	7.99
Average Return on shareholders' equity (%)	13.92	21.38
Operating profit accounting for the ratio of share capital at the end of the period (%)	37.12	42.74
Net profit margin (%)	3.29	5.60
Net income per share	2.72	4.21 (Note)

Note: The net income per share of 2017 represents the amount before retrospective adjustments without consideration of converting the earning into capital increase.

(III) Performance in Research and Development

In 2018, the Company has invested a total of NTD 1,438,813,000 in R&D expenses to develop new products, strengthen automated production equipment, improve production process and upgrade R&D technicians' competency. Given the industrial environment, which evolves rapidly and involves intensive competition, the Company will actively control the development trend in the market, and continue to invest funds in the innovation of products and R&D of technology, especially in the new application areas, such as development of products including IoT-related products, smart energy building control systems and environmental sensors, power supply of video games, power supply of gaming computers, LED car headlights, power supply systems of data center and server, etc., in order to keep intensifying the Company's competitiveness in the industry.

II. Business Operating Plan for 2019

(I) Business Targets and Forecast for 2019

Looking forward to 2019, the global electronic components industry trends were towards positive developments, including Industry 4.0, AI (Artificial Intelligence), Smart Home, Electrical Vehicle, Self-driving Vehicle, Block Chains, and so on; all these are closely linked with Big Data. In the future, the 4-in-1 integration of Network, Software, Hardware and Data will become an inevitable trend, and promote more prosperous developments of electronic key components. The momentum of the global economic growth slows down. The uncertainties resulting from the Sino-US trade friction would bring added risks and fluctuations in the global economy. In the days and years ahead, the Company will still be subject to quite a few challenges ahead.

Notwithstanding, the Company's management team will deal with various challenges derived from changes in the global economy and industrial environment carefully, by upholding its optimistic and vigorous visions. The Company will continue to be dedicated to the R&D and marketing of power supply-related products and also work hard to develop the business about products related to IoT, such as Smart Speakers and other Smart Home Products in the ever-booming E-sports industry; as well as Power Supply Systems and AI trends for Big Databank Centers and Servers, and the relevant business of products in non-PC Industries. The Company will adhere to the "No Quality, No Sales" policy and strictly control the product quality and continue upgrading the efficiency of its customer service to increase the Company's overall operating revenue and earnings. Moreover, it will actively strengthen automated manufacturing to increase production flexibility and efficiency, and improve product quality in response to the increasing demand for manufacturing requirements. We anticipate that within the year, we shall sell an aggregate total of 164 million sets of electronic parts and components products, consumer electronic products, and other related products.

(II) The Business Operating Policies and Strategies of Future Development of the Company

For business operation policies and strategies of future development of the Company, we will focus on marketing, production, research and development, products, human resources and financial standing, as enumerated below:

1. Marketing
   (1) Upgrade the sale proportion of high value-added power supply products to increase the Company's earnings.
   (2) Actively develop the business for products related to IoT and power supply of e-sports computers, etc.
   (3) Actively continue to expand the market share of power supply products and develop customers for new products.
   (4) Take firm trends of market development and boost customer service efficiency, with continuous profound cultivation of and contacts with customers to provide customers with services in the best real-time.
2. Production
   (1) Utilize inter-group co-procurement and actively expand cooperation with suppliers in Mainland China to effectively reduce the procurement cost of raw materials.
   (2) Continuously increase automated production ratio, improve production efficiency and strengthen product quality to mitigate the pressure produced by increase in labor cost.
   (3) Continue to research, develop and improve the production process to upgrade the production efficiency and product quality.
   (4) Continuously boost the ratio of automated production and continue to develop new manufacturing processes to minimize production costs, enhance production efficiency and quality.
3. Research and Development
   (1) Continuously cooperate with heavyweight manufacturers, customers and suppliers throughout the world, make use of advanced key technology and development trends in the markets to create a technology advantage.

(2) Continue to focus on R&D in innovation and technology of products to upgrade the Company's position levels in the markets and in the know-how.
(3) Speed up quality certification of various products, domestic and overseas, to upgrade competitiveness of the products in international markets.
(4) Continue to recruit excellent human resources and enhance employees' professional training to upgrade the Company's strength in R&D.

4. Products
   - (1) Take the firm trends of market development and boost research and development of power supply products for new domains of application to increase product items and help the Company gain added profits.
   - (2) Continue to develop the power supply products related to smart family and green buildings to be in line with the global smart energy trend.
   - (3) Augment the power supply solution projects for server and huge information centers to develop upward to high-end products.
   - (4) Continue to research and develop high-power supply products related to video games and gaming computers.
5. Human Resources
   - (1) Work with colleges and universities and provide scholarships and fellowships to excellent students to recruit professional human resources.
   - (2) Effectively utilize the system targets of all sorts of human resources to help all business divisions accomplish annual targets in profits.
   - (3) Look into and make sure of the trends in human resources relevant policies at home and abroad, and regularly review the relevant practices and systems of the Company, to win over maximum possible benefits common for both labor and management.
   - (4) Fulfill corporate social responsibility, practice corporate governance and value care for employees to achieve the enterprise's objectives for sustainable operations.
6. Financial Standing
   - (1) Make maximum possible use of derivative financial instruments and diversified, comprehensive, and multifaceted instruments in the capital markets to minimize potential fluctuations in foreign exchange and the risks in rising prices of raw materials.
   - (2) Continuously strengthen control over accounts receivable, boost the turnover rate of a variety of assets to effectively control budgeting and implementation process.
   - (3) Devise and work out optimum taxation planning for the Company and the subsidiaries pursuant to the requirements of taxation laws of the countries concerned.
   - (4) Continuously minimize liability ratios.

(III) Key Production and Marketing Policies

1. Continuously team up with internationally renowned large-scale customers to expand the market shares of our products in line with the growth of customers' sales revenues and the rising ratios of our products sold to them.
2. Comprehensively promote the automated production and continuously develop new manufacturing processes to boost product efficiency and quality.
3. Continuously expand the domains of application for new products, raise the proportion of sales turnover of our products with added values to help gain added profits.
4. Continuously set up global warehouses for deliveries in real-time to strengthen flexibility of deliveries and enhance the close teamwork ties with customers.
5. Utilize the inter-group co-procurement and marketing strength to reduce the procurement cost of raw materials and increase the sales of products.

6. Enhance the performance of the existing ERP overall information system to boost operating efficiency of all business sectors.

III. The Impact Among the Environments of External Competitions, Legal Ambiance and Environment for Overall Business Operations:

In the business operations here in the Company, we have faithfully complied with the laws and regulations currently prevalent in the home country and the countries where our subsidiaries are located. Our entire managerial team members shall, as always, continuously remain watchful about the environmental changes that might have an impact upon our business operations. Meanwhile, we shall implement business policies and strategies in marketing, production, research and development, production, human resources and financial concern to continuously boost our overall business performance and to strive for the optimum values to our customers, shareholders and employees.

Chairman: Lu, Chin-Chung

President: Tseng, Kuo-Hua

Accounting Manager: Chen, Hsueh-Yi

Two. Company Introduction

I. Date of Incorporation: December 24, 2008

II. Coorporate Milestones

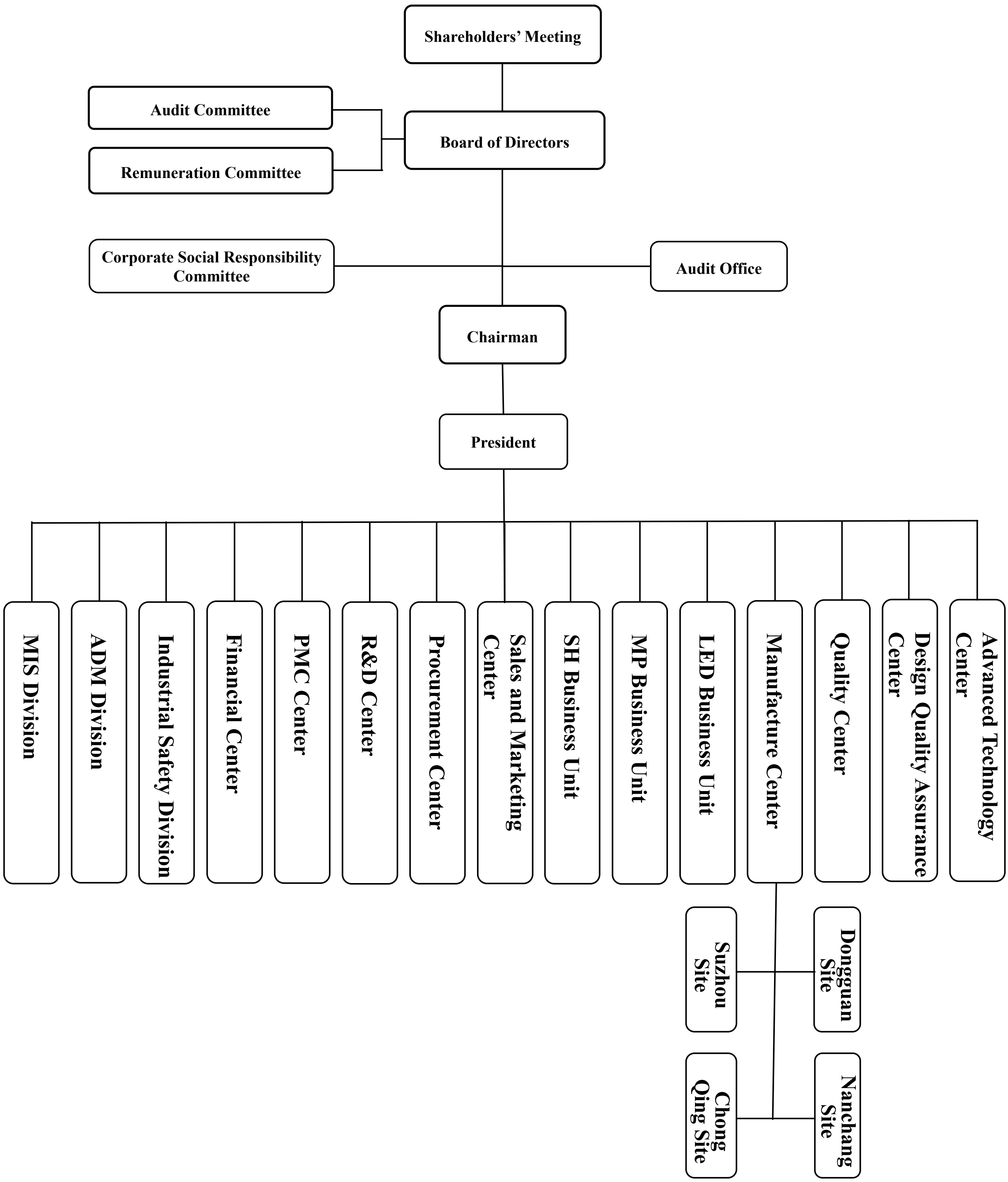
Year/Month	Descriptions
December 2008	Chicony Power Technology Co., Ltd. (hereinafter referred to as "the Company" or "Chicony Power") was invested and established by Hipro Electronics (Taiwan) Co., Ltd. (hereinafter referred to as "Hipro Electronics") on December 2008. The Company's registered paid-in capital is NTD 1 million and is mainly engaged in the business of producing and marketing of switching power supplies.
February 2009	The Company issued common stocks to take over the power supply business segment from Hipro Electronics. Paid-in capital increased to NTD 81 million.
April 2009	The Company increased its paid-in capital out of cash for NTD 2 billion. Paid-in capital increased to NTD 2.081 billion.
July 2009	-The Company invested and set up a 100% owned holding company - Chicony Power Holdings Inc., and through this holding company the Company invested and owned indirectly 100% shares of Chicony Power International Inc. -Chicony Power International Inc. bought from Hipro Overseas (B.V.I.) Inc. the 100% shares of Hipro Technologies, Inc., and 100% shares of Hipro Hong Kong Ltd. By way of this the Company indirectly owns 100% shares of Hipro Electronics (Dongguan) Co., Ltd., 100% shares of Hipro Electronics (Suzhou) Co., Ltd., and 100% shares of Guang Sheng Electronics (Nanchang) Co., Ltd., respectively, and thus build a comprehensive network of overseas production bases.
October 2009	The Company renamed its indirectly owned company - Hipro Technologies, Inc. as Chicony Power USA, Inc., and has it engaged in the business of selling power supply. The purpose is to enhance sales and serve customer in the United States.
January 2010	Build up the LED Business Unit.
August 2010	-The Company increased its paid-in capital out of capital reserves and earnings (including employee bonus) for NTD 334,868,320. Paid-in capital increased to NTD 2,415,868,320. -The Company renamed its indirectly invested company - Hipro Electronics (Suzhou) Co., Ltd., as Chicony Power Technology (Suzhou) Co., Ltd. -The Company set up the LED production lines in Chicony Power Technology (Suzhou) Co., Ltd.
September 2010	The Company renamed its indirectly invested company - Hipro Hong Kong Ltd. as Chicony Power Technology Hong Kong Ltd.
May 2011	-The Company indirectly invested a 100% owned Chicony Energy Saving Technology (Shanghai) Co., Ltd. to engage in the business of selling LED lighting equipment. -The Company indirectly invested and set up Chicony Power Technology (Chong Qing) Co., Ltd. to engage in the business of selling power supply and LED lighting equipment.
December 2011	The Company increased its paid-in capital out of capital reserves and earnings (including employee bonus) for NTD 345,971,100. Paid-in capital increased to NTD 2,761,839,420.
May 2012	The Company set up LED production line in Hipro Electronic (Dongguan) Co., Ltd.
October 2012	The Company increased its paid-in capital out of capital reserves and earnings (including employee bonus) for NTD 345,971,100. Paid-in capital increased to NTD 2,761,839,420.
November 2012	The Company was approved by the FSC for public issuance of stocks.
January 2013	The Company was approved by the GreTai Securities Market to have stocks listed and traded on the emerging market board.
January 2013	The Company indirectly invested and set up Dongguan Chicony Power Trading Co., Ltd. to engage in the sales of power supply and LED lighting equipment.
August 2013	The Company increased its paid-in capital out of earnings (include Employees Bonus) for NTD 35,817,110. Paid-in capital increased to NTD 3,293,786,450.
November 2013	On November 8, the Company officially listed and had stocks traded on the Taiwan Stock Exchange (TWSE).

Year/Month	Descriptions
November 2013	The company increased its paid in capital out of cash for NTD 240 million. Paid-in capital increased to NTD 3,533,786,450.
July 2014	The Company owns 78.125% shares of WitsLight Technology Co., Ltd., and indirectly owns 78.125% shares of WitsLight Technology Group and WitsLight Technology Group (Kunshan) and engages in designing, research and development, production and sales of LED lighting Module.
August 2014	The Company increased its paid-in capital out of earnings (include Employees Bonus) for NTD 54,747,040. Paid-in capital increased to NTD 3,588,533,490.
April 2015	The Company indirectly owns 78.125% shares of Zhu Zhou Torch Auto Lamp Co. Ltd., and engages in production and sales of automotive and motorcycle components, electric machine and device, lamps and plastic products.
August 2015	The Company increased its paid-in capital out of earnings (include Employees Bonus) for NTD 54,577,840. Paid-in capital increased to NTD 3,643,111,330.
September 2015	The Company increased its capital out of new restricted employee shares for NT 40,079,700. Paid-in capital increased to NTD 3,683,191,030.
March 2016	The Company increased and decreased its paid-in capital out of revocation of new restricted employee shares for NTD 17,407,700. Paid-in capital increased to NTD 3,700,598,730.
June 2016	-Revocation of new restricted employee shares for NTD 333,380. Paid-in capital after revocation decreased to NTD 3,700,265,350. -The Company indirectly owns 78.125% shares of Carlight Technology Co., Ltd., and engages in Design, researching and developing and foreign sales of automotive and motorcycle lamps and other components.
August 2016	The Company increased its paid-in capital out of earnings (include Employees Remuneration) for NTD 57,431,050. Paid-in capital increased to NTD 3,757,696,400.
September 2016	Revocation of new restricted employee shares for NTD 207,600. Paid-in capital after revocation decreased to NTD 3,757,488,800.
November 2016	Revocation of new restricted employee shares for NTD 42,600 Paid-in capital after revocation decreased to NTD 3,757,446,200.
January 2017	The Company renamed its indirectly invested company - Hipro Electronic (Dongguan) Co., Ltd., as Chicony Power Technology (Dongguan) Co., Ltd.
April 2017	Revocation of new restricted employee shares for NTD 45,480. Paid-in capital after revocation decreased to NTD 3,757,400,720.
May 2017	The Company increased its paid-in capital out of employees remuneration for NTD 47,216,490. Paid-in capital increased to NTD 3,804,617,210.
June 2017	Revocation of new restricted employee shares for NTD 305,880. Paid-in capital after revocation decreased to NTD 3,804,311,330.
August 2017	The Company increased its paid-in capital out of earnings for NTD 18,588,140. Paid-in capital increased to NTD 3,822,899,470.
November 2017	Revocation of new restricted employee shares for NTD 52,830. Paid-in capital after revocation decreased to NTD 3,822,722,710.
May 2018	The Company increased its paid-in capital out of employees remuneration for NTD 44,231,390. Paid-in capital increased to NTD 3,866,954,100.
July 2018	Revocation of the treasury stocks and new restricted employee shares for NTD 7,088,220. Paid-in capital after revocation decreased to NTD 3,859,865,880.
August 2018	The Company increased its paid-in capital out of earnings for NTD 18,937,130. Paid-in capital increased to NTD 3,878,803,010.
November 2018	Revocation of the treasury stocks for NTD 47,390,000. Paid-in capital after revocation decreased to NTD 3,831,413,010.
April 2019	The Company increased its paid-in capital out of employees remuneration for NTD 35,740,740. Paid-in capital increased to NTD 3,867,153,750.

Three. Corporate Governance Report

I. Organization

(I) Organization Chart



(II) Functions of Major Divisions

Department	Functions
Server and High Power Business Unit (abbreviated as SH Business Unit)	Organize the purchase of materials for High Power products such as power supply of desktop computer, play station and workstation, server, storage device, as well as the production management, marketing, business management and after sales services.
Mini Power Business Unit (abbreviated as MP Business Unit)	Organize the purchase of materials for low wattage products such as power supply of notebook, printer and Set Top Box, as well as production management, marketing, business management and after sales services.
LED Business Unit	Organize the purchase of materials for LED lighting and backlight products, as well as production management, marketing, business management and after sales services.
Sales and Marketing Center	Organize the products sales and relevant business.
Procurement Center	Organize the purchase of materials for various products.
R&D Center	Organize the mechanism thermal simulation of various products, test and assist each business unit to produce product samples.
Quality Center	Organize quality control and maintain after–sales customer relationship.
Design Quality Assurance Center	Organize design quality assurance, parts engineering and certification of compliance with safety regulations for various products.
Advanced Technology Center	Integrate and make flexible use of the technology resource of the Company, assist each business unit for technology development and have the technology transferred to each unit. Long-term development of new technology to accumulate the technology capability.
Product Material Control Center	Organize to arrange production scheduling and inventory management.
Manufacture Center	Organize the production and manufacturing business of the Company.
Financial Center	Organize the finance, accounting, stock affairs, custom affairs and the import/export business.
Administration Management Division	Organize the human resource, general administration, ethical management and corporate social responsibilities business.
Industrial Safety Division	Discuss, plan, monitor and implement the industry safety and health management matters.
MIS Division	Organize MIS of the Company.
Audit Office	Audit and evaluate the internal control system of the Company, and the implementation of all regulations and systems.

II. Information Concerning the Directors, Presidents, Vice Presidents, Assistant Vice Presidents, and Department and Branch Managers

(I) Information on Directors:

1. Information on Directors:

April 8, 2019；Unit: shares, %

Title	Nationality or Place of Rregistration	Name	Gender	Date Elected	Duration	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Shareholdings		Shareholding in Other Person's Names		Principal Work Experience and Academic Degree	Concurrent Position in the Company and in Other Companies	Managers, Directors or Supervisors Who are Spouses or Within Second-degree Relative of Kinship to Each Other		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Chairman	R.O.C	Chicony Electronics Co., Ltd.	-	Jun. 7, 2018	3 years	Jun. 26, 2009	178,764,747	46.23	186,068,594	48.12	-	-	-	-	-	Unikey Electronics Co., Ltd. And Hipro Electronics (Taiwan) Co., Ltd., Director and Supervisor XAVi Technologies Corporation, Shun On Electronic Co., Ltd., Newmax Technology Co., Ltd, Laster Tech Co., Ltd. And Alcor Micro, Corp., Director Cheng Ding, Taipei Tech Venture Capital, Maxima Venture Capital II, WK Technology Fund IX, Top Taiwan Biotechnology Venture Capital Co., Director	-	-	-
	R.O.C	Legal Representative Lu, Chin-Tsung	Male	Jun. 7, 2018	3 years	Jun. 7, 2018	-	-	-	-	20,100	0.01	-	-	MBA, National ChengChi University	Director/Presiden of Chicony Electronics Co., Ltd. Chairman of Unikey Electronics Co., Ltd. (Legal Representative) Chairman of XAVi Technologies Corporation (Legal Representative) Director of Hipro Electronics (Taiwan) Co., Ltd. (Legal Representative) Director/President of Chicony Electronics (Dongguan) Co., Ltd. Director of Guang Sheng Investment Co., Ltd. (Legal Representative) Director of Chun Chin Power Technology Co., Ltd. (Legal Representative) Director of subsidiaries including Chicony Power Technology Hong Kong Ltd., Chicony Power USA, Inc., Chicony Power Holdings Inc., Chicony Power International Inc., Suzhou, Chong Qing, Dongguan, Chicony Energy Saving Technology (Shanghai) Co., Ltd., Guang Sheng Electronics (Nanchang) Co., Ltd., Dongguan Chicony Power Trading Co., Ltd. Director of subsidiaries of Chicony Electronics Co., Ltd including Chicony Overseas, Chicony Electronics CEZ s.r.o., Chicony Electronics Japan Inc., Chicony Electronics (Thailand) Co., Ltd., Chicony Electronics (Suzhou) Co., Ltd., Real Young Elec. Co., Ltd., Kuang Mao International Inc., MaoRui Electronics Co., Ltd., Mao-Feng International Inc., Mao Qun Electronics Co., Ltd., Global Faith Inc., Hipro Overseas (BVI) Inc. and Chicony America Group Inc. Director/Secretary of Chicony America Inc. Newmax Technology Co., Ltd., Director (Legal Representative) Director of Shun On Electronic Co., Ltd. (Legal Representative) Supervisor of Chicony Electronics (Chong Qing) Co., Ltd.	-	-	-

Title	Nationality or Place of Rregistration	Name	Gender	Date Elected	Duration	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Shareholdings		Shareholding in Other Person's Names		Principal Work Experience and Academic Degree	Concurrent Position in the Company and in Other Companies	Managers, Directors or Supervisors Who are Spouses or Within Second-degree Relative of Kinship to Each Other		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Director	R.O.C	Tseng, Kuo-Hua	Male	Jun. 7, 2018	3 years	Jun. 14, 2012	3,254,283	0.84	3,324,414 (Note 1)	0.86	-	-	-	-	National Taipei University of Technology Graduate Institute of Industrial Management, Taipei University of Technology Lite- On Electronics Inc., Factory Director Li Shin International Enterprise Corp., President	President of the Company Chairman of Chicony Energy Saving Technology (Shanghai) Co., Ltd., Guang Sheng Electronics (Nanchang) Co., Ltd., Dongguan Chicony Power Trading Co., Ltd., Chicony Power Technology (Dongguan) Co., Ltd. Chairman/President of Chicony Power Technology (Suzhou) Co., Ltd. and Chicony Power Technology (Chong Qing) Co., Ltd. Director of Chicony Power Technology Hong Kong Ltd., Chicony Power USA, Inc., Chicony Power Holdings Inc., Chicony Power International Inc., Witslight Technology Corporation Limited (Samoa), Witslight Technology group, Zhu Zhou Torch Auto Lamp Co. Ltd. Director of Carlight Technology Co., Ltd., Cheng Ding Venture Capital Co., Ltd., Top Taiwan Biotechnology Venture Capital and Taipei Tech Developing Venture Capital Co., Ltd. (Legal Representative)	-	-	-
Director	R.O.C	Huang, Chung-Ming	Male	Jun. 7, 2018	3 years	Jun. 15, 2015	1,961,568	0.51	2,148,967 (Note 1)	0.56	-	-	-	-	Department of Electrical Engineering, National Tsing Hua University Phoenixtec Power Co., Ltd., Manager Chang Lei Electronics Co., Ltd., Director Asian Power Devices, Inc., President	Advanced Technology Center of the Company, Chief Technology Officer and Senior Deputy GM Director of Chicony Power Technology Hong Kong Ltd. Director of Chicony Power Technology (Suzhou) Co., Ltd., Chicony Power Technology (Dongguan) Co., Ltd., Guang Sheng Electronics (Nanchang) Co., Ltd. Supervisor of Chicony Power Technology (Chong Qing) Co., Ltd., Chicony Energy Saving Technology (Shanghai) Co., Ltd., Dongguan Chicony Power Trading Co., Ltd.	-	-	-
Independent Director	R.O.C	Fu, Yow-Shiuan	Male	Jun. 7, 2018	3 years	Jan. 22, 2013	-	-	-	-	-	-	-	-	Bachelor of Mechanical Engineering, Chung Yuan Christian University Master of Business Administration (MBA), West Coast University, USA WK Technology Fund, President WYSE Technology Taiwan Ltd., President Global Scientech INC., President	Remuneration and Audit Committee member of the Company Director of Lite-On Semiconductor Corp. Independent Director, Remuneration and Audit Committee member of Penpower Technology Ltd. Independent Director, Remuneration and Audit Committee member of Logan Technology Corp. Independent Director, Remuneration and Audit Committee member of Test Research Inc.	-	-	-

Title	Nationality or Place of Rregistration	Name	Gender	Date Elected	Duration	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Shareholdings		Shareholding in Other Person's Names		Principal Work Experience and Academic Degree	Concurrent Position in the Company and in Other Companies	Managers, Directors or Supervisors Who are Spouses or Within Second-degree Relative of Kinship to Each Other		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Independent Director	R.O.C	Tsai, Duh-Kung	Male	Jun. 7, 2018	3 years	Jan. 22, 2013	-	-	-	-	-	-	-	-	Graduated from Department of Industrial Engineering, National Taipei College of Technology Manager of Taiwan Electronic Computer Company Division Director of AMPEX Computer Co., Ltd. President of Taiwan Region of AST Computer Co., Ltd. Chairman of Kingston Technology Corporation	Remuneration and Audit Committee member of the Company Chairman of Powertech Technology Inc. Chairman of Greatek Electronics Inc. (Legal Representative) Director of Powertech Technology (Suzhou) Ltd. (Legal Representative) Director of Powertech Holding (B.V.I.) Inc. (Legal Representative) Director of PTI Technology (Singapore) Pte. Ltd. (Legal Representative) Director of Powertech Technology (Singapore) Pte. Ltd. (Legal Representative) Independent Director, Remuneration and Audit Committee member of Compal Electronics, Inc. Director of Powertech Technology Japan Ltd. Director of Powertech Technology Akita Ltd. Director of Tera Probe Inc.	-	-	-
Independent Director	R.O.C	Chiu, Te-Chen	Male	Jun. 7, 2018	3 years	Jan. 22, 2013	-	-	-	-	-	-	-	-	Bachelor of Nuclear Engineering, National Tsing Hua University Master of Business Administration (MBA), National Chengchih University Vice President of Elite Securities, Vice Chairman and Standing Director of Taiwan Life Insurance Co. Ltd.	Remuneration and Audit Committee member of the Company Chairman/President of TopTaiwan Venture Capital Co., Ltd., Jiou Ding Venture Capital Co., Ltd., He Ding Venture Capital Co., Ltd., Wen Ding Venture Capital Co., Ltd., Cheng Ding venture capital Co., Ltd., Top Taiwan Biotechnology Venture Capital Co., Ltd., Top Taiwan Venture Capital Group Director/President of Li Ding Venture Capital Co., Ltd., Lian Ding Venture Capital Co., Ltd., Fu Ding Venture Capital Co., Ltd., Chi Ding Venture Capital Co., Ltd., Hua Ding International Venture Capital Co., Ltd., Yuan Ding Venture Capital Co., Ltd. Director of Depo Auto Parts Ind. Co., Ltd., Sharehope Medicine Inc., Amiccom Electronics Corporation, Radbon Avionics Inc. (Legal Representative) Director of Elan Microelectronics Corp., Avatack Co. Ltd. Independent Director, Remuneration and Audit Committee member of Silitech Technology Corp.	-	-	-

Note 1: Shares Holdings include shares in trust the grantor retains control and use at his discretion.

2. Directors That are Legal Representative of the Corporate Shareholders, and The Major Shareholders of the Corporate Shareholders

April 8, 2019

Institutional Shareholder	Major Shareholders of Corporate Shareholders
Chicony Electronics Co., Ltd.	Hsu, Kun-Tai (11.11%), Citibank (Taiwan) Entrusted with Government of Singapore Investment Account (3.17%), Unikey Electronics Co., Ltd. (2.88%), Epoque Corp. (2.40%), Hipro Electronics (Taiwan) Co., Ltd (2.20%), Tong Ling Machinery Co., Ltd. (1.52%), Standard Chartered Entrusted with iShares MSCI ETF (1.49%), Chin Yuan Iron Works & Co., Ltd.(1.49%), Citibank (Taiwan) Entrusted with Norges Bank Investment Account (1.37%), Lin, Mao-Kuei (1.32%)

3. Directors that are Legal Representative of the Corporate Shareholders, and the Major Shareholders of the Corporate Shareholders

April 8, 2019

Institutional shareholder	Major Shareholders of Corporate Shareholders
Unikey Electronics Co., Ltd	Chicony Electronics Co., Ltd. (100%)
Epoque Corp.	Hsu, Kun-Tai (68.90%), Kang, Min-Chen (10.67%), Chin Yuan Iron Works & Co., Ltd. (7.11%), Huatai Investment Co., Ltd. (6.67%), Xu, Wen-Xin (2.44%), Xu, Li-Xin (2.34%), Xu, Zheng-Xin (0.80%), Zheng, Yong-Long (0.49%), Lin, Feng-Zhu (0.22%), Yeh, Wen-Pin (0.15%)
Hipro Electronics (Taiwan) Co., Ltd	Chicony Electronics Co., Ltd. (100%)
Tong Ling Machinery Co., Ltd.	Hsu, Kun-Tai (82%), Kang, Min-Chen (10.20%), Epoque Corp. (2.72%)、Xu, Yue-Sen (2.68%), Lin Feng-Zhu (1.80%), Xu, Wen-Xin (0.60%)
Chin Yuan Iron Works & Co., Ltd.	Tong Ling Machinery Co., Ltd. (50%), Hsu, Kun-Tai (28.33%), Epoque Corp. (8.11%), Kang, Min-Chen (7.89%), Lin Feng-Zhu (5%), Xu, Wen-Xin (0.67%)

4. Independence and Expertise of the Directors

April 8, 2019

Conditions / Name	Meet the Following Professional Qualification, Together with at Least 5 Years Work Experience			Compliance of independence (Note)										Number of Public Companies in which Concurrently serves as an Independent Director
	Lecturer or above in Commerce, Law, Finance, Accounting or Other Acdemic Department Related to the Business Needs of the company in a Public or Private College or Universitys	Certified Judge, Attorney, Lawyer, Accountant, or Holder of Professional Qualification Relevant to the Company’s Operations	Have Work Experiences in the Area of Commercial, Law, Financial, Accounting or Overview Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	
Director: Chicony Electronics Co., Ltd. Representative:Lu, Chin-Tsung			✓			✓	✓			✓	✓	✓		-
Director: Tseng, Kuo-Hua			✓				✓	✓	✓	✓	✓	✓	✓	-
Director: Huang, Chung-Ming			✓		✓		✓	✓	✓	✓	✓	✓	✓	-
Independent Director: Fu, Yow-Shiuan			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3
Independent Director: Tsai, Duh-Kung			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Independent Director: Chiu, Te-Chen			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1

Note: A “✓” is marked in the space beneath a condition number when a Director has met that condition during the two years prior to election and during his or her period of service; the conditions are as follows:

(1) Not an employee of the Company or an affiliate.
(2) Not a director or supervisor of the Company or its affiliates. (This restriction does not apply to independent director positions in the company, its parent company or subsidiary, which have been appointed in accordance with local laws or laws of the registered country.)
(3) Not a natural person, spouse, underage children, or under the title of a third party who holds more than 1% of the outstanding shares issued by the Company or among the top 10 natural person shareholders.
(4) Not a spouse, kin at the second tier under the Civil Code, or a lineal blood relative within the third tier under the Civil Code as specified in (1) through (3).
(5) Not a director, supervisor or employee of a corporate shareholder who holds more than 5% of the outstanding shares issued by the Company, or a director, supervisor or employee of a corporate shareholder who is among the top 5 shareholders.
(6) Not a director, supervisor, manager or shareholder holding more than 5% of the outstanding shares of a specific company or institution in a business or financial relationship with the Company.
(7) Not a professional, owner, partner, director, supervisor, manager of proprietorship, partnership, company or institution that provides business, legal, financial and accounting services to the Company or its affiliates or a spouse to the persons. However, this excludes members of the Remuneration Committee who have been appointed to exercise duties in accordance with Article 7 of Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter.
(8) Not a spouse to or kin at the second tier under the Civil Code to any other director.
(9) Not a person of the conditions specified in any of the subparagraphs of Article 30 of the Company Act.
(10) No Government Apparatus agency, juristic person or its representative is elected under Article 27 of the Company Act.

(II) Information on Managers

April 8, 2019；Unit: shares, %

Title	Nationality	Name	Gender	Date Elected	Shareholding		Spouse & Minor Shareholdings		Shareholding in Other Person's Names		Principal Work Experience and Academic Degree	Concurrent Position in the Company and in Other Companies	Spouse or Relatives of Second Degree or Closer Acting as Managers		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
President	R.O.C	Tseng, Kuo-Hua	Male	Feb. 2, 2009	3,324,414 (Note 1)	0.86	-	-	-	-	Graduated from Taipei Institute of Technology Graduated from Graduate Institute of Industrial Management, Taipei University of Technology Lite- On Electronics Inc., Factory Director Li Shin International Enterprise Corp., President	Chairman of Chicony Energy Saving Technology (Shanghai) Co., Ltd., Guang Sheng Electronics (Nanchang) Co., Ltd., Dongguan Chicony Power Trading Co., Ltd., Chicony Power Technology (Dongguan) Co., Ltd. Chairman/President of Chicony Power Technology (Suzhou) Co., Ltd. and Chicony Power Technology (Chong Qing) Co., Ltd. Director of Chicony Power Technology Hong Kong Ltd., Chicony Power USA, Inc., Chicony Power Holdings Inc., Chicony Power International Inc., Witslight Technology Corporation Limited (Samoa), Witslight Technology group, Zhu Zhou Torch Auto Lamp Co. Ltd. Director of Carlight Technology Co., Ltd., Cheng Ding Venture Capital Co., Ltd., Top Taiwan Biotechnology Venture Capital and Taipei Tech Developing Venture Capital Co., Ltd. (Legal Representative)	-	-	-
Advanced Technology Center, Chief Technology Officer and Senior Deputy GM	R.O.C	Huang, Chung-Ming	Male	Jul. 1, 2012	2,148,967 (Note 1)	0.56	-	-	-	-	Department of Electrical Engineering, National Tsing Hua University Phoenixtec Power Co., Ltd., Manager Chang Lei Electronics Co., Ltd., Director Asian Power Devices, Inc., President	Director of Chicony Power Technology Hong Kong Ltd. Director of Chicony Power Technology (Suzhou) Co., Ltd., Chicony Power Technology (Dongguan) Co., Ltd., Guang Sheng Electronics (Nanchang) Co., Ltd. Supervisor of Chicony Power Technology (Chong Qing) Co., Ltd., Chicony Energy Saving Technology (Shanghai) Co., Ltd., Dongguan Chicony Power Trading Co., Ltd.	-	-	-
SH Business Unit, President	R.O.C	Ku, Ming-Hui	Male	Oct. 8, 2018	36,318	0.01	-	-	-	-	Graduated from Taipei Institute of Technology Lockheed Martin Global, Inc., Taiwan, EE Leader IBM Taiwan Corporation, Engineer in Charge Delta Electronics, Inc., Vice President	None	-	-	-
MP Business Unit, President	R.O.C	Huang, Chien-Yu	Male	Jan. 2, 2013	620,427 (Note 1)	0.16	-	-	-	-	Graduated from Department of Physics, National Central University Lite-On Electronics Inc., Assistant VP Liangtai Enterprise Co., Ltd., Vice President	Director of Chicony Power Technology (Suzhou) Co., Ltd., Chicony Power Technology (Chong Qing) Co., Ltd., Chicony Energy Saving Technology (Shanghai) Co., Ltd. Director/President of Dongguan Chicony Power Trading Co., Ltd., Supervisor of Chicony of Power Technology (Dongguan) Co., Ltd., Guang Sheng Electronics (Nanchang) Co., Ltd. Director of Carlight Technology Co., Ltd. (Legal Representative)	-	-	-
Guang Sheng Factory, Senior Vice President	R.O.C	Li, Tsu-Yu	Male	Feb. 2, 2009	1,618,302 (Note 1)	0.42	-	-	-	-	Graduated from Department of Physics, National Central University Texas Instruments Incorporated, Supervisor Guang-Sheng Support Division,Hipro Electronics (Taiwan) Co., Ltd., Senior Vice President	Director of Chicony Power Technology Hong Kong Ltd. Director/President of Guang Sheng Electronics (Nanchang) Co., Ltd.	-	-	-

Title	Nationality	Name	Gender	Date Elected	Shareholding		Spouse & Minor Shareholdings		Shareholding in Other Person's Names		Principal Work Experience and Academic Degree	Concurrent Position in the Company and in Other Companies	Spouse or Relatives of Second Degree or Closer Acting as Managers		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
LED Business Unit, Vice President	R.O.C	Hu, Wei-Ming	Male	Jan. 1, 2012	42,118 (Note 1)	0.01	239,716	0.06	-	-	Department of Electronic Engineering, Chung Yuan Christian University Lite- On Electronics Inc., Vice President Xinghua Electronic Ind. Co., Ltd., President KoBrite Taiwan Corporation, President	Chairman of Carlight Technology Co., Ltd. (Legal Representative) Chairman of WitsLight Technology Group Chairman of Zhu Zhou Torch Auto Lamp Co. Ltd. President of Witslight Technology Corporation Limited (Samoa)	-	-	-
Quality & Design Quality Assurance Center, Vice President	R.O.C	Yang, Hsi-Lung	Male	Aug. 29, 2017	565,114 (Note 1)	0.15	-	-	-	-	EMBA, School of Management at National Central University Delta Electronics, Inc., R & D Manager MiTAC Holdings Corporation, Director of R & D R & D Center, Flextronics International (Taiwan) Ltd., Senior Director	None	-	-	-
Special Assistant to President and Procurement Chief	R.O.C	Huang, Ming-Hui	Male	Jan. 2, 2019	39,476	0.01	-	-	-	-	Graduated from Department of Computer Science, National Chiao Tung University Master of Graduate School of Business Administration, National Cheng Kung University ASUSTeK Computer Inc., Procurement Manager Pegatron Corporation, Sales Director Pegatron Corporation, Deputy Procurement Manager	None	-	-	-
SH Business Unit, Assistant VP	R.O.C	Huang, Shu-Fan	Male	Nov. 5, 2012	269,837 (Note 1)	0.07	-	-	-	-	Department of Industrial Engineering, Chung Yuan Christian University Department of Industrial Engineering, Rutgers University, Master Department of Materials, Lucent Technologies, Director Emerson Electric (Taiwan) Co, Ltd., Senior Director	None	-	-	-
SH Business Unit, Assistant VP	R.O.C	Huang, Tsui-Ling	Female	Mar. 9, 2011	279,354 (Note 1)	0.07	-	-	-	-	Department of International Business, Tamkang University Graduate School, Department of Finance, George Washington University Honeywell, Business Manager Emerson Electric (Taiwan) Co, Ltd., Business Director	None	-	-	-
SH Development Unit, Assistant VP	R.O.C	Huang, Wen-Nan	Male	Jul. 1, 2013	959,067 (Note 1)	0.25	-	-	-	-	PhD, Institute of Electrical Control Engineering, Chiao Tung University Chicony Electronics Co., Ltd., Special Assistant, General Administration Division Flextronics International (Taiwan) Ltd., Director of R & D	None	-	-	-
MP R&D Office, Assistant VP	R.O.C	Wang, Yang	Male	Oct. 8, 2018	68,933 (Note 1)	0.02	10	0.00	-	-	Graduated from Department of Electrical Engineering, National Taiwan University Graduated from EMBA, National Chengchi University Hipro Electronics (Taiwan) Co., Ltd., R & D Manager	None	-	-	-
Magnetic Component R&D Center, Assistant VP	R.O.C	Lin, Che-Shih	Male	Oct. 8, 2018	202,664 (Note 1)	0.05	-	-	-	-	Department of Electronic Engineering, National Chin-Yi University of Technology Rayal Roads University EMBA Lite-On Electronics Inc., Manager Li Shin International Enterprise Corp., Senior Director	None	-	-	-
Financial Center, Assistant VP	R.O.C	Chen, Hsueh-Yi	Male	Feb. 2, 2009	402,255 (Note 1)	0.10	-	-	-	-	Department of Mechanical Engineering, Chiao Tung University New York University, MBA BES Engineering Corporation, Deputy Manager Financial Center, Hipro Electronics (Taiwan) Co., Ltd., Director	None	-	-	-
Audit Office, Manager	R.O.C	Yu, Wen-Feng	Female	Sep. 5, 2013	170,747 (Note 1)	0.04	115	0.00	-	-	Department of Industry and Business Management, Tamkang University Accounting Department, Chicony Electronics Co., Ltd., Director Accounting Department, Chicony Electronics Co., Ltd., Manager	None	-	-	-

Note 1: Shares Holdings include shares in trust the grantor retains control and use at his discretion.

(III)Remuneration to Directors, Supervisors, President, and Vice Presidents

1. Remuneration to Directors in 2018

Unit: NTD 1,000

<table>
<tr><th rowspan="3">Title</th><th rowspan="3">Name</th><th colspan="8">Remuneration to Directors</th><th colspan="2" rowspan="2">Ratio of Total Remuneration to Net Income (A+B+C+D) (%)</th><th colspan="8">Remuneration from Concurrently Servings as Employees</th><th colspan="2" rowspan="2">Ratio of Total Compensation to Net Income (A+B+C+D+ E+F) (%)</th><th rowspan="3">Compensation from investments other than subsidiaries</th></tr>
<tr><th colspan="2">Wage (A)</th><th colspan="2">Pension upon Retirement (B)</th><th colspan="2">Remuneration to Directors (C)</th><th colspan="2">Service Expenses (D)</th><th colspan="2">Wages, Bonuses, and Special Allowances, Etc. (E)</th><th colspan="2">Pension upon Retirement (F)</th><th colspan="4">Employee Remuneration (G)</th></tr>
<tr><th rowspan="2">The Company</th><th rowspan="2">From All Consolidated Entities</th><th rowspan="2">The Company</th><th rowspan="2">From All Consolidated Entities</th><th rowspan="2">The Company</th><th rowspan="2">From All Consolidated Entities</th><th rowspan="2">The Company</th><th rowspan="2">From All Consolidated Entities</th><th rowspan="2">The Company</th><th rowspan="2">From All Consolidate d Entities</th><th rowspan="2">The Company</th><th rowspan="2">From All Consolidated Entities</th><th rowspan="2">The Company</th><th rowspan="2">From All Consolidated Entities</th><th colspan="2">The Company</th><th colspan="2">All companies included in the financial statements</th><th rowspan="2">The Company</th><th rowspan="2">From All Consolidated Entities</th></tr>
<tr><th></th><th></th><th>cash</th><th>shares</th><th>cash</th><th>shares</th><th></th></tr>
<tr><td>Chairman (Note 1)</td><td>Chicony Electronics Co., Ltd., Representative: Lin, Mao-Kuei</td><td rowspan="8">166</td><td rowspan="8">312</td><td rowspan="8">-</td><td rowspan="8">-</td><td rowspan="8">11,784</td><td rowspan="8">11,784</td><td rowspan="8">-</td><td rowspan="8">-</td><td rowspan="8">1.16</td><td rowspan="8">1.17</td><td rowspan="8">19,901</td><td rowspan="8">26,102</td><td rowspan="8">216</td><td rowspan="8">216</td><td rowspan="8">37,022</td><td rowspan="8">6,568</td><td rowspan="8">37,022</td><td rowspan="8">6,568</td><td rowspan="8">7.34</td><td rowspan="8">7.96</td><td rowspan="8">-</td></tr>
<tr><td>Chairman (Note 1)</td><td>Chicony Electronics Co., Ltd., Representative: Lu, Chin-Tsung (Note 2)</td></tr>
<tr><td>Director</td><td>Chicony Electronics Co., Ltd., Representative: Wang, Chen-Wei (Note 2)</td></tr>
<tr><td>Director</td><td>Tseng, Kuo-Hua</td></tr>
<tr><td>Director</td><td>Huang, Chung-Ming</td></tr>
<tr><td>Independent Director</td><td>Fu, Yow-Shiuan</td></tr>
<tr><td>Independent Director</td><td>Tsai, Duh-Kung</td></tr>
<tr><td>Independent Director</td><td>Chiu, Te-Chen</td></tr>
<tr><td colspan="23">*In addition to the disclosures in the above Table, the remuneration of directors from providing services (e.g., as the consultant of non-employee) to all companies in financial statements in recent year: NTD 0.</td></tr>
</table>

Note 1: Chairman of Board, Lin, Mao-Kuei, was deceased on September 13, 2018. The Company elected Mr. Lu, Ching-Tsung, the representative of Chicony Electronics Co., Ltd., as the new Chairman of Board on September 17, 2018.

Note 2: The corporate shareholder, Chicony Electronics Co., Ltd., re-appointed Mr. Lu, Ching-Tsung as its representative on June 7, 2018. The former legal representative, Mr. Wang, Chen-Wei, resigned accordingly.

Note 3: Compensation of employees and directors s are amounts proposed for distribution this year.

Note 4: Accrual basis is adopted to disclose information on remuneration.

Range of Remuneration

Range of Remuneration Paid to Directors	Directors			
	Total Remuneration (A+B+C+D)		Total Compensation (A+B+C+D+E+F+G)	
	The Company	From All Consolidated Entities	The Company	From All Consolidated Entities
Below NTD 2,000,000	Chicony Electronics Co., Ltd., Representative: Lu, Chin-Tsung; Chicony Electronics Co., Ltd., Representative:Wang,Chen-Wei, Fu, Yow Shiuan, Tsai, Duh Kung, Chiu, Te Chen	Chicony Electronics Co., Ltd., Representative: Wang, Chen-Wei, Fu, Yow Shiuan, Tsai, Duh Kung, Chiu, Te Chen	Chicony Electronics Co., Ltd., Representative: Lu, Chin-Tsung; Chicony Electronics Co., Ltd., Representative: Wang, Chen-Wei, Fu, Yow Shiuan, Tsai, Duh Kung, Chiu, Te Chen	Chicony Electronics Co., Ltd., Representative: Wang, Chen-Wei, Fu, Yow Shiuan, Tsai, Duh Kung, Chiu, Te Chen
NTD 2,000,000 (Inclusive) ~ NTD 5,000,000 (Exclusive)	Chicony Electronics Co., Ltd., Representative: Lin, Mao-Kuei, Tseng, Kuo-Hua, Huang, Chung-Ming	Chicony Electronics Co., Ltd., Representative: Lin, Mao-Kuei, Chicony Electronics Co., Ltd., Representative: Lu, Chin-Tsung, Tseng, Kuo-Hua, Huang, Chung-Ming	-	Chicony Electronics Co., Ltd., Representative: Lu, Chin-Tsung
NTD 5,000,000 (Inclusive) ~ NTD 10,000,000 (Exclusive)	-	-	Tseng, Kuo-Hua	-
NTD 10,000,000 (Inclusive) ~ NTD 15,000,000 (Exclusive)	-	-	Huang, Chung-Ming	Tseng, Kuo-Hua
NTD 15,000,000 (Inclusive) ~ NTD 30,000,000 (Exclusive)	-	-	-	Huang, Chung-Ming
NTD 30,000,000 (Inclusive) ~ NTD 50,000,000 (Exclusive)	-	-	-	-
NTD 50,000,000 (Inclusive) ~ NTD 100,000,000 (Exclusive)	-	-	Chicony Electronics Co., Ltd., Representative: Lin, Mao-Kuei	Chicony Electronics Co., Ltd., Representative: Lin, Mao-Kuei
Over NTD 100,000,000	-	-	-	-
Total	8	8	8	8

2. Remuneration to Supervisor in 2018

Unit: NTD 1,000

Title	Name	Supervisor's Remuneration						Ratio of Total Remuneration to net income (A+B+C) (%)		Compensation from Investments Other Than Subsidiaries
		Wages (A)		Remuneration (B)		Service Expenses (C)				
		The Company	From All Consolidated Entities	The Company	From All Consolidated Entities	The Company	From All Consolidated Entities	The Company	From All Consolidated Entities	
Supervisor	Liu, Sung-Ping (Note 2)	-	-	1,866	1,866	-	-	0.18	0.18	-
Supervisor	Yang, Ming-Chu (Note 2)									
Supervisor	MagiCap Venture Capital Co., Ltd., Representative: Li, Ming-Shan (Note 3)									

Note 1: Remuneration to supervisors is amount proposed for distribution this year.
Note 2: Liu, Sung-Ping and Yang, Ming-Chu resigned their position as Supervisor on June 7, 2018.
Note 3: MagiCap Venture Capital Co., Ltd. resigned as Corporate Supervisor on April 19, 2018.

Range of Remuneration

Range of Remuneration Paid to Supervisor	Supervisors	
	Total Remuneration (A+B+C)	
	The Company	All companies included in the financial statements (D)
Below NTD 2,000,000	Liu, Sung-Ping, Yang, Ming-Chu, MagiCap Venture Capital Co., Ltd., Representative: Li, Ming-Shan	Liu, Sung-Ping, Yang, Ming-Chu, MagiCap Venture Capital Co., Ltd., Representative: Li, Ming-Shan
2,000,000 (Inclusive) ~ 5,000,000 (Exclusive)	-	-
NTD 5,000,000 (Inclusive) ~ NTD 10,000,000 (Exclusive)	-	-
NTD 10,000,000 (inclusive) ~ NTD 15,000,000 (Exclusive)	-	-
NTD 15,000,000 (inclusive) ~ NTD 30,000,000 (Exclusive)	-	-
NTD 30,000,000 (inclusive) ~ NTD 50,000,000 (Exclusive)	-	-
NTD 50,000,000 (inclusive) ~ NTD 100,000,000 (Exclusive)	-	-
Over NTD 100,000,000	-	-
Total	3	3

3. Remuneration to President and Vice Presidents in 2018

Unit: NTD 1,000

Title	Name	Wages (A)		Pension upon Retirement (B)		Bonuses and Special Allowances (C)		Employees Remuneration (D)				Ratio of Total Compensation to Net Income (A+B+C+D)(%)		Compensation from Investments Other Than Subsidiaries
								The Company		From All Consolidated Entities				
		The Company	From All Consolidated Entities	The Company	From All Consolidated Entities	The Company	From All Consolidated Entities	cash	shares	cash	shares	The Company	From All Consolidated Entities	
CEO	Lin, Mao-Kuei (Note 1)	18,255	26,971	1,080	1,080	21,101	25,978	37,022	14,119	37,022	14,119	8.89	10.21	-
President	Tseng, Kuo-Hua													
Advanced Technology Center, Chief Technology Officer and Senior Deputy GM	Huang, Chung-Ming													
SH Business Unit, President	Ku, Ming-Hui													
SH Business Unit, President	Tsai, Chung-Nan (Note 1)													
MP Business Unit, President	Huang, Chien-Yu													
LED Business Unit, President	Cheng, Wei-Hao (Note 1)													
Special Assistant to President Office and Quality Assurance Supervisor	Lu, Ming-Chuan (Note 1)													
Guang Sheng Factory, Senior Vice President	Li, Tsu-Yu													
LED Business Unit, Vice President	Hu, Wei-Ming													
Special Assistant to President Office and Vice President of the SH Development Unit	Wang, Tzu-Hung (Note 1)													
PMC Center, Vice President	Kuo, Wen-Chuan (Note 1)													
LED Business Unit, Vice President	Wang, Mien (Note 1)													

Note 1: Lin, Mao-Kuei resigned as CEO on September 13, 2018, Tsai, Chung-Nan resigned on September 28, 2018, Cheng, Wei-Hao resigned on March 12, 2018, Lu, Ming-Chuan resigned on March 12, 2018, Wang, Tzu-Hung resigned on September 3, 2018, Kuo, Wen-Chuan retired on February 15, 2019, Wang, Mien retired on March 9, 2018.

Note 2: Accrual basis is adopted to disclose information on remuneration.

Range of Remuneration

Range of Remuneration Paid to President and Vice President	President and Vice Presidents	
	The Company	From All Consolidated Entities
Below NTD 2,000,000	Cheng, Wei-Hao, Lu, Ming-Chuan, Wang, Mien	Cheng, Wei-Hao, Lu, Ming-Chuan, Wang, Mien
2,000,000 (Inclusive) ~ 5,000,000 (Exclusive)	Ku, Ming-Hui, Tsai, Chung-Nan, Hu, Wei-Ming, Wang, Tzu-Hung, Kuo, Wen-Chuan	Ku, Ming-Hui, Tsai, Chung-Nan, Hu, Wei-Ming, Wang, Tzu-Hung, Kuo, Wen-Chuan
NTD 5,000,000 (Inclusive) ~ NTD 10,000,000 (Exclusive)	Tseng, Kuo-Hua, Huang, Chien-Yu, Li, Tsu-Yu	Tseng, Kuo-Hua, Huang, Chien-Yu, Li, Tsu-Yu
NTD 10,000,000 (inclusive) ~ NTD 15,000,000 (Exclusive)	Huang, Chung-Ming	Huang, Chung-Ming
NTD 15,000,000 (inclusive) ~ NTD 30,000,000 (Exclusive)	-	-
NTD 30,000,000 (inclusive) ~ NTD 50,000,000 (Exclusive)	Lin, Mao-Kuei	Lin, Mao-Kuei
NTD 50,000,000 (inclusive) ~ NTD 100,000,000 (Exclusive)	-	-
Over NTD 100,000,000	-	-
Total	13	13

4. Compensation of Employee Paid to Managerial Officers in 2018

December 31, 2018；Unit: NTD 1,000

	Title	Name	Amount Paid in Shares	Amount Paid in Cash	Total	Ratio of Total Amount to Net Income (%)
Managers	CEO	Lin, Mao-Kuei (Note 1)	28,194	37,022	65,216	6.33
	President	Tseng, Kuo-Hua				
	Advanced Technology Center, Chief Technology Officer and Senior Deputy GM	Huang, Chung-Ming				
	SH Business Unit, President	Ku, Ming-Hui				
	MP Business Unit, President	Huang, Chien-Yu				
	Guang Sheng Factory, Senior Vice President	Li, Tsu-Yu				
	LED Business Unit, Vice Presiden	Hu, Wei-Ming				
	Quality & Design Quality Assurance Center, Vice President	Yang, Hsi-Lung				
	Special Assistant to President and Procurement Chief	Huang, Ming-Hui				
	SH Business Unit, Assistant VP	Huang, Shu-Fan				
	SH Business Unit, Assistant VP	Huang, Tsui-Ling				
	SH Development Unit, Assistant VP	Huang, Wen-Nan				
	MP R&D Office, Assistant VP	Wang, Yang				
	Magnetic Component R&D Center, Assistant VP	Lin, Che-Shih				
	Financial Center, Assistant VP	Chen, Hsueh-Yi				
	Audit Office, Manager	Yu, Wen-Feng				

Note 1: Lin, Mao-Kuei resigned as CEO on September 13, 2018.

(IV) Analysis of the Proportion of the Total Remuneration Paid to Directors, Supervisors, President and Vice Presidents of the After-tax Net Profit on the Individual or Respective Financial Report of the Recent Two years, as well as the Policies, Standards, Combinations, Procedures of Determining the Remuneration, and the Relation to Business Performance and Future Risk.

1. Analysis f the Proportion of the Total Remuneration Paid to Directors, Supervisors, President and Vice Presidents of the After-tax Net Profit on the Individual or Respective Financial Report of the Recent Two years.

Unit: NTD 1,000

Title	Total remuneration				% to after-tax net profit			
	2018		2017		2018		2017	
	The Company	From All Consolidated Entities	The Company	From All Consolidated Entities	The Company	From All Consolidated Entities	The Company	From All Consolidated Entities
Directors	11,950	12,096	15,834	15,834	1.16%	1.17%	1.01%	1.01%
Supervisors	1,866	1,866	4,157	4,157	0.18%	0.18%	0.27%	0.27%
President and Vice Presidents	91,577	105,170	147,187	162,368	8.89%	10.21%	9.43%	10.40%

Note: Remuneration to directors and supervisors is amount proposed for distribution this year.

2. The Policies, standards and Porfolios for the Payment of Remuneration, and Procedures for Determining Remuneration.

(1) The remunerations to directors and supervisors include wages and remuneration allocated from earnings. With respect to remuneration, it is subject to the discussion of the Remuneration Committees and then submitted to the Board of Directors for approval. It is handled by the Remuneration Committee in pursuant to Article 24 of the Company's Articles of Incorporation. Any profit from the settlement of the year may be appropriated 1% from the earnings as remuneration of Directors and Supervisors with reference to their participation in the operations and contributions to the Company. The amount shall be proposed by the Board of Directors for resolution to discuss the amount and distribution principle and shall submit the proposal for the approval by the Board of Directors then distribute the amount.

(2) Remuneration to the President and Vice President includes salaries, bonus, employee remuneration and pensions appropriated per regulations. With respect to salaries and bonuses, the Remuneration Committee shall first discuss the principle for distribution, considering the nature, the duties, the position and relevant responsibility of the work with reference to remuneration of the same level of work paid by peers in the same industry. The proposal shall be submitted for approval by the Board of Directors. With respect to employee remuneration, the Remuneration Committee shall discuss the distribution principle of the amount and submit the proposal for the Board of Directors' approval and then make distribution.

For an individual appointed by the Company to assume Director or Supervisor role in companies that the Company is an institutional investor, the Company shall distribute the remuneration of Director and Supervisor received from the invested companies to the Director, Supervisor or manager acting legal representative in the form of salaries.

3. The Relation to Business Performance and Future Risk:

The evaluation on business performance of the Company's directors and managers will follow the typical pay level adopted by peer companies and also take into consideration the operating results and their contribution to the Company's business performance to consider the high relation between the amount of remuneration, payment method and future risk of the Company and the business liability and entire performance of the Company to be borne by them.

III. Status of Corporate Governance

(I) Information Concerning the Board of Directors

The Board of Directors held 8 meetings (A) during 2018. The attendance of Directors is summarized as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate in Person (%) [B/A]	Remarks
Chairman	Chicony Electronics Co., Ltd. Representative: Lin, Mao-Kuei	5	0	100%	Sep. 13, 2018 Resigned Number in attendance should be: 5.
Chairman	Chicony Electronics Co., Ltd. Representative: Lu, Chin-Tsung	6	0	100%	Jun. 7, 2018 Newly elected Number in attendance should be: 6.
Director	Chicony Electronics Co., Ltd. Representative: Wang, Chen-Wei	1	1	50%	Resigned on Jun. 7, 2018, Number in attendance should be: 2.
Director	Tseng, Kuo-Hua	7	0	88%	Jun. 7, 2018 Re-elected
Director	Huang, Chung-Ming	7	1	88%	Jun. 7, 2018 Re-elected
Independent Director	Fu, Yow-Shiuan	5	1	63%	Jun. 7, 2018 Re-elected
Independent Director	Tsai, Duh-Kung	8	0	100%	Jun. 7, 2018 Re-elected
Independent Director	Chiu, Te-Chen	8	0	100%	Jun. 7, 2018 Re-elected

Other matters required to be recorded:

I. For board of directors meetings that meet any of the following descriptions, state the date, session, the discussed agenda, independent directors' opinions and how the company has responded to such opinions:

(I) Matters specified in Article 14-3 of Securities and Exchange Act:
For 2018 and up to the printing date of the Annual Report, please refer to P.42-44 of the Annual Report for important resolutions made by the Board of Directors (including all the matters specified in Article 14-3 of Securities and Exchange Act), which independent directors have no dissenting opinion or qualified opinions

(II) Items in board resolutions regarding which independent directors have dissenting opinions or qualified opinions on the record or in writing: No above-mentioned so far.

II. Disclosure regarding avoidance of interest-conflicting agendas, including the names of directors concerned, the agendas, the nature of conflicting interests, and the voting process:

(I) 16th meeting of the 4th Board of Directors on March 6, 2018:

1. To discuss the motion for the 1st buyback of the Company's shares and transfer of the shares to employees, in which Chairman of Board Lin, Mao-Kuei, Director Tseng, Kuo-Hua and Director Huang, Chung-Ming, as the stakeholders since they held the position as the Company's managers concurrently, recused themselves from the discussion and resolution voluntarily.
2. To discuss the motion researched by the 7th meeting of the 2nd-term Remuneration Committee, in which Chairman of Board Lin, Mao-Kuei, Director Tseng, Kuo-Hua and Director Huang, Chung-Ming, as the stakeholders since they held the position as the Company's managers concurrently, recused themselves from the discussion and resolution voluntarily.

(II) 17th meeting of the 4th Board of Directors on April 25, 2018:
   1. To discuss the motion for the Company's acceptance of qualifications of candidates for director (including independent director) nominated by shareholders; when reviewing the candidates' qualifications in order, the directors, including Lin, Mao-Kuei, Tseng, Kuo-Hua, Huang, Chung-Ming, Tsai, Duh-Kung and Chiu, Te-Chen, as stakeholders, recused themselves from the discussion and voting successively.

(III) 7th meeting of the 5th Board of Directors on March 5, 2018:
   1. To discuss the motion researched by the 2nd meeting of the 3rd-term Remuneration Committee; when discussing about the remuneration to Chairman of Board, Chairman of Board Lu, Ching-Tsung, as the stakeholder, recused himself from the discussion and resolution voluntarily.

III. Measures taken to strengthen the functionality of the Board of Directors:
   (I) In 2018 and up until May 6, 2019, all motions by the Board, as well as procedures of conducting meetings and the self-disciplined principle of Directors were executed in pursuance to the Rules of Procedure for Board of Directors Meetings.
   (II) The Company has completed the 2018 evaluation on performance of the Board of Directors in 2019, and submitted the Board of Directors' performance evaluation report to the 7th directors of the 5th-term Board of Directors on March 5, 2019 to strengthen the functions of the Board of Directors.

The attendance of independent directors for each Board of Directors Meetings in 2018 summarized as follows:

√: Participate in person , ☆: Attendance by proxy, ×: Absent

Date / Name	Mar. 6	Apr. 25	Jun. 7	Jul. 10	Aug. 6	Sep. 13	Sep. 17	Oct. 29
Fu, Yow-Shiuan	√	×	×	√	√	√	☆	√
Tsai, Duh-Kung	√	√	√	√	√	√	√	√
Chiu, Te-Chen	√	√	√	√	√	√	√	√

Board of Directors' Performance Evaluation Report in 2018

In order to fulfill the corporate governance and upgrade the Board of Directors' functions, the Company has the parliamentary unit verify the average weighted scores on the requirements to be met under the evaluation indicators and report the scores to the Board of Directors each year, in accordance with Article 3 of the Company's "Regulations Governing the Board of Directors' Performance Evaluation". The performance evaluation results of the Board of Directors' meeting in 2018 are stated as following:

Evaluation Indicator 1. Compliance: (60%)

Specific Indicator	Criteria	Percentage	Score	Description
1. Compliance to be discussed at a directors' meeting pursuant to laws	Whether the related motions are submitted to the directors' meetings for discussion pursuant to related laws and regulations. 10 scores, if the related motions are submitted to and approved by the directors' meetings pursuant to laws throughout the year. 1 score minus whenever any deficiency is found. 0 score, if any significant deficiency is found and required to be corrected by the competent authority.	10%	10	The motions related to operations and functions of the Board of Directors in 2018 have been submitted to the directors' meetings. No significant deficiency of the Board of Directors has been found or ordered to be corrected by the competent authority.
2. Whether the Board of Directors holds more than 6 meetings each year.	Whether the Board of Directors holds at least 6 meetings each year. For the annual review, 10 scores, if more than 6 meetings are convened; 8 scores, if 5 meetings are convened; 6 score, if 4 meetings are convened; 0 score, if no more than 3 meetings are convened.	10%	10	A total of 8 directors' meeting have been convened in 2018.
3. Directors' compliance with avoidance of conflict of interest	Where it is necessary for any director to recuse himself/herself in any motion for the conflict of interest, whether the director does so or whether the chairperson does ask the director to do so. For the annual review, 10 scores, if there is no motion requiring avoidance of conflict of interest, or the director does avoid the conflict of interest in any motion requiring avoidance of the conflict of interest. 1 score minus whenever any deficiency is found. 0 score, if any significant deficiency is found and required to be corrected by the competent authority.	10%	10	1. When discussing the motion for transfer of the treasury stock to employees in 2018, the directors, including Lin, Mao-Kuei, Tseng, Kuo-Hua and Huang, Chung-Ming, as they also held the position as managers concurrently, recused themselves from the discussion for conflict of interest and, and never attended in the discussion and voting. 2. When discussing the Company's acceptance of qualifications of candidates for director (including independent director) nominated by shareholders; when reviewing the candidates' qualifications in order, the directors, including Lin, Mao-Kuei, Tseng, Kuo-Hua, Huang, Chung-Ming, Tsai, Duh-Kung and Chiu, Te-Chen, as stakeholders, recused themselves from the discussion and voting

				successively. 3. No significant deficiency of the Board of Directors has been found or ordered to be corrected by the competent authority.
4. The hours to be spent by directors in continuing education.	Whether the directors have spent the hours in continuing education as required by the competent authority. For the annual review, 10 scores, if each director satisfies the requirements. 1 score minus, for each director's failure to spend the hours as required until 0 score.	10%	10	All of the directors have spent the hours in continuing education as required by the competent authority.
5. Attendance rate for Board of Directors Meeting	Whether the attendance rate for each directors’ meeting attains two-thirds (inclusive) or more. 10 scores, if the attendance rate for each directors’ meeting attains two-thirds (inclusive) or more. 1 score minus, if the attendance rate for any directors’ meeting fails to attain two-thirds until 0 score.	10%	10	A total of 8 directors’ meetings have been convened in 2018. The attendance rate for each directors’ meeting attained two-thirds (inclusive) or more.
6. Attendance rate for Shareholders Meeting	Whether the shareholders’ meeting is attended by a majority of the all directors. 10 scores, if the shareholders’ meeting is attended by a majority of the all directors (namely, 4 directors); 8 scores, if the shareholders’ meeting is attended by 3 directors; 6 scores, if the shareholders’ meeting is attended by 2 directors; 4 scores, if the shareholders’ meeting is attended by 1 director.	10%	8	The 2018 Reular Shareholders’ Meeting was attended by a total of 3 directors.
Evaluation Indicator 1 Total		60%	58	

Evaluation Indicator 2. Level of participation in the Company’s operations: (40%)

Specific Indicator	Criteria	Percentage	Score	Description
1. Review on the Company's accounting system, financial position, financial statements and audit report, and follow-up thereof	Whether the directors verify and supervise the Company's accounting system, financial position, financial statements and audit report, and follow-up thereof. 10 scores, if the directors do so strictly. 1 score minus whenever any deficiency is found. 0 score, if any significant deficiency is found and required to be corrected by the competent authority.	10%	10	All of the directors have verified and supervised the Company's accounting system, financial position, financial statements and audit report, and follow-up thereof.
2. Evaluation on CPAs’ independence and competency	Whether the Board of Directors evaluates the CPAs’ independence and competency each year. 10 scores, if the Board of Directors does so strictly; otherwise, 0 score.	10%	10	The directors’ meeting resolved on March 6, 2018 to pass the Company’s motion for evaluation on the CPAs’ independence.
3. Evaluation and supervision on the Company’s existing or potential risks.	Whether the directors evaluate and supervise the Company’s existing or potential risks strictly. Whether the Board of Directors supervises or provides suggestions based on the Company's internal control system and significant risk by department. 10 scores, if the Board of Directors discusses the implementation of the internal control system and follow-up thereof each year. 1 score minus whenever any deficiency is found. 0 score, if any significant deficiency is found and required to be corrected by the competent authority.	10%	10	The Board of Director would discuss the implementation of the internal control system and follow-up thereof each year.
4. Communication and interaction with the Company's management.	Whether the directors maintain fair communication channels with the Company's management. 10 scores, if the communication is carried out successfully, whenever it is required. 2 scores minus, if it is impossible for the directors to communicate with the management, or the directors and the management have a confrontation with each other, until 0 score.	10%	10	The Board of Directors and its members both maintain fair communication channels with the Company's management.
Evaluation Indicator 2 Total		40%	40	
Grand Total		100%	98	

(II) Operation Status of the Audit Committee and the Participation of Supervisors in the Operation of the Board Meeting:

1. Operation Status Concerning the Audit Committee:

The Company elected 3 independent directors at the regular shareholders' meeting on June 7, 2018, and established the Audit Committee pursuant to the Securities and Exchange Act to replace supervisors.

The Audit Committee held 4 meetings (A) during 2018.The attendance of Independent Directors is summarized as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate in Person (%) [B/A]	Remarks
Convener	Fu, Yow-Shiuan	4	0	100%	
Member	Tsai, Duh-Kung	4	0	100%	
Member	Chiu, Te-Chen	4	1	50%	

Other matters required to be recorded:

I. If the operation of audit committee has one of the following situations, the minutes shall clearly state the meeting date, period, content of the resolution, opinions of all audit committee members and the Company's handling of said opinions.
   (I) Matters specified in Article 14-5, Securities and Exchange Act: Please refer to Attachment 1
   (II) Resolution(s) not passed by the Audit Committee but receiving the consent of two thirds of the board of directors' members: None.

II. In instances where an independent director recused himself/herself due to a conflict of interest, the minutes shall clearly state the independent director's name, contents of the motion and resolution thereof, reason for not voting and actual voting counts: None.

III. Communication between independent director and internal auditing officers as well as CPAs on company finances and business situation (such as items discussed, means of communication and results, etc.):
   (I) The Company's internal auditing officers will be present at each meeting of Audit Committee to communicate with the Audit Committee members, and communicate with the Audit Committee members on the audit report periodically. The officers will also report any special condition to the Audit Committee immediately. Notwithstanding, no said special condition took place in 2018. Communication between the Audit Committee and internal auditing officers is in a good condition.
   (II) The Company's CPAs will communicate with the Audit Committee on the audit or review results about the financial statement of each quarter and any other requirements to be communicated as required by related laws. The CPAs will also report any special condition to the Audit Committee immediately. Notwithstanding, no said special condition took place in 2018. Communication between the Audit Committee and CAP is in a good condition.

The Company's Audit Committee aims to help the Board of Directors perform its duty to supervise the Company's quality and integrity in accounting, audit and financial reporting procedures and financial controls. The main responsibilities to be borne by the Audit Committee refer to review and processing of the following matters:

- Adoption or amendment to the internal control system.
- Assessment of the validity of internal control.
- Adoption or amendment of handling procedures for financial or operational actions of material significance, such as acquisition and disposal of assets, derivatives tradsactions, lending funds, and endorsements or guarantees for others.
- A matter bearing on the personal interest of a director.
- A material asset or derivatives transaction.
- A material monetary lending funds, endorsement, or guarantee.
- The offering, issuance, or private placement of any equity-type securities.
- The hiring or dismissal of an attesting CPA, or the compensation given thereto.
- The appointment or discharge of a financial, accounting, or internal auditing officer.
- Financial statements.
- To communicate with the CPA of the Company.
- Any other material matter so required by the Competent Authority.
- The Company's compliance with related laws and rules.
- Control over the Company's existing or potential risks.

Attachment 1:

Operation Status of This Year

Date of meeting	Details of agenda	Opinions of all Audit Committee members	Dealing with the opinion from the Audit Committee
1st meeting of the 1st Audit Committee on Jul. 10, 2018	(I) Discussion of the Audit Report	Approved by all the attending committee members	Approved by all the attending committee members. This issue is not applicable.
	(II) Discussion of the consolidated report on details about the Company's bank loans and cash equivalents.	Approved by all the attending committee members	Approved by all the attending committee members. This issue is not applicable.
	(III) Discussion of the performance for engaging in derivatives transactions on April 17, 2018 to July 2, 2018.	Approved by all the attending committee members	Approved by all the attending committee members. This issue is not applicable.
	(IV) Discussion of capital decrease of the Company’s shares bought back for the first time in 2015 and determination of the record date.	Approved by all the attending committee members	Approved by all the attending committee members. This issue is not applicable.
	(V) Discussion of capital decrease by annulment of new restricted employee shares.	Approved by all the attending committee members	Approved by all the attending committee members. This issue is not applicable.
	(VI) Discussion of the Company's determination of the record date for capitalization of retained earnings in 2017 (namely, the record date for issuance of new shares).	Approved by all the attending committee members	Approved by all the attending committee members. This issue is not applicable.
	(VII) Discussion of the Company’s fund lending.	Approved by all the attending committee members	Approved by all the attending committee members. This issue is not applicable.
	(VIII) Discussion of the renewal of the liability insurance for directors and officers.	Approved by all the attending committee members	Approved by all the attending committee members. This issue is not applicable.
2nd meeting of the 1st Audit Committee on Aug. 6, 2018	(I) Discussion of the Company's consolidated financial statements for the first half of 2018.	Approved by all the attending committee members	Approved by all the attending committee members. This issue is not applicable.
	(II) Discussion of Audit Report	Approved by all the attending committee members	Approved by all the attending committee members. This issue is not applicable.
	(III) Discussion of the consolidated report on details about the Company's bank loans and cash equivalents.	Approved by all the attending committee members	Approved by all the attending committee members. This issue is not applicable.
	(IV) Discussion of the performance for engaging in derivatives transactions on July 3, 2018 to July 29, 2018.	Approved by all the attending committee members	Approved by all the attending committee members. This issue is not applicable.
3rd meeting of the 1st Audit Committee on Sep. 13, 2018	(I) Discussion of the Company’s implementation of the treasury stock system to buy back the Company's shares as the source of stock to be transferred to employees.	Approved by all the attending committee members	Approved by all the attending committee members. This issue is not applicable.
4th meeting of the 1st Audit Committee on Oct. 29, 2018	(I) Discussion of the Company's consolidated financial statements for Q3 of 2018.	Approved by all the attending committee members	Approved by all the attending committee members. This issue is not applicable.
	(II) Discussion of Audit Report	Approved by all the attending committee members	Approved by all the attending committee members. This issue is not applicable.
	(III) Discussion of the consolidated report on details about the Company's bank loans and cash equivalents.	Approved by all the attending committee members	Approved by all the attending committee members. This issue is not applicable.
	(IV) Discussion of the amendments to the Company’s internal control system and internal audit system.	Approved by all the attending committee members	Approved by all the attending committee members. This issue is not applicable.
	(V) Discussion of stipulate the audit plan of the Company for 2019.	Approved by all the attending committee members	Approved by all the attending committee members. This issue is not applicable.
	(VI) Discussion of the Company’s application for credit facility with the financial institution.	Approved by all the attending committee members	Approved by all the attending committee members. This issue is not applicable.
	(VII) Discussion of capital decrease of the Company’s shares bought back for the second time in 2015 and determination of the record date.	Approved by all the attending committee members	Approved by all the attending committee members. This issue is not applicable.
	(VIII) Discussion of the amend the Company's “Rules on Transfer Repurchased Shares to Employees for the 4rd Time”.	Approved by all the attending committee members	Approved by all the attending committee members. This issue is not applicable.

2. Participation of Supervisors in the Operation of Board Meetings:

<u>Participation of Supervisors in the Operation of Board Meetings:</u>

The Company carried out the reelection at the general shareholders' meeting on June 7, 2018, and established the Audit Committee to replace supervisors. Before the reelection on June 7, 2018, the Board of Directors has held two meetings (A). The attendance of supervisors is summarized as follows:

Title	Name	Actual attendance count (B)	Actual attendance rate (%) [B/A]	Remarks
Supervisor	Liu, Sung-Ping	2	100%	Jun. 7, 2018, Resigned Number in attendance should be: 2.
Supervisor	Yang, Ming-Chu	2	100%	Jun. 7, 2018, Resigned Number in attendance should be: 2.
Supervisor	MagiCap Venture Capital Co., Ltd. Representative: Li, Ming-Shan	1	100%	Apr. 19, 2018, Resigned Number in attendance should be: 1.

Other matters required to be recorded:

I. Organization and Responsibilities of Supervisors:

(I) Communication between Supervisors and the Company's employees and shareholders (such as channels and ways of communication):
The Administration Management Division, the Finance Center and the Audit Office are dedicated to collecting relevant information to submit to the Supervisors. The Supervisors will then make independent judgment and, if necessary, communicate directly or indirectly with employees or shareholders.

(II) Communication between Supervisors and the internal audit Director and accountants (such as issues, ways of communication and results with respect to the Company's financial and business status):
The internal audit Director conducts an audit, in accordance with the internal control system, on the finance, business, manufacturing and HR and has audit results summarized and report to respective Supervisor on a regular basis. If significant and extraordinary issues related to finance and business are found, except for a written report, the Director shall also provide oral report to the Supervisors. For each Supervisor, if he needs to understand the aspects of financial, business, manufacturing and HR of the Company, or the internal control system or to make suggestion, may request the internal audit Director to perform the audit again or demand the divisions to make due improvement.
When auditing the implementation status of the internal control system, the accountant shall also summarize issues found that need improvement or suggestions and shall submit the report to each Supervisors respectively. The accountant shall also inform the Supervisor of significant and extraordinary issues he finds when conducting a financial statement audit.
The Board of Directors shall submit to Supervisors the Company's business report, the consolidated and individual financial statements, and the list with respect to allocation of earnings. The financial statements were audited and certified by PwC Taiwan, and the audited report was submitted to each Supervisor respectively. The Supervisor conducted audit after receiving the above data, and upon completion of audit, if nothing was found to be of non-compliance, the Supervisors issued the Supervisor's audit report.

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

(III) Corporate Governance Implementation and the Difference from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and Reasons:

Assessment Items	Implemention States			Difference from Corporate Governance Implementation and the Difference from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Summary	
I. Dose the Company follow “the Corporate Governance Best Practice Principles” to establish and disclose its Corporate practices ?	✓		The Company established its “Corporate Governance Best Practice Principles” based on the “Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies” and subject to the Company’s actual operations, and disclosed the same on the MOPS and the Company's website.	No deviation
II. Equity structure and shareholders' rights				
(I) Internal procedures for suggestions, questions, disputes and litigation from shareholders.	✓		(I) The Company appoints the professional shareholders service agent to process the shareholders service affairs on behalf of the Company. The Company has set up the positions of spokesperson and Deputy Spokesperson and also designates personnel of the Financial Center to be in charge of the dealing with shareholders, their suggestions and disputes.	(I) No deviation
(II) Control over the list of major shareholders and the controlling parties of such shareholders.	✓		(II) Within two days after the shareholders’ meeting or the ex-right, ex-dividend days which stocks stopped to be transferred, the Company is able to obtain name list of the shareholders, through the stock affairs institution, from the Taiwan Depository and Clearing Corporation and have the information of major shareholders summarized to report to senior management of the Company.	(II) No deviation
(III) Establishment and implement of risk control mechanism and firewall between the Company and its affiliates	✓		(III) Besides stipulating the “Method to conduct business dealing with the related parties, the related enterprises and specific companies” and the “Operating method for monitoring the subsidiaries”,the Company also urges its important subsidiaries to establish their own internal control systems, in order to implement proper risk control mechanism and fire wall, and remains independent, in terms of manufacturing, sales, research and development, HR, and finance, with its related parties.	(III) No deviation
(IV) Whether the Company established internal regulations prohibiting insider trading against non-public information?	✓		(IV) The Company has established the ”Operating Procedures for Handling Internal Material Information and Preventing Insider Trading” to regulate the Company's directors, managers, employees, and persons who access the Company’s internal material information due to their identity, occupations or powers, prohibit any activities potentially involving insider trading, and engage in internal educational propagation throughout the Company in a timely manner.	(IV) No deviation
III. Composition and responsibilities of Board of Directors				
(I) Establishment and implement of guidelines for diversity of the composition of the board of directors	✓		(I) According to the Company’s “Corporate Governance Best Practice Principles”, the composition of the Board of Directors shall be determined by taking into consideration such basic qualifications as gender, age, nationality and cultures, as well as the knowledge, skills and competency required by them to perform their duties. 1. The Company will consider the diversity of the Board members in multiple aspects when electing the Board members. The Company has elected 7 directors, including 3 independent directors, so far. 2. According to the name list of the Company’s 5th-term directors, all of the directors hold abundant industrial experience, including Lu, Ching-Tsung, Tseng, Kuo-Hua, Fu, Yow-Shiuan and Tsai, Duh-Kung, who are specialized in leadership, business judgment, business administration, crisis management and international market view, and Huang, Chung-Ming, who is specialized in technology and R&D, and Chiu, Te-Chen, who is specialized in financial accounting, management and financial affairs. 3. The Company schedules to re-elect 1 director at the general shareholders’ meeting in 2019. The Board of Directors has nominated one female candidate for the director. It is expected that the directors who are also the Company's employees will account for 28% of the whole directors, independent directors 42% and female directors 14%, upon the reelection. 4. The Company’s Board diversity policy and status of diversity of individual Board members are disclosed on the Company's website. For the status of diversity of the Board members, please refer to Attachment 1.	(I) No deviation
(II) Other functional committees other than a remuneration committee or audit committee required by laws	✓		(II) The Company has established the Remuneration Committee and Audit Committee pursuant to laws, and also its Corporate Social Responsibility Committee (CSR Committee), of which the Chairman of Board acts the Chairman, the President acts as the Commissioner, and business unit supervisors and senior management act as the members. The CSR Committee is responsible for establishing and reviewing the Company's corporate social responsibility policy, system or management measures, and reporting the implementation results on social responsibility to the Board of Directors each year.	(II) No deviation

Assessment Items	Implemention States: Yes	No	Summary	Difference from Corporate Governance Implementation and the Difference from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and Reasons
(III) Rule establishment and annual assessment of performance of the Board of Directors	✓		(III) The Company has already established the "Regulations Governing the Board of Directors' Performance Evaluation" at the directors' meeting on Jun. 29, 2015. At the end of 2018, the Financial Center collected the information about the Board's activities in 2018, and recorded and gave scores according to the evaluation indicators defined under the Regulations. The Center also reported the scores about the Board's performance evaluation in 2018 at the directors' meeting on Mar. 5, 2019.	(III) No deviation
(IV) Regular assessments on the independence of the certified public accountant(s)	✓		(IV) The Company has completed the annual assessment on the CPAs' independence at the directors' meeting on March 5, 2019, as well as the "Checklist for Board of Directors' Assessment on Independence of CPAs and CPA Firms". 1. Identified in the "Letter for Communication with Corporate Governance Unit" issued by PricewaterhouseCoopers: Statement of Chief Accountants' Roles and Responsibilities, and Statement of CPA's Independence. 2. The Company conducted the investigation via its shareholders service unit and confirmed that the CPAs did not hold any shares of the Company or hold any position in the Company concurrently.	(IV) No deviation
IV. Does the Company established a full- (or part-) time corporate governance unit or personnel to oversee corporate governance affairs (including but not limited to furnish information required for business execution by directors and supervisors, handle matters relating to board meetings and shareholders' meetings according to laws, handle corporate registration and amendment registration, produce (or record?) minutes of board meetings and shareholders' meetings, etc.)?	✓		The Company's unit dedicated to corporate governance refers to the Financial Center, which helps provide directors/supervisors with the information needed to perform their duties and also is responsible for collecting the related motions proposed at directors' meetings and shareholders' meetings, and organization of the meetings, preparation of board meeting and shareholders' meeting minutes, and completion of company registration and change registration and public announcement and filing of information in line with the resolutions made by the directors' meetings and shareholders' meetings, in order to enhance the functions of the Board of Directors, upgrade the Company's information transparency, and protect shareholders' and stakeholders' interest and right.	No deviation
V. Communication channels with stakeholders, establishment of investors' relations office on websites and proper response to stakeholders' concerns of corporate social responsibility	✓		(I) The Company appoints the spokesman and deputy spokesman, and ,posts the contact No. on the Company's website, in order to communicate with the stakeholders directly and enable them to verify the Company's overview of operation.. (II) The Company's website provides the CSR and corporate governance sections to help the stakeholders verify the status of the Company's CSR and corporate governance.	No deviation
VI. Has the Company appointed a professional registrar for its Shareholding's Meetings	✓		The Company appoints Shareholders Service Dept. of Hua Nan Securities to handle the shareholders service affairs on behalf of the Company.	No deviation
VII. Public Disclosure of Information				
(I) Establishment of a corporate website to disclose information concerning financial affairs and corporate governance	✓		(I) The Company established a website in Chinese and English (http://www.chiconypower.com.tw) where relevant information on Financial operations business and corporate governance can be inquired.	(I) No deviation
(II) Adoption of other means for disclosure such as setting up an English website, appointing personnel to gather and disclose relevant information, properly implementing the spokesman system, and posting the meetings minutes with	✓		(II) The Company has set up positions for Spokesperson and Deputy Spokesperson, and through market observation post system, investor conference, newspapers and magazines to disclose the financial and business information of the Company to the investing public.	(II) No deviation

Assessment Items	Implemention States			Difference from Corporate Governance Implementation and the Difference from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Summary	
institutional investors on websites				
VIII. Does the Company have other information that enables a better understanding of the Company's corporate governance practices (including but not limited to, employee rights, employee care, investor relations, supplier relations, stakeholders' interests, continuing education of directors, implementation of risk management policies and risk measurements, , implementation of customer policy, and maintenance of liability insurance for the Company's directors and supervisors, etc.)?	✓		(I) Employee rights: The Company establishes and implements the labor benefit and safety & health policies which satisfy the laws, in order to protect the employee rights. (II) Employee care: The Company establishes the Employee Welfare Committee, ， which is dedicated to handling the employee welfare matters, and holding the labor-management meetings from time to time, in order to build the communication channel and achieve the win-win situation. (III) Investor relations: The Company establishes the spokesman and deputy spokesman system dedicated to processing the suggestions, questions and dispute posed by shareholders. Meanwhile, the Company completes the public announcement and filing of information per the competent authority's requirements, and provides the information which might affect the investors' decision making. (IV) Supplier relations: The Company maintains the complete information about suppliers and keeps the communication channel with suppliers uninterrupted , in order to maintain the fair relations. (V) Stakeholders' interests: The Company establishes the spokesman and deputy spokesman system , which is dedicated to communicating with the stakeholders directly, and respects and maintains the legal interest and right deserved by the stakeholders. (VI) Continuing education of directors: All of the Company's directors hold the professional industrial background and practical experience in business administration. Some of the directors will attend the continuing education programs about corporate governance, securities laws & regulations, and taxation outside the Company each year. (VII) Implementation of risk management policies and risk measurements: According to various laws & regulations and the internal control system, the Company manages and evaluates various risks. (VIII) Implementation of customer policy: The Company keeps the communication channel with customers uninterrupted, and cooperates with the key customers permanently, in order to maintain the fair relationship between each other. (IX) Maintenance of liability insurance for the Company's directors: The Company has maintained the liability insurance valuing US$20 million for its directors and managers, and reported the same to the directors' meeting on July 10, 2018.	No deviation
IX. Please specify the status of the correction based on the corporate governance assessment report released by the Corporate Governance Center of TWSE in the most recent year, and the priority corrective actions and measures against the remaining deficiencies: In 2018, the Company ranked in the top 6%~20% among the companies in the 5th annual Corporate Governance Evaluation. 1. The Company will strengthen the security risk management structure and specific management policy for information disclosure. 2. The Company will strengthen the disclosure of the communication with various stakeholders and report the same to the Board of Directors. 3. The Company will strengthen the disclosure of the specific management policy for human rights. 4. The Company will strengthen the disclosure of the specific boosting plan and implementation results of the supplier management policy.				

Attachment 1. Status of Diversity of the Board Members:

Core Elements of Diversity / Name of Director	Gender	Management Administration	Leadership Decision	Industrial Knowledge	International Market Knowledge	Crisis Management Ability	Accounting & Finance
Lu, Chin-Tsung	Male	V	V	V	V	V	V
Tseng, Kuo-Hua	Male	V	V	V	V	V	V
Huang, Chung-Ming	Male	V	V	V	V	V	
Fu, Yow-Shiuan	Male	V	V	V	V	V	V
Tsai, Duh-Kung	Male	V	V	V	V	V	V
Chiu, Te-Chen	Male	V	V	V	V	V	V

(IV) Organization, Responsibilities and Operation Status of the Remuneration Committee:

1. Information about Remuneration Committee Members

Title (Note 1)	Qualifications / Name	Meet the Following Professional Qualification, Together with at Least 5 Years Work Experience			Compliance of independence (Note 2)								Number of other public companies in which concurrently serves as Remuneration Committee member	Remarks
		Lecturer or above in Commerce, Law, Finance, Accounting or Other Acdemic Department Related to the Business Needs of the company in a Public or Private College or Universitys	Certified Judge, Attorney, Lawyer, Accountant, or Holder of Professional Qualification Relevant to the Company’s Operations	Have Work Experiences in the Area of Commercial, Law, Financial, Accounting or Overview Necessary for the Business of the Company	1	2	3	4	5	6	7	8		
Independent Director	Fu, Yow-Shiuan			✓	✓	✓	✓	✓	✓	✓	✓	✓	3	-
Independent Director	Tsai, Duh-Kung			✓	✓	✓	✓	✓	✓	✓	✓	✓	1	-
Independent Director	Chiu, Te-Chen			✓	✓	✓	✓	✓	✓	✓	✓	✓	1	-

Note 1: Please specify director, independent director or others.

Note 2: A“✓” is marked in the space beneath a condition number when a member has met that condition during the two years prior to election and during his or her period of service; the conditions are as follows.

(1) Not employed by the company or any of its affiliated companies.
(2) Not a director or supervisor of the company or any of its affiliates. This restriction does not apply to independent director positions in the company, its parent company or subsidiary, which have been appointed in accordance with local laws or laws of the registered country.
(3) Does not hold more than 1% of the company's outstanding shares in their own names or under the name of spouse, underage children, or proxy shareholder; nor is a top-10 natural-person shareholder of the company.
(4) Not a spouse, a family member of second degree or closer, or a direct blood relative of third degree or closer to anyone listed in the three preceding clauses.
(5) Not a director, supervisor, or employee of any company that has 5% or higher ownership interest in the company; nor a director, supervisor, or employee of any of the top-5 corporate shareholders.
(6) Is neither a Director, Supervisor, manager, nor a shareholder holding more than 5% of the outstanding shares, of a certain company or organization that has a financial or business relationship with the Company.
(7) Not a professional who provides commercial, legal, financial, accounting, or consulting services to the company or its affiliates, nor is an owner, partner, director, supervisor, or manager, or the spouse of any of the above, of a sole proprietorship, partnership, company, or organization that provides such services to the company or its affiliates.
(8) Does not meet any of the conditions stated in Article 30 of The Company Act.

2. Guidelines Governing Functions of Remuneration Committee

(1) The committee shall exercise the due care of a good administrator to faithfully perform the following duties, and to submit the suggestion for discussion to the Board of Directors.
   A. Periodically review the organization rules of “Remuneration Committee” of the Company and propose amendments.
   B. Set up and periodically review the yearly and long-term performance goal of the Directors and managers of the Company, and the policy, system, standard and structure of the remuneration.
   C. Periodically review the performance of the Directors and managers and the goals achieved, and set up content and amounts of the individual remuneration.

(2) When the committee exercises the above duties, it shall follow the guidelines as per below:
   A. Ensure the arrangement of the remuneration meets the requirement of relevant laws and regulations and is good enough to attract the best talent.
   B. The performance evaluation and remuneration of the Directors and managers shall refer to the ordinary level paid by peers of the same Industry, and taking into consideration factors such as the time devoted by the specific individual, the responsibility assumed, the goal achieved by the individual, the performance of the individual when assuming other position, the remuneration the Company paid to the same position in recent years, as well as the short term and long term business goal achieved by the Company, the financial position of the Company. All these shall be considered when evaluating the reasonableness and correlation of the individual’s performance, the Company’s performance, and the future risk.

C. Directors and managers shall not to engage in behavior beyond the risk tolerance level of the Company for the purpose of pursuing remuneration.
D. With respect to the time to distribute bonus in proportion with the short-term performance of Director and senior managers, or remuneration that is partially variable, the Company shall consider the characteristic of the Industry and the business nature to decide the proper time to pay.
E. Members of the Committee shall not join the discussion and resolution of their own remuneration.

3. Information concerning the Remuneration Committee

(1) The Company's remuneration committee consists of 3 members.
(2) Member's term of office: From June 7, 2018 to June 6, 2021; the committee held two (A) meetings during 2018, and the attendance of the committee members is summarized as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate in Person (%) [B/A]	Remarks
Convener	Fu, Yow-Shiuan	2	0	100%	
Member	Tsai, Duh-Kung	2	0	100%	
Member	Chiu, Te-Chen	2	0	100%	
Other matters required to be recorded: I. If the Board of Directors does not adopt, or amends the remuneration committee's suggestions, please specify the meeting date, term, contents of motion, resolution of the Board of Directors, and the Company's handling of the remuneration committee's opinions: Please refer to Attachment 1: II. For resolution(s) made by the Remuneration Committee with the Committee members voicing opposing or qualified opinions on the record or in writing, please state the meeting date, term, contents of motion, and opinions of all members and the Company's handling of said opinions: None.					

Attachment 1:

Date of Meeting	Details of Agenda	Opinions of All Remuneration Committee Members	Dealing with the Opinion from the Remuneration Committee
7th meeting of the 2nd Remuneration Committee on Mar. 6, 2018	(I) Discussion of the distribution of the Company's 2017 remuneration to employees and directors/supervisors.	Approved by all the attending committee members	Approved by all the attending committee members. This issue is not applicable.
	(II) Discussion of the 2nd buyback of treasury stock and transfer of the stock to managers.	Approved by all the attending committee members	Approved by all the attending committee members. This issue is not applicable.
	(III) Discussion of the plan for distribution of Dragon Boat Festival and Moon Festival bonus to managers in 2018.	Approved by all the attending committee members	Approved by all the attending committee members. This issue is not applicable.
	(IV) Discussion of the payment of salary and remuneration to new managers.	Approved by all the attending committee members	Approved by all the attending committee members. This issue is not applicable.
1st meeting of the 3rd Remuneration Committee on Oct. 29, 2018	(I) Discussion of the plan for distribution of year-end bonus to managers in 2018.	Approved by all the attending committee members	Approved by all the attending committee members. This issue is not applicable.
	(II) Discussion of the plan for distribution of employee remuneration to managers in 2018.	Approved by all the attending committee members	Approved by all the attending committee members. This issue is not applicable.
	(III) Discussion of the payment of salary and remuneration to new managers.	Approved by all the attending committee members	Approved by all the attending committee members. This issue is not applicable.
	(IV) Discussion of the target performance of directors, supervisors and managers achieved, and evaluation on the actually distributed salary and remuneration in 2017.	Approved by all the attending committee members	Approved by all the attending committee members. This issue is not applicable.

(V) Fulfillment of Corporate Social Responsibility:

Assessment Items	Implemention States: Yes	No	Summary	Difference from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reasons
I. Exercising Corporate Governance				
(I) Policy of corporate social responsibility and review on results of implementation	✓		(I) The Company has established the corporate social responsibility system. Meanwhile, the Company will propagate the system to its employees and related personnel via employees' meetings, corporate activities and suppliers' conferences. The specific plans boosted in 2018, and the implementation results thereof: The Company continued the donation of scholarships to National Taipei University of Technology, totaling NTD 1.96 million. A total of 6 students won the scholarship. The Company also cared about the disadvantaged groups. In 2018, it donated the social relief totaling NTD 3 million to victims of Hualien Earthquake, N$500,000 to Creative Education and Management Foundation, and NTD 500,000 to The Paper Windmill Arts and Educational Foundation. Meanwhile, the Company also donated funds and provided employment opportunities, in the event of some big events requiring social care, e.g., Formosan Water Park dust explosion, Tainan Earthquake and Hualien Earthquake, etc.	(I) No deviation
(II) Does the Company periodically organize any corporate social responsibility education and training program?	✓		(II) The Company organizes the educational training and propagation programs periodically and integrates the corporate social responsibility teaching materials into the orientation training program.	(II) No deviation
(III) Promotion of social responsibility by the Company's full-time (part-time) functional units, Handling by and reports to Board of Directors	✓		(III) The Company has established its CSR Committee consisting of six teams. The Chairman of Board acts as the Committee Chairman. The President acts as the Commissioner, and business unit supervisors and senior management act as the members. The CSR Committee is responsible for establishing and reviewing the Company's corporate social responsibility policy, system or management measures, and reporting the implementation results on social responsibility to the Board of Directors each year.	(III) No deviation
(IV) Policy of reasonable salaries, combination of staff performance evaluation and social responsibility systems, and establishment of reward and punishment system	✓		(IV) Policy of reasonable salaries, combination of staff performance evaluation and social responsibility systems, and establishment of reward and punishment system.	(IV) No deviation
II. Fostering a Sustainable Environment				
(I) The Company's commitment to the efficient use of available resources, and the use of environmental-friendly materials.	✓		(I) The Company commits itself to upgrading the efficient use of various resources and adopts the renewable materials posing low impact to the environment, including solar power generation, recycling of production line energy, and classification and recycling of waste. The recyclable kitchen waste may be disposed of by professional service suppliers who hold the relevant license, while the other domestic waste may be disposed of by the local government's environmental protection unit. By way of this, the Company expects to increase the efficient use of all resources and gradually reduce the burden the environment suffers.	(I) No deviation
(II) The implementation of environmental policies suitable for the Company's industry	✓		(II) The Company establishes the applicable environmental management system subject to the industry characteristics. Each of its factories has acquired the ISO 1400 environmental management license and OHSAS 18001 occupational safety and health management license, and practices the ISO	(II) No deviation

Assessment Items	Implemention States			Difference from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reasons
	Yes	No	Summary	
characteristics.			environmental management regulations strictly.	
(III) Environmental management units and staff dedicated to improving environmental performance	✓		(III) In response to the impact posed by the emission of greenhouse gas to the global climate change and environment, the Company establishes the greenhouse gas management procedure, sets the greenhouse gas reduction target, and asks the headquarters in Taiwan and various factory premises to keep improving in order to reduce emission of greenhouse gas and manage, recycle and reuse the waste. Meanwhile, the Company will check the greenhouse gas in the headquarters in Taiwan and various factory premises in the mainland China and perform the inspection by a third party each year. In 2018, the headquarters in Taipei emitted the greenhouse gas totaling 1408.905 t-co2e, decreasing by 274.258 t-co2e from 1683.163 t-co2e in 2017, namely the reduction by 16.29%. The greenhouse gas emission reduction goal in 2019 is set as 1383.545 t-co2e, namely the reduction by 1.8% from the previous year. The Company continues to implement activities relevant to environment management through promotion, education training, energy-saving policy, audit, as well as improvement follow-up to maintain the environment management. The Company asks all colleagues to save energy and reduce carbon, including water, electricity and paper consumption, in order to avoid any unnecessary waste, and also include the results of energy saving and carbon reduction into the semi-annual performance evaluation indicators.	(III) No deviation
III. Preserving Public Welfare (I) Management policy and procedure in accordance with relevant regulations, laws and the International Bill of Human Rights (II) Establishment of employee complaint channels and proper handling	✓ ✓		(I) Fully comply with relevant labor laws and regulations to ensure the employees' legitimate rights and interests in terms of salaries, benefits, health and safety are well protected. Promote the social responsibility management in pursuance with requirements by RBA, the Electronic Industry Citizenship Coalition, and manage the Company's social responsibility. (II) The Company has established various reporting channels and strictly keeps confidential the identity of the informers and content of the report. If an employee is reported to be involved with unethical behavior, the Company will immediately check on relevant facts. If confirmed there is violation of laws or of the ethical management policy and regulations, the Company will immediately requested the person conducting the unethical behavior to stop such behavior, and per significance of the issue, to proceed with the investigation. And if necessary, the Company will claim damage through legal procedures to protect the reputation, rights and interest of the Company,	(I) No deviation (II) No deviation
(III) Safe and healthy work environment, and regular employee safety and health education	✓		(III) In order to provide a healthy and safe environment, the Company passed the certification of OHSAS 18001 the Occupational Health & Safety management system. On a yearly basis, the , Company engages qualified testing institution, to perform hazardous factors test on the indoor working environment as required by laws and regulations, and hold training on fire control and first aid for at least once every six month.	(III) No deviation
(IV) Establishment of the mechanism for periodic communication with employees, and notification to employees of the circumstances which might materially affect the operation in a reasonable manner	✓		(IV) At least one meeting is called every month by the Company that is hosted by the President for the employees to understand the operating status and state their suggestions toward the business administration of the Company. Also, a labor/management conference is called once every three months to provide a face-to-face communication for the management and the employees.	(IV) No deviation

Assessment Items	Implemention States			Difference from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reasons
	Yes	No	Summary	
(V) Plans of effective career and capacity development	✓		(V) The Company constructs the educational training system based on the core competence required by its operations, including leadership management training, professional technology training and various seminars, and sets the annual educational plan each year and organizes the educational training programs for employees periodically to train the employees' ability.	(V) No deviation
(VI) Establishment of policies protecting consumer rights and interests and complaint platforms based on R & D, purchase, production, operation and service procedures (VII) Marketing and labeling of products and service in accordance with relevant laws and international standards (VIII) Evaluation of suppliers with environmental and social impacts before cooperation (IX) Contracts including terms of rights to terminate or rescind a contract at any time when suppliers violate its social responsibility policy and cause major impacts on the environment and the society	✓ ✓ ✓	✓	(VI) The Company has complete R&D certification systems in place, e.g., DQA and Safety, to certify that the products satisfy customers' needs from the customers' point of view. Meanwhile, the Company establishes RMA Complaint Center to listen to and solve customers' problems in a timely manner. (VII) All of the Company's products pass the international safety certification to protect consumers' safety, and also the international standard certification, e.g., ISO 9001. The Company also practices the certification strictly to ensure that its products satisfy international standards. (VIII) The Company will assess the supplier's record in environmental protection and society, complete the supplier's social responsibility self-assessment list, and conduct the audit and counseling on the supplier pursuant to EICC before trading with the supplier . The audit of social responsibility of the supplier is to enhance their social responsibility. Currently most suppliers of the materials have completed the social responsibility self evaluation forms. (IX) Contracts excluding terms of rights to terminate or rescind a contract at any time when suppliers violate its social responsibility policy and cause major impacts on the environment and the society Notwithstanding, when promoting the social responsibility, the Company demands that certain key suppliers should satisfy the social responsibility requirements under RBA and proceeds with the audit on the suppliers.	(VI) No deviation (VII) No deviation (VIII) No deviation (IX) The Company will enact related clauses in a timely manner.
IV. Enhancing Information Disclosure (I) Disclosure of information related to the relevance and reliability of the company's commitment to corporate social responsibility on its website or on TWSE & MOPS"	✓		(I) The Company continues to pay attention to the disclosure of information with respect to the corporate social responsibilities, and have the social responsibility policy published on the website to disclose to the general public.	No deviation.
V. If the Company has established corporate social responsibility principles based on "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies", please describe any discrepancy between the principles and their implementation: None.				
VI. Other important information to facilitate better understanding of the Company's corporate social responsibility practices: The Company's website provides the "CSR" section dedicated to disclosing the information about the Company's CSR policies and reports. Website: http://www.chiconypower.com.tw/				
VII. Verification of Company products or the Corporate Social Responsibility Report per the standards of relevant certifying organizations, if any: The Company's corporate social responsibility report 2017/2018 will pass the certification by the third party organization, BSI, and would be released and posted on the Company's website in July 2019.				

(VI) Status of Implementation of the Ethical Corporate Management:

Assessment Items	Implemention States			Difference from Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and reasons
	Yes	No	Summary	
I. Enactment of ethical management policy and program (I) The Company has the ethical business policy expressed explicitly in the Company's regulations and external documents, as well as the active implementation committed by the board of directors and management.	✓		(I) The Company has stipulated the "Ethical Corporate Management Rules" and upholds the philosophy of being honest, incorruptible, transparent, and responsible to operate its business. Complying with the Company Act, Securities and Exchange Act, the Business Entity Accounting Act, and other laws and regulations regulating TWSE and GTSM listed companies; the Company continues to implement the integrity-based policy.	(I) No deviation
(II) Prevention program for unethical behavior regulated by the Company, as well as the carrying out of operating procedures, behavior guidelines, discipline of violation and complaint system, and implementation of the program.	✓		(II) The Company has stipulated the "Guidelines for the procedures toward an ethical operation and behavior", and upholds the principles of being fair, honesty, trustworthy, and transparent to conduct business, and actively adopt integrity operation policy and scheme and to prevent any behavior that is not ethical.	(II) No deviation
(III) Has the company taken steps to prevent occurrences listed in Paragraph 2, Article 7 of "Ethical Corporate Management Best Practice Principles for TWSE/ GTSM Listed Companies" or business conducts that are prone to integrity risks?	✓		(III) For operating activities within the scope of operations and wit high risk of being conducted unethically, the Company has established effective accounting and internal control systems and has the internal auditor to conduct regular review on the compliance of the relevant system.	(III) No deviation
II. Implementation of ethical business (I) Evaluation of individuals that have a record of unethical behavior and regulation of the ethical code of conduct in the business contract.	✓		(I) To implement the ethical corporate management system, before establishing business relationship with others, except for evaluating the legitimacy and ethical management policy of suppliers, customers or other business parties it deals with, the Company also demand to sign "Letter of Commitment to Incorruption" with suppliers, clearly indicating that all parties in the transactions shall adhere strictly to the rules of the Company with respect to Incorruption management and shall not receive rebates, commission, inappropriate gifts or any other illegal benefit.	(I) No deviation

Assessment Items	Implemention States			Difference from Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and reasons
	Yes	No	Summary	
(II) Promotion of ethical business by the Company's full-time (part-time) functional units' subject to Board of Directors, and regular reports of status of the supervision to Board of Directors	✓		(II) Administration Management Division as a dedicated unit responsible for stipulating, monitoring and having the ethical management policy and prevention measure put into practice and report to the Board of the Directors. The Company has established its whistle-blowing management regulations and the whistle-blowing mailbox, email address and hotline. In 2018, the Company also propagated the ethical management and practiced the whistle-blowing mechanism at the management meeting on a monthly basis. The various factories also organized multiple meetings to propagate the ethical management and whistle-blowing mechanism.	(II) No deviation
(III) The implementation of the Company's prevention of interest conflict policy and the appropriate reporting channel (IV) The implementation of the Company's effective accounting system and internal control system for the implementation of ethical business, as well as periodical audits by internal auditors or committed accountants (V) Periodic education and training of ethical business	✓ ✓ ✓		(III) The Company has established the conflict of interest policy requiring that the Company's employees sign the service contract when they are hired, and providing the whistle-blowing and complaining channels to help whistleblowers and complainants with their accusation and complaint. (IV) To implement the ethical corporate management policy, the Company has established effective accounting systems and internal control systems, and has the internal auditor conduct regular reviews of each unit for its compliance to the system. (V) The Company will promote the ethical management philosophy periodically.	(III) No deviation (IV) No deviation (V) No deviation
III. The operation of reporting system (I) Specific reporting and reward systems, reporter friendly channels and representative assigned to deal with the reporting issues	✓		(I) The Company has established its "Whistle-blowing Management Regulations" to provide the whistle-blowing channels, including: 1. "Whistle-blowing mailbox" 2. "Whistle-blowing email address" Hotline@chiconypower.com.tw,. The Administration supervisor is responsible for receiving and processing the mails, and strictly keeps confidential the identity of the informers and content of the report. If an employee is reported to be involved with unethical behavior, the Company will immediately check on relevant facts. If confirmed there is violation of laws or of the ethical management policy and regulations, the Company will immediately requested the person conducting the unethical behavior to stop such behavior, and per significance of the issue, to proceed with the investigation. And if necessary, the Company will claim damage through legal procedures to protect the reputation, rights and interest of the Company, Meanwhile, the Company establishes the specific reward system for whistle-blowing. For the reward criteria, please refer to the "Employee Reward & Punishment Regulations".	(I) No deviation

Assessment Items	Implemention States			Difference from Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and reasons
	Yes	No	Summary	
(II) Has the company implemented any standard procedures or confidentiality measures for handling reported misconducts?	✓		(II) The Company has established the "Whistle-blowing Management Regulations" to expressly state the standard operating procedure for investigation on accepted whistle-blowing cases. The Administration supervisor is responsible for processing, investigating and responding to the cases, and keeps confidential the identity of the informers and content of the report strictly.	(II) No deviation
(III) Measures for protecting whistle-blowers from inappropriate disciplinary actions due to their whistle-blowing.	✓		(III) The Company has established the measures for protecting whistle-blowers. The Company will keep the whistle-blower's identity and contents of report in confidence and prevent the whistle-blower from inappropriate disciplinary actions due to their whistle-blowing.	(III) No deviation
IV. Enhancing Information Disclosure				
(I) Disclosure of ethical business principals and implementation results on its website or TWSE "MOPS"	✓		(I) The Company establishes a website to disclose relevant information on the ethical management, and the website is: http://www.chiconypower.com.tw.	(I) No deviation
V. If the Company has established its own ethical business principles based on "Ethical Business Best Practice Principles for TWSE/GTSM Listed Companies", please describe any discrepancy between the principles and their implementation: No discrepancy.				
VI. Other information material to the understanding of ethical business operation (e.g., the discussion and amendment to the ethical business best practice principles defined by the Company)				

(VII) For those have the Corporate Governance Rules and Relevant Regulations Stipulated, the Inquiry Method of the Corporate Governance Rules and Relevant Regulations:

For inquiry, please visit the "Investor Events" on the Company's website.

(VIII) Other Important Information to Increase the Understanding of Corporate Governance:

The Company's website provides the "Investor Events" to provide the information about corporate governance, finance and shareholders service.

(IX) Implementation of the Internal Control System:

1. Statement of Internal Control System:

Chicony Power Technology Co., Ltd.
Statement on Internal Control System

Date: March 5, 2019

The following declaration had been made based on the 2018 self-assessment of the Company's internal control system:

I. The Company acknowledges and understands that the establishment, implementation and maintenance of the internal control system are the responsibility of the Board of the Directors and managers, and that such a system has been implemented within the Company. The purpose of this system is to provide reasonable assurance in terms of business performance, efficiency (including profitability, performance, asset security etc.,), reliable, timely and transparent financial reporting, and regulatory compliance.

II. There are inherent limitations to even the most well-designed internal control system. As such, an effective internal control system can only reasonably assure achievement of the three goals mentioned above. Furthermore, changes in the environment and circumstances may all affect the effectiveness of the internal control system. However, the internal control system of the Company features a self-monitoring mechanism that rectifies any deficiencies immediately upon discovery.

III. The Company evaluates the design and execution of its internal control system based on the criteria specified in "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as ”The Governing Principles") to determine whether the existing system continues to be effective. Criteria introduced by "The Governing Principles" consisted of five major elements, each representing a different stage of internal control: 1. Control environment; 2. Risk evaluation and response; 3. Procedural control; 4. Information and communication; and 5. Supervision. Each element further encompasses several sub-elements. Please refer to "The Governing Principles" for more details.

IV. The Company has adopted the aforementioned criteria to validate the effectiveness of its internal control system design and execution.

V. Based on the assessments described above, the Company considers the design and execution of its internal control system to be effective as at December 31, 2018. This system (including the supervision and management of subsidiaries) has provided assurance with regards to the Company's business results, target accomplishments, reliability, timeliness and transparency of reported financial information, and its compliance with relevant laws.

VI. This declaration constitutes part of the Company's Annual Report and prospectus, and shall be disclosed to the public. Any illegal misrepresentation or concealment in the public statement above are subject to the legal consequences described in Articles 20, 32, 171, and 174 of the Securities and Exchange Act.

VII. The Statement was passed unanimously without objection by all 6 directors present at the directors' meeting dated March 5, 2019.

Chicony Power Technology Co., Ltd.

Chairman: Lu, Chin-Tsung

President: Tseng, Kuo-Hua

2. Auditor's Report on Special Audit of Internal Control System: N/A.

(X) The Punishment Inflicted on the Company and Its Employees by Laws, and/or Disciplinary Action Taken by the Company Against Its Employees for Violating Internal Regulations, Major Defects, Correction and Improvement Procedures in 2018 and up to the Printing Date of this Annual Report:

There is no punishment inflicted on the Company’s employees, nor is the disciplinary action taken by the Company against its employees for violating internal regulations.

(XI) Shareholder’s Meeting and Significant Board Resolutions in 2018 and up to the Date of Printing of the Annual Report:

1. Shareholders’ Meeting

Date	Important resolutions	Implementation status
Jun. 7, 2018, Regular Shareholders Meeting of 2018	(I) Acknowledgement on the Business Report and Financial Report of the Company in the 2017 fiscal year	To be disclosed on the MOPS as required, upon resolution by a general shareholders’ meeting.
	(II) Acknowledgement on the Proposed Distribution of Earnings of the Company in the 2017 fiscal year	The quantity of outstanding stock is affected due to redemption of new restricted employee shares. Upon resolution by the shareholders’ meeting, the Board of Directors authorized the Chairman of Board to adjust the interest distributed to shareholders from NTD 3.1 per share to NTD 3.10008039 per share, ad the stock dividend distributed to shareholders from NTD 0.05 per share to NTD 0.05000132 per share. Meanwhile, the record date for distribution of interest was set as of July 9, 2018. The date of payment of cash dividend was set as of July 25, 2018, the record date for capital increase, dividend distribution and ex-right as of August 2, 2018, and date of distribution of new shares upon capital increase as of September 3, 2018.
	(III) Discussion of proposal to increase the Company’s Capital and to issue new shares with earnings of fiscal 2017.	Upon resolution by the Regular Shareholders’ Meeting, the Company's motions for distribution of the 2017 stock dividend to shareholders NTD 18,937,130, and issuance of new stock totaling 1,893,713 shares upon capital increase were approved by the FSC on August 16, 2018. Accordingly, the record date for capital increase, dividend distribution and ex-right was set as August 2, 2018, and the date of distribution of new shares upon capital increase as September 3, 2018.
	(IV) Discussion of the proposal to amend the Company’s Articles of Incorporation.	Registered upon approval by the competent authority on June 27, 2018.
	(V) Discussion of proposal to amend the Company’s “Rules of Procedure for Shareholders Meetings”.	Completed according to the amended procedures.
	(VI) Discussion of proposal to amend the Company’s “Regulations Governing Election of Directors and Supervisors.”	Completed according to the amended procedures.
	(VII) Discussion of the proposal to amend the Company’s “Regulations Governing the Acquisition and Disposal of Assets.”	Completed according to the amended procedures.
	(VIII) Discussion of the Proposal to	Completed according to the amended procedures.

Date	Important resolutions		Implementation status
		Amend the Company's "Procedures for Engaging in Derivatives Transactions."	
	(IX)	Discussion of proposal to amend the Company's "Procedures for Lending Funds."	Completed according to the amended procedures.
	(X)	Discussion of proposal to amend the Company's "Rules Governing Endorsement and Guarantee".	Completed according to the amended procedures.
	(XI)	Elections: Proposal for reelection of the directors of the Company in 5th board.	Registered upon approval by the competent authority on June 27, 2018.
	(XII)	Discussion on proposed lifting of the non-competition pledge obligations upon the newly elected directors and representatives.	It is resolved to lift restriction on non-competition of the newly appointed Directors.

2. Board of Directors

Date		Important resolutions
Mar. 6, 2018 16th meeting of the 4th Board of Directors	(I)	Report on the Company's Board of Directors performance evaluation in 2017.
	(II)	It is resolved to ratify the 2017 business report, the consolidated and individual financial statements.
	(III)	It is resolved to prepare the business operating plan of the Company for 2018.
	(IV)	It is resolved to complete the 2nd transfer of treasury stock to employees: 746 thousand shares transferred to the employees.
	(V)	It is resolved to the 2017 distribution plan of the employee remuneration and the directors' and supervisors' remuneration.
	(VI)	It is resolved to the 2017 profit distribution plan.
	(VII)	It is resolved to issue new shares for capital increase by 2017 earnings.
	(VIII)	It is resolved to amend the Company's "Articles of Incorporation", "Rules of Procedure for Shareholders Meetings", "Rules of Procedure for Board of Directors Meetings", "Regulations for Election of Directors and Supervisors", "Regulations Governing the Acquisition and Disposal of Assets", "Procedures for Engaging in Derivatives Transactions", "Procedures for Lending Funds", "Rules Governing Endorsement and Guarantee" and "Articles of Association for Remuneration Committee".
	(IX)	It is resolved to establish the Company's "Articles of Association for Audit Committee".
	(X)	It is resolved to amend the Company's "Regulations Governing Functions of Independent Directors", "Operating Procedures for Handling Internal Material Information and Preventing Insider Trading", "Method to conduct business dealing with the related parties, the related enterprises and specific companies", "Operating Procedures for Applying for Halt and Resumption of Dealings", "Corporate Governance Best Practice Principles", "Ethical Business Best Practice Principles", "Procedures for Ethical Management and Guidelines for Conduct", and "Codes of Ethical Conduct".
	(XI)	It is resolved to re-elect the Company's 5th-term directors: 7 directors to be elected (including 3 independent directors), who shall hold the position for 3 years from Jun. 7, 2018 until Jun. 6, 2021.
	(XII)	It is resolved to lift the non-competition pledge obligations upon the newly elected directors and representatives.
	(XIII)	It is resolved to organize the Company's 2018 Regular Shareholders' Meeting.
	(XIV)	It is resolved to issue the Company's 2017 Statement on Internal Control System.
	(XV)	It is resolved to approve the evaluation on the CPAs' independence.
	(XVI)	It is resolved to approve the capital increase in the subsidiary, Chicony Power Technology (Suzhou) Co., Ltd.: Investment via the subsidiary, Chicony Power Technology Hong Kong Ltd., by no more than US$35 million (inclusive).
	(XVII)	It is resolved to approve the appointment of the management ranking assistant vice presidents and above.

Date	Important resolutions
	(XVIII) Ratification of the Company's underwriting of derivatives trading amounting to more than US$10 million on December 29, 2017.
Apr. 25, 2018 17th meeting of the 4th Board of Directors	(I) It is resolved to approve the Company's replacement of CPAs as of Q1 of 2018. (II) Submission of the Company's consolidated financial statements Q1 of 2018. (III) It is resolved to approve the review on qualifications of the candidates for director (including independent director) nominated by shareholders.
Jun. 7, 2018 1st meeting of the 5th Board of Directors	(I) Election of the Company's new Chairman of Board. (II) Appointment of the Company's 3rd-term Remuneration Committee members. (III) Establishment of Audit Committee.
Jul. 10, 2018 2nd meeting of the 5th Board of Directors	(I) It is resolved to approve the annulment of the Company's shares bought back for the first time in 2015 and determination of the record date for capital decrease. (II) It is resolved to approve the capital decrease by annulment of new restricted employee shares. By the end of June 2018, the stock distributed to the Company's employees has totaled 9,822 shares. Notwithstanding, due to such factor as resignation resulting in the failure to satisfy the vested conditions, the stock should be annulled to decrease the capital. (III) It is resolved to approve the determination of the record date for issue new shares from earnings and ex-right in 2017. (IV) It is resolved to approve the Company's fund lending: Lend fund to Carlight Technology Co., Ltd., subject to the facility of NTD 45 million and duration of one year. (V) It is resolved to approve the renewal of liability insurance for directors and officers: US$20 million, for one year from July 31, 2018 until July 31, 2019.
Aug. 6, 2018 3rd meeting of the 5th Board of Directors	(I) Submission of the Company's consolidated financial statements for the first half of 2018.
Sep. 13, 2018 4th meeting of the 5th Board of Directors	(I) It is resolved to approve the Company's implementation of the treasury stock system to buy back the Company's shares as the source of stock to be transferred to employees.
Sep. 17, 2018 5th meeting of the 5th Board of Directors	(I) Re-election of the Company's Chairman of Board.
Oct. 29, 2018 6th meeting of the 5th Board of Directors	(I) Submission of the Company's consolidated financial statements Q3 of 2018. (II) Report on the status of the Company's corporate social responsibility and ethical management in 2018. (III) It is resolved to approve the amendments to the Company's internal control system and internal audit system. (IV) It is resolved to prepare the audit plan of the Company for 2019. (V) It is resolved to approve the Company's application for credit facility with the financial institution. (VI) It is resolved to approve the annulment of the Company's shares bought back for the second time in 2015 and determination of the record date for capital decrease. (VII) Amendments to partial provisions of the Company's "Rules on Transfer Repurchased Shares to Employees for the 4th Time". (VIII) It is resolved to approve the appointment of the management ranking assistant vice presidents and above. (IX) It is resolved to approve the distribution of year-end bonus, employee remuneration to managers and salary/remuneration to new managers as researched at the 1st meeting of 3rd-term Remuneration Committee.
Mar. 5, 2019 7th meeting of the 5th Board of Directors	(I) Report on the Company's Board of Directors performance evaluation in 2018. (II) It is resolved to approve the Company's 2018 business report and consolidated and individual financial statements. (III) It is resolved to prepare the business operating plan of the Company for 2019. (IV) It is resolved to the 2018 distribution plan of the employee remuneration and the directors' and supervisors' remuneration. (V) It is resolved to the 2018 profit distribution plan. (VI) It is resolved to approve establishment of the Company's "Operating Procedure for Buyback of

Date	Important resolutions
	Treasury Stock". (VII) It is resolved to approve the amendments to the Company's internal control system and internal audit system. (VIII) It is resolved to approve the amendments to the Company's "Articles of Incorporation", "Regulations Governing the Acquisition and Disposal of Assets", "Procedures for Engaging in Derivatives Transactions", "Procedures for Lending Funds" and "Regulations for Election of Directors". (IX) It is resolved to approve the amendments to the Company's "Corporate Governance Best Practice Principles", "Rules of Procedure for Board of Directors Meetings " and "Standard Operating Procedure for Handling Directors' Requirements". (X) It is resolved to issue the Company's 2018 Statement on Internal Control System. (XI) It is resolved to re-elect the Company's 5th-term directors: 1 director to be elected, who shall hold the position for the term as same as the former director, from June 6, 2019 until June 6, 2021. (XII) It is resolved to lift the non-competition pledge obligations upon the directors and their representatives. (XIII) It is resolved to approve the nomination of the candidates for the Company's directors to be re-elected. (XIV) It is resolved to organize the Company's 2019 Regular Shareholders' Meeting. (XV) It is resolved to approve the evaluation on the CPAs' independence. (XVI) Ratification of the Company's underwriting of derivatives trading amounting to more than US$10 million on December 20, 2018. (XVII) It is resolved to approve the appointment of the Company's managers. (XVIII) It is resolved to approve the distribution plan for remuneration to employees and directors/supervisors, distribution plan for Dragon Boat Festival and Moon Festival bonus to managers, and distribution of salary/remuneration to new managers and Chairman of Board researched at the 2nd meeting of the 3rd-term Remuneration Committee.
May 6, 2019 8th meeting of the 5th Board of Directors	(I) Submission of the Company's consolidated financial statements Q1 of 2019. (II) It is resolved to approve the Company's application for credit facility with the financial institution. (III) It is resolved to approve the Company's fund lending to the subsidiary. (IV) It is resolved to approve the incorporation of the subsidiary, Chicony Power Technology (Taizhou) Co., Ltd.: Investment via the subsidiary, Chicony Power Technology Hong Kong Ltd., by no more than US$3 million (inclusive).

(XII) The Main Contents of Important Resolutions Passed by the Board of Directors Regarding in which Directors or Supervisors have Voiced Differing Opinions on the Record or in Writing in 2018 and up to the Date of Publication of the Annual Report: None.

(XIII) Summary of Resignation or Dismissal of Personnel (including the Chairman of Board, President, Financial Manager, Accounting Manager, Internal Audit Manager and R&D Manager, etc.,) Who are involved with the Company's Financial Statements in 2018 and up to the Date of Publication of the Annual Report:

May 6, 2019

Title	Name	Date of Appointment	Date Discharged	Reasons for Resignation or Discharge
Chairman and CEO	Lin, Mao-Kuei	Dec. 30, 2013	Sep. 13, 2018	Passed away

IV. Independent Auditor Fee Information

(I) Independent Auditor Fee Information and Fee Table:

Accounting Firm Name	Name of CPA		Audit Period	Remarks
PricewaterhouseCoopers Taiwan	Chen, Chin-Chang	Weng, Shih-Jung	Jan. 1, 2018 ~ Dec. 31, 2018	-

Unit: NTD 1,000

Amount Range \ Fee Item		Audit Fee	Non-audit Fee	Total
1	Under $2,000		V	
2	$2,000 (Inclusive) ~4,000	V		V
3	$4,000 (Inclusive)~6,000			
4	$6,000 (Inclusive)~8,000			
5	$8,000 (Inclusive)~10,000			
6	Over $10,000			

(II) Independent Auditor Fee Information：

1. If fees paid to a CPA or CPA firm or its affiliated company for non-audit services account for a proportion equal to one-quarter or more of the fees paid for the audit service, the fee for audit and non-audit services as well as the contents of the non-audit service shall be disclosed:

Unit: NTD 1,000

Accounting Firm Name	Name of CPA	Audit Fee	Non-audit remuneration					CPA Audit period	Remarks
			System Design	Commercial and Industrial Registration	Human Resources	Others	Subtotal		
Pricewaterhouse Coopers Taiwan	Chen, Chin-Chang Weng, Shih-Jung	2,810	-	-	-	853	853	Jan. 1, 2018 ~ Dec. 31, 2018	Note

Note: The other elements constituting the non-audit fees include the transfer pricing report, NTD 540 thousand, audit fees on such services as restricted stock and recapitalization from earnings, NTD 171 thousand, audit and certifications fees on business tax for dual-status business entities under direct deduction method, NTD 80 thousand, and professional fees on investment projects in mainland China and annulment of treasury stock, NTD 62 thousand.

2. Replacement of independent auditing firm and reduction in audit fees paid during the year of replacement compared with the previous year: None.
3. Reduction in audit fees by more than 15% compared with the previous year: None.

V. Information on the Replacement of CPA

Whether the Company changed its CPA firms in the recent two year and up to the printing date of this Annual Report:

(I) Information Relating to the Former CPA

1. 2017: None.
2. 2018:

<table>
<tr><td>Date of Change</td><td colspan="5">Approved by Board of Director on Apr. 25, 2018.</td></tr>
<tr><td>Reason and Explanatipn for Changes</td><td colspan="5">To deal with the internal reorganization of PricewaterhouseCoopers Taiwan, Certified Public Accountants of the Company’s Financial Statements 2018 Q1 were changed from Lin, Jun-Yao, CPA and Weng, Shih-Jung, CPA to Chen, Chin-Chang, CPA, Weng, Shih-Jung, CPA.</td></tr>
<tr><td rowspan="3">Whether the termination of audit service was initiated by the consignor or CPA</td><td colspan="3">Counterparty
Status</td><td>CPA</td><td>Consignor</td></tr>
<tr><td colspan="3">appointmen terminated automatically</td><td colspan="2" rowspan="2">N/A</td></tr>
<tr><td colspan="3">appointmen rejected (discontinued)</td></tr>
<tr><td>An opinion other than unqualified opinion issued in the last two years, and the reasons for the said opinion</td><td colspan="5">None</td></tr>
<tr><td rowspan="7">Any disagreement with the issuer</td><td rowspan="5">Yes</td><td></td><td colspan="3">Accounting principles or practices</td></tr>
<tr><td></td><td colspan="3">Disclosure of financial statements</td></tr>
<tr><td></td><td colspan="3">Audit coverage or procedures</td></tr>
<tr><td></td><td colspan="3">Others</td></tr>
<tr><td></td><td colspan="3"></td></tr>
<tr><td>No</td><td colspan="4">V</td></tr>
<tr><td colspan="5">Descriptions: N/A</td></tr>
<tr><td>Other disclosures
(Disclosures Spectified in Article 10.6.1.4~7 of the Standard)</td><td colspan="5">None</td></tr>
</table>

3. For 2019 and up to the date of printing of the Annual Report: None.

(II) Information Relating to the Succeeding CPA

1. 2017: None.
2. 2018:

Name of Accounting Firm	PricewaterhouseCoopers Taiwan
Name of CPA	Chen, Chin-Chang Weng, Shih-Jung
Date of Reappointment	Approved by Board of Director on Apr. 25, 2018.
Inquiries and replies regarding accounting practices or principles on certain transactions, or any audit opinions the auditors were likely to issue on the financial reports prior to reappointment.	N/A
Written disagreements from the succeeding auditor against the opinions made by the former CPA	N/A

3. For 2019 and up to the date of printing of the Annual Report: None.

(III)The reply of Former CPAs on Article 10.6.1 and Article 10.6.2.3 of the standards: None.

VI. The Company's Chairman, President, or Managers Responsible for Financial or Accounting Matters Was an Employee of the Accounting Firm or Its Affiliates over the Past Year: None.

VII. Transfer & Pledge of Stock Equity by Directors, Supervisors, Managerial Officers and Shareholders with 10% Shareholdings or More:

(I) Transfer & pledge of stock equity by Directors, Supervisors, managerial officers and holders of 10% or more of company shares:

Title	Name	2018		Ending Apr. 8 of 2019	
		Increase (decrease) in shares held	Increase (decrease) in shares pledged	Increase (decrease) in shares held	Increase (decrease) in shares pledged
Directors and Major Shareholders	Chicony Electronics Co., Ltd.	5,925,847	-	1,378,000	-
Chairman (Representative)	Lu, Chin-Tsung (Note 2)	-	-	-	-
Director and President	Tseng, Kuo-Hua (Note 1)	242,432	1,500,000	6,826	-
Director and Advanced Technology Center, Chief Technology Officer and Senior Deputy GM	Huang, Chung-Ming (Note 1)	179,472	-	121,211	-
Independent Director	Fu, Yow-Shiuan	-	-	-	-
Independent Director	Tsai, Duh-Kung	-	-	-	-
Independent Director	Chiu, Te-Chen	-	-	-	-
SH Business Unit, President	Ku, Ming-Hui (Note 2)	-	-	36,318	-
MP Business Unit, President	Huang, Chien-Yu (Note 1)	36,331	-	29,999	-
Guang Sheng Factory, Senior VP	Li, Tsu-Yu (Note 1)	57,539	-	42,256	-
LED Business Unit, Vice Presiden	Hu, Wei-Ming (Note 1)	(22,448)	-	22,618	-
Quality & Design Quality Assurance Center, Vice Presiden	Yang, Hsi-Lung (Note 1)	53,101	-	38,084	-
Special Assistant to President and Procurement Chief	Huang, Ming-Hui (Note 2)	-	-	39,476	-
SH Business Unit, Assistant VP	Huang, Shu-Fan (Note 1)	40,674	-	10,211	-
SH Business Unit, Assistant VP	Huang, Tsui-Ling (Note 1)	10,357	45,000	(910)	-
SH Development Unit, Assistant VP	Huang, Wen-Nan (Note 1)	71,875	-	42,858	-
MP R&D Office, Assistant VP	Wang, Yang (Note 1, Note 2)	-	-	29,075	-
Magnetic Component R&D Center, Assistant VP	Lin, Che-Shih (Note 1, Note 2)	-	-	43,852	-
Financial Center, Assistant VP	Chen, Hsueh-Yi (Note 1)	1,182	-	10,297	-
Audit Office, Manager	Yu, Wen-Feng (Note 1)	5,647	-	5,431	-

Note 1: Shares held include shares in trust the grantor retain the control and use at his discretion.

Note 2: Lu, Ching-Tsung was elected as the director on Jun. 7, 2018. Therefore, said increase (decrease) refers to the changes from Jun. 7, 2018 to Apr. 8, 2019. Ku, Ming-Hui, Wang, Yang and Lin, Che-Shih held their current positions on Oct. 8, 2018. Therefore, said increase (decrease) refers to the changes from Oct. 8, 2018 to Apr. 8, 2019. Huang, Ming-Hui held his current position on Jan. 2, 2019. Therefore, said increase (decrease) refers to the changes from Jan. 2, 2019 to Apr. 8, 2019.

(II) Information on the Counterparts of the Share Tansferred, if the Counterparts are Related Party:

Name	Reason of Transfer	Date of Transaction	Counterpart	Relationship Between the Counterpart and the Company, and Directors, Supervisors and Shareholders with more than 10% Ownership Interest	Shares	Transaction Price
Li, Tsu-Yu	Bestowment in trust	Oct. 1, 2018	Li, Han-Ching	Father and Daughter	5,800	NA
Hu, Wei-Ming	Bestowment	Aug. 1, 2018	Hu, Chia-Yu	Father and Daughter	45,248	NA
		Sep. 6, 2018	Li, Chi-Jung	Spouse	15,345	NA

(III) Information on the counterparts of the shares pledged, if the counterparts are related parties: None.

VIII. Information on Relation Among Top 10 Shareholders and Their Relationship:

April 8, 2019； Unit: shares, %

Name	One Shareholding		Shareholdings of Spouse and Underage Children		Total Shareholding in Other's Name		Relationship Characterized as Spouse or Relative of Second Degree or Closer Among the Top 10 Shareholders		Remarks
	Shares	%	Shares	%	Shares	%	Title (or Name)	Relationship	
Chicony Electronics Co., Ltd.	186,068,594	48.12	-	-	-	-	XAVi Technologies Corporation	XAVi Technologies Corporation, Chairman	-
							Lu, Chin-Tsung	Chicony Electronics Co., Ltd., Director and President	
Representative: Hsu, Kun-Tai	-	-	-	-	-	-	XAVi Technologies Corporation	XAVi Technologies Corporation, Director	
Lin, Mao-Kuei	24,071,194	6.22	3,091,353	0.80	-	-	Taishin International Bank Entrusted with Trust Property Account - Lin, Mao-Kuei	Trust Account the shareholder retains control and use of the trust property	-
							Lin, Yen-Li	Father and daughter	-
							Lin, Yi-Ching	Father and daughter	-
Taishin International Bank Entrusted with Trust Property Account - Lin, Mao-Kuei	10,000,000	2.59	-	-	-	-	Lin, Mao-Kuei	Trust Account the grantor retains control and use of the trust property	-
Lin, Yen-Li	7,890,315	2.04	-	-	-	-	Lin, Mao-Kuei	Father and daughter	-
Lin, Yi-Ching	7,883,324	2.04	-	-	-	-	Lin, Mao-Kuei	Father and daughter	-
XAVi Technologies Corporation	6,163,610	1.59	-	-	-	-	Chicony Electronics Co., Ltd.	XAVi Technologies Corporation, Chairman	-
							Hsu, Kun-Tai	XAVi Technologies Corporation, Director	
Representative: Lu, Chin-Tsung	-	-	20,100	0.01	-	-	Chicony Electronics Co., Ltd.	Chicony Electronics Co., Ltd., Director and President	
Deutsche Bank AG Entrusted with PineBridge Asia Small Cap Equity Companies Investment Account	5,001,181	1.29	-	-	-	-	None	None	-
Di-Jia Investment Co., Ltd.	4,105,273	1.06	-	-	-	-	None	None	-
Responsible Person: Huang, Yueh-Chao	1,334,669	0.35					None	None	-
Yu Fong Investment Co., Ltd.	3,707,243	0.96	-	-	-	-	None	None	-
Responsible Person: Li Shu-Qing	-	-	3,219,714	0.83	-	-	None	None	-
Bank of Taiwan Entrusted with TT International Funds Company Investment Account	3, 259,245	0.84	-	-	-	-	None	None	-

Note 1: The above table includes shares in trust the grantor and his spouse retain control and use at their discretion.
Note 2: The Shareholding Ratio (%) is the shares held divided by the 386,715,375 shares of the Company.

IX. Quantity of Shareholdings of the Same Investee by the Company and Its Directors, Supervisors, Managers Directly or Indirectly controlled, and the Combined Shareholdings

April 8, 2019；Unit: shares, %

Invested Enterprise	Invested by the Company		Held by Directors, Supervisors, Managers, and Directly or Indirectly Controlled Enterprises		Total Investment	
	Shares	%	Shares	%	Shares	%
Chicony Power Holdings Inc.	10,000,000	100.00	-	-	10,000,000	100.00

Four. Capital Overview

I. Capital and Shares

(I) Sources of Capital

1. Capital Increase in Recent Years

Unit: NTD , shares

Month / Year	Issue price	Authorized Capital Stock		Paid-in Capital		Remarks		
		Shares	Amount	Shares	Amount	Equity Capital Sources	Offset by any property other than cash	Others
Dec. 2008	10	100,000	1,000,000	100,000	1,000,000	Paid-in Capital to start the Company	-	Ministry of Economic Affairs, Dec. 24, 2008, Jing-Shou-Zhong-Zi No. 09734238930
Feb. 2009	10	250,000,000	2,500,000,000	8,100,000	81,000,000	Relevant business assigned from the spinoff of the Power Supply Business Unit from Hipro Electronics (Taiwan) Co., Ltd.	Note 1	Ministry of Economic Affairs, Feb. 20, 2009, Jing-Shou-Zhong-Zi No. 09831746550
Apr. 2009	11	250,000,000	2,500,000,000	208,100,000	2,081,000,000	Capital increase in cash 2 billion by cash	-	Ministry of Economic Affairs, Apr. 8, 2009, Jing-Shou-Shang-Zi No. 09801067810
Aug. 2010	10	250,000,000	2,500,000,000	241,586,832	2,415,868,320	Capital increase for 203,765,320 by earnings Capital increase for 131,103,000 by capital reserve	-	Ministry of Economic Affairs, Aug. 9, 2010, Jing-Shou-Shang-Zi No. 09901180110
Dec. 2011	10	350,000,000	3,500,000,000	276,183,942	2,761,839,420	Capital increase for 345,971,100 by earnings	-	Ministry of Economic Affairs, Dec. 20, 2011, Jing-Shou-Shang-Zi No. 10001283310
Oct. 2012	10	350,000,000	3,500,000,000	325,796,934	3,257,969,340	Capital increase for 496,129,920 by earnings	-	Ministry of Economic Affairs, Oct. 8, 2012, Jing-Shou-Shang-Zi No. 10101207240
Aug. 2013	10	350,000,000	3,500,000,000	329,378,645	3,293,786,450	Capital increase for 35,817,110 by earnings	-	Ministry of Economic Affairs, Aug. 19, 2013, Jing-Shou-Shang-Zi No. 10201169370
Nov. 2013	41.6	400,000,000	4,000,000,000	353,378,645	3,533,786,450	Capital increase in cash 240,000,000 by cash	-	Ministry of Economic Affairs, Nov. 16, 2013, Jing-Shou-Shang-Zi No. 10201240200
Aug. 2014	10	400,000,000	4,000,000,000	358,853,349	3,588,533,490	Capital increase for 54,747,040 by earnings	-	Ministry of Economic Affairs, Aug. 12, 2014, Jing-Shou-Shang-Zi No. 10301161680
Aug. 2015	10	400,000,000	4,000,000,000	364,311,133	3,643,111,330	Capital increase for 54,577,840 by earnings	-	Ministry of Economic Affairs, Aug. 19, 2015, Jing-Shou-Shang-Zi No. 10401172760
Sep. 2015	10	400,000,000	4,000,000,000	368,319,103	3,683,191,030	New restricted employee shares 40,079,700	-	Ministry of Economic Affairs, Sep. 21, 2015, Jing-Shou-Shang-Zi No. 10401197910
Mar. 2016	10	400,000,000	4,000,000,000	370,059,873	3,700,598,730	Issuance and revocation of new restricted employee shares 7,407,700	-	Ministry of Economic Affairs, Mar. 30, 2016, Jing-Shou-Shang-Zi No. 10501059290
Jun. 2016	10	400,000,000	4,000,000,000	370,026,535	3,700,265,350	Revocation of new restricted employee shares 333,380	-	Ministry of Economic Affairs, Jun. 30, 2016, Jing-Shou-Shang-Zi No. 1050114137
Aug. 2016	10	400,000,000	4,000,000,000	375,769,640	3,757,696,400	Capital increase for 57,431,050 by earnings and employees remuneration	-	Ministry of Economic Affairs, Aug. 18, 2016, Jing-Shou-Shang-Zi No. 10501206540
Sep. 2016	10	400,000,000	4,000,000,000	375,748,880	3,757,488,800	Revocation of new restricted employee shares 207,600	-	Ministry of Economic Affairs, Sep. 9, 2016, Jing-Shou-Shang-Zi No. 10501223000
Nov. 2016	10	400,000,000	4,000,000,000	375,744,620	3,757,446,200	Revocation of new restricted employee shares 42,600	-	Ministry of Economic Affairs, Nov. 24, 2016, Jing-Shou-Shang-Zi No. 10501273340
Apr. 2017	10	400,000,000	4,000,000,000	375,740,072	3,757,400,720	Revocation of new restricted employee shares 45,480	-	Ministry of Economic Affairs, Apr. 26, 2017, Jing-Shou-Shang-Zi No. 10601048690
May 2017	10	400,000,000	4,000,000,000	380,461,721	3,804,617,210	Capital increase by employees remuneration 47,216,490	-	Ministry of Economic Affairs, May 3, 2017, Jing-Shou-Shang-Zi No. 10601052900
Jun. 2017	10	400,000,000	4,000,000,000	380,431,133	3,804,311,330	Revocation of new restricted employee shares 305,880	-	Ministry of Economic Affairs, June 1, 2017, Jing-Shou-Shang-Zi No. 10601069520
Aug. 2017	10	400,000,000	4,000,000,000	382,289,947	3,822,899,470	Capital increase by earnings 18,588,140	-	Ministry of Economic Affairs, Aug. 7, 2017, Jing-Shou-Shang-Zi No. 10601109550

Month / Year	Issue price	Authorized Capital Stock		Paid-in Capital		Remarks		
		Shares	Amount	Shares	Amount	Equity Capital Sources	Offset by any property other than cash	Others
Aug. 2017	10	400,000,000	4,000,000,000	382,277,554	3,822,775,540	Revocation of new restricted employee shares 123,930	-	Ministry of Economic Affairs, Aug. 25, 2017, Jing-Shou-Shang-Zi No. 10601120510
Nov. 2017	10	400,000,000	4,000,000,000	382,272,271	3,822,722,710	Revocation of new restricted employee shares 52,830	-	Ministry of Economic Affairs, Nov. 29, 2017, Jing-Shou-Shang-Zi No. 10601159690
May 2018	10	400,000,000	4,000,000,000	386,695,410	3,866,954,100	Capital increase by employees remuneration 44,231,390	-	Ministry of Economic Affairs, May 1, 2018, Jing-Shou-Shang-Zi No. 10701043870
Jul. 2018	10	400,000,000	4,000,000,000	385,986,588	3,859,865,880	Revocation of treasury stock and new restricted employee shares 7,088,220	-	Ministry of Economic Affairs, Jul. 31, 2018, Jing-Shou-Shang-Zi No. 10701093100
Aug. 2018	10	400,000,000	4,000,000,000	387,880,301	3,878,803,010	Capital increase for 18,937,130 by earnings	-	Ministry of Economic Affairs, Aug. 16, 2018, Jing-Shou-Shang-Zi No. 10701101820
Nov. 2018	10	400,000,000	4,000,000,000	383,141,301	3,831,413,010	Revocation of treasury stock 47,390,000	-	Ministry of Economic Affairs, Nov. 26, 2018, Jing-Shou-Shang-Zi No. 10701143780
Apr., 2019	10	400,000,000	4,000,000,000	386,715,375	3,867,153,750	Capital increase by employees remuneration 35,740,740	-	Ministry of Economic Affairs, Apr. 25, 2019, Jing-Shou-Shang-Zi No. 10801046920

Note 1: According to the relevant laws and regulations of "Business Mergers and Acquisitions Act" and "Company Act", the net value from being assigned the operations, assets and liabilities of Power Supply Business Unit of Hipro Electronics (Taiwan) Co., Ltd., from a spin off as a way to increase capital is NTD 80,000 thousand.

2. The Types of Shares Issued as the Date the Annual Report is Published

Unit: shares

Type of Share	Authorized Capital Stock			Remarks
	Outstanding shares (Note 2)	Unissued shares	Total (Note 1)	
Common stock	386,715,375	13,284,625	400,000,000	Listed Company Shares

Note 1: The Company's Articles of Incorporation was amended by the 2013 Annual General Shareholders' Meeting on June 18, 2013. Total amount of capital is NTD 50 billion and the number of shares authorized is 5 billion shares. The amount of total capital registered with the Ministry of Economic Affairs is NTD 40 billion and the number of shares authorized to issue is 4 billion.

Note 2: Including the treasury stock totaling 4,379,000 shares bought back by the Company but having not yet been transferred.

3. Information About Offering and Issuance of Securities: None.

(II) Composition of Shareholders

April 8, 2019；Unit: persons, shares, %

Composition of Shareholders / Quantity	Government Agencies	Financial Institutions	Other Corporate Entities	Individuals	Foreign Institutions and Individuals	Treasury Stock	Total
Number of Shareholders	2	16	42	6,955	130	1	7,146
Shareholding	509,842	2,207,302	224,466,809	108,460,896	46,691,526	4,379,000	386,715,375
Percentage	0.13	0.57	58.05	28.05	12.07	1.13	100.00

Note: A TWSE/TPEx primary listed company and emerging stock company shall disclose the shareholdings by Mainland China investment of it. The Mainland China investment refers to the people, corporation, group or any other organization of the Mainland Area or the company invested by the Mainland China investment in a third territory defined under Article 3 of the Measures Governing Investment Permit to the People of the Mainland Area: N/A.

(III) Distribution Profile of Share Ownship

April 8, 2019

Range of Shares	Number of Shareholders	Shares Held	Shareholding Percentage
1 to 999	3,034	192,277	0.05%
1,000 to 5,000	2,714	5,028,427	1.30%
5,001 to 10,000	496	3,267,089	0.84%
10,001 to 15,000	237	2,697,421	0.70%
15,001 to 20,000	109	1,851,148	0.48%
20,001 to 30,000	127	3,068,349	0.79%
30,001 to 50,000	118	4,515,696	1.16%
50,001 to 100,000	101	7,005,984	1.81%
100,001 to 200,000	80	11,427,003	2.96%
200,001 to 400,000	54	15,608,892	4.04%
400,001 to 600,000	22	11,372,704	2.94%
600,001 to 800,000	11	8,033,118	2.08%
800,001 to 1,000,000	9	8,170,142	2.11%
Over 1,000,001	34	304,477,125	78.74%
Total	7,146	386,715,375	100.00%

(IV) Major Shareholders:

Shares held equal to or more than 5% of total shares issued or with equity ownership among the top 10 shareholders

April 8, 2019

Shares / Major Shareholder	Shares Held	Shareholding Percentage
Chicony Electronics Co., Ltd.	186,068,594	48.12%
Lin, Mao-Kuei	24,071,194	6.22%
Taishin International Bank Entrusted with Trust Property Account - Lin, Mao-Kuei	10,000,000	2.59%
Lin, Yen-Li	7,890,315	2.04%
Lin, Yi-Ching	7,883,324	2.04%
XAVi Technologies Corporation	6,163,160	1.59%
Deutsche Bank AG entrusted with PineBridge Asia Small Cap Equity Companies Investment Account	5,001,181	1.29%
Di Jia Investment Co., Ltd.	4,105,273	1.06%
Yu Fong Investment Co., Ltd.	3,707,243	0.96%
Bank of Taiwan entrusted with TT International Funds Company Investment Account	3,259,245	0.84%

Note: Not including share in trust the grantor retains the control or right to use at his discretion.

(V) Information on Market Price, Net Worth, Earnings, Dividends Per Share & Relevant Information

Unit: NTD , 1,000 shares

Item			2017	2018	By Mar. 31 2019
Market Price Per Share	High		73.60	66.90	58.9
	Low		45.00	37.90	41.00
	Average		57.62	49.74	50.63
Net worth Per Share	Before dividend		20.08	19.28	20.45
	After dividend		16.98	Note 1	Note 1
Earnings Per Share	Weighted Average Shares		370,987	379,238	379,794
	Earnings Per Share	Originally Reported	4.21	2.72	0.86
		Retrospective Adjustment	4.19	Note 1	Note 1
Dividend Per Share	Cash Dividends		3.10	Note 1	-
	Stock dividends	Out of earnings	0.05	-	
		Stock dividend from paid-in capital	-	-	
	Accumulated undistributed dividends (Note 2)		-	Note 1	-
ROI Analysis	P/E Ratio (Note 3)		13.69	18.29	-
	P/D Ratio (Note 4)		18.59	Note 1	-
	Cash Dividend Yield (Note 5)		5.4%	Note 1	-

Note 1: The 2018 profit distribution plan will be determined after the resolution of the 2019 Annual General Shareholders' Meeting.
Note 2: For securities issued with terms that entitle the holder to accumulate the unpaid dividend during the Current year, for receiving in an earning-generating fiscal year, the accumulated unpaid amount shall also be disclosed.
Note 3: P/E ratio = Average closing price per share for the year/earnings per share.
Note 4: P/D ratio = average closing price per share during the current fiscal year/cash dividend per share.
Note 5: Cash dividend yield = Cash dividend per share/average closing price per share for the current year.

(VI) Dividend Policy and Execution Status and Distribution of Dividends by this Shareholders' Meeting

1. Dividend Policy by Articles of Incorporation:

In order to fulfill long-term financial planning needs and operate as a sustainable business, the Company has in Article 25 of its Articles of Incorporation clearly stated its future dividend policy:

The Company is still in the development stage of the electronic industry, and shall consider the capital needs for new products and the addition of items for return on investment of the shareholders in the determination of its dividend policy. Accordingly, the distribution of stock dividends to shareholders shall not exceed 90% of the total income attributable to shareholders and cash dividends shall not fall below 10% of the stock dividends to shareholders for each fiscal year.

If the total income attributable to shareholders falls below NTD 0.5 per share, the aforementioned restrictions shall not be applicable.

2. Allocation of Dividends Proposed at the Shareholders' Meeting:

Pursuant to the financial statements of the Company for the 2018 fiscal year, the net earnings after tax amounts to NTD 1,030,209,061. With the first appropriation of legal reserve amounting to NTD 103,020,906 and special reserve amounting to NTD 568,276,698, plus unappropriated retained earnings at the beginning of the term in the amount of NTD 306,316,683, and IFRS numbers of influences of retrospective application 310,593,633, and deduction of the profit and/or loss in actuary in the fringe benefits plan counted into the retained earnings of NTD 11,072,144, disposal financial asset that measured at fair value through other comprehensive income NTD

14,758,720 and revocation of the treasury stocks NTD 90,861,822, the total amount available for distribution came to NTD 859,129,087. It is proposed that NTD 764,672,750 be allocated for cash dividends (NTD 2 for each share).

3. Expected Material Changes in Dividend Policy: N/A.

(VII) Impact on the Company's Business Performance and EPS by the Proposed Distribution of Shares

The shareholders' meeting convened in the present event contains no issue with the Company's capital to be increased with earnings. This issue is not applicable.

(VIII) Remuneration of Employees, Directors and Supervisors

1. Percentage or scope of remuneration to employees, directors, and supervisors as stated in the Article 24 of the Company's Articles of Incorporation:

Current pre-tax benefits before deducting employee remuneration and the directors' and supervisors' remuneration of the Company in the year, a minimum sum of 10% shall be appropriated as remuneration to the employees and appropriate 1% maximum as remuneration to directors and supervisors. Where the Company continues outstanding loss in accumulation (including adjustment of unappropriated retained earnings), the sum to make good the loss shall be first withheld before the sum to be allocated as remuneration to employees and to the directors and supervisors at the aforementioned ratios.

Aforementioned employee remuneration can be allocated in either stocks or cash, which including the employees of the Company's subsidiary firms consistent with the requirements set forth under the Company Act; aforementioned directors and supervisors remuneration only can be allocated in cash.

Regular Shareholders Meeting of 2019 is proposed to amend the content as follows:

Current pre-tax benefits before deducting employee remuneration and directors remuneration of the Company in the year, a minimum sum 10% shall be appropriated as remuneration to the employees and appropriate 1% maximum as remuneration to directors. Where the Company continues outstanding loss in accumulation (including adjustment of unappropriated retained earnings), the sum to make good the loss shall be first withheld before the sum to be allocated as remuneration to employees and to the directors at the aforementioned ratios.

Aforementioned employee remuneration can be allocated in either stocks or cash, which including the employees under the control or subsidiary firms of the Company who consistent with the certain conditions; aforementioned directors' remuneration can only be allocated in cash.

2. The basis of estimating the amount of the remuneration of employees, directors and supervisors for the current period, the basis for calculating the quantity of stock dividends to be allocated, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure thereof:

(1) The basis of estimating the amount of the remuneration of employees, directors and supervisors for the current period: The percentage and scope from the earnings made by the Company for the year is estimated as stated in the Articles of Incorporation.

(2) The basis for calculating the quantity of stock dividends to be allocated: It is calculated with the closing price one day before the board of directors decided to issue new shares. Employee divided of less than one share shall be distributed in cash.

(3) The accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure thereof: When the discrepancy exists between the actual distributed amount and the estimated figure, it will be as profit or loss in the next year.

3. Information about allocation of remuneration resolved by the Board of Directors:

(1) The resolution by the Company's Board of Directors on Mar 5, 2019 for the allocation of remuneration to employees, directors and supervisors:

A. The remuneration distributed to employee in cash: NTD 37,022,000.

B. The remuneration distributed to employee in stocks: NTD 183,350,000. The shares issued for remunerations to employees shall be calculated based on the Company's closing price of NTD 51.3 on the previous day when the board of directors decided to issue new shares, to issue a total of 3,574,074 new shares. The fraction of remunerations to employees of less than one share shall be allocated in cash at NTD 4.

C. The remuneration distributed to directors and supervisors: NTD 13,649,923. It shall be paid off in cash.

D. The aggregate total of NTD 234,021,923 has no discrepancy between the estimated amounts recognized in the year of the expenses incurred.

(2) The amount of any employee remuneration distributed in stocks, and the size of that amount as a percentage of the sum of the after-tax net income stated in the parent company only financial reports or individual financial reports for the current period and total employee remuneration:

As officially resolved in the 7th Board of Directors Meeting of Session Five convened on March 5, 2019, an amount of 220,372,000 shall be the remunerations to the employees with NTD 183,350,000 distributed in stocks. If the fraction of remunerations to employees of less than one share after deducting employee remuneration in stocks, it shall be allocated in cash at NTD 4. The actual amount of employee remuneration distributed in stocks is NTD 183,349,996, accounting for 17.79% of the income after tax, NTD 1,030,209,061, and 83.2% of the total remuneration to employees, as referred to in the 2018 entity financial statement.

4. The actual allocation of the remuneration to employee, directors and supervisors in the previous year (including the number, amount and stock price of allocated shares), the deviation between the actual allocation and the estimated figures, if any, and cause and treatment:

(1) The actual amount distributed to employee in cash: NTD 55

(2) The actual remuneration distributed to employee in stocks: NTD 259,195,945. The shares issued for remunerations to employees shall be calculated based on the Company's closing price of NTD 58.6 on the previous day of March 6, 2018 when the board of directors decided to issue new shares, to issue a total of 4,423,139 new shares.

(3) The actual remuneration distributed to directors and supervisors: NTD 19,990,894. It shall be paid off in cash.

(4) The aggregate total of actual remuneration allocated to employees, directors and supervisors comes to NTD 279,186,894, exactly same as the amount anticipated in the Financial Statements 2017.

(IX) Repurchase of the Company's Shares:

May 6, 2019

Number of repurchases	The 3rd time	The 4th time
Purpose of repurchases	Transfer of shares to employees	Transfer of shares to employees
Timeframe of actual repurchase	Nov. 8, 2016 to Dec. 19, 2016	Sep. 25. 2018 to Oct. 18, 2018
Price range of anticipated repurchase	NT$42-52	NT$40-50
Categories and quantities of shares actual repurchased	2,515,000 common shares	1,864,000 common shares
Amount of shares actual repurchased	NT$124,125,568	NT$75,678,728
Quantity of cancelled and transferred stock repurchased	0 share	0 share
Accumulated quantity of the Company's stock as held	2,515,000	4,379,000
Accumulated quantity of the Company's stock as held to the total quantity of the Company's issued stock (%) (Note)	0.65%	1.13%

Note: Calculated based on the total number of shares, i.e., 386,715,375 shares as officially registered with the Ministry of Economic Affairs as of April 25, 2019.

II. Issuance of Corporate Bonds: None.

III. Issuance of Preferred Shares: None.

IV. Issuance of Overseas Depository Receipts: None.

V. Issuance of Employee Stock Option Certificates: None.

VI. Issuance of New Restricted Employee Shares: None.

VII. Merger & Acquisition or Assigned Shares from Other Companies to Issue New Shares: None.

VIII. Implementation of Capital Utilization Plan:

(I) The Company has Plans for Private Placement of Securities but Uncompleted or Completed within the Most Recent Three Years but with no Realized Benefit: None.

(II) For the Implementation of Capital Utilization Plan, Analyze the Implementation Status and Compared with the Estimated Benefit of the Original Plan: None.

Five. Overview of Operations

I. Business Activities

(I) Scope of Business

1. Main businesses of the Company include:

The main business of the Company and subsidiaries includes switching power supplies, various other electronic components and equipment, R&D, manufacturing and trading of lighting and illumination equipment and Smart Building System.

2. Business breakdown:

Unit: NTD 1,000

Year / Product Category	2018	
	Operating Revenue	Percentage (%)
Electronic components products	22,196,566	70.93
Consumer electronic products and other electronic products	8,920,416	28.51
Others	175,379	0.56
Total	31,292,361	100.00

3. Current products and service items of the Company

(1) Power supply for desktop PCs: Multiple and single output power supplies that comply with international power-saving needs for PCs, workstations and also miniaturized All in One systems.

(2) PSU for gaming PCs: Built-in, 400W~850W.

(3) Power supply for game consoles: Internal/external power for new generation game consoles, and supports three-dimensional game console accessory power.

(4) Power supply for notebook PCs: 30W to 200W power supply for various size notebook PCs, (from 10-inch to 15-inch standard notebook PCs) and 150W to 500W power supplies for gaming notebook PCs.

(5) Power supply for set-top-boxes: Internet power supply for Internet service or program providers.

(6) Power systems for cloud servers: 500W to 2000W power systems.

A. Power supply for communication: Small power supplies for routers, network and hubs to couple hundred watt power supplies for central networks in companies etc.

B. Power supply with the server modular design: Provide 500W/800W/1000W/1200W/1600W/2000W CRPS standard power module with the ultra-high power density modular design, which supports for low-end and high-end AI servers and hyper-scale cloud data center (N+1/N+N) redundant power supply system.

C. Power supply for storage devices: Highly reliable (N+1/N+N) redundant power supply that can ensure continual system operation under any power interruption or damaged power supply.

(7) Power supply for laser printers: Provides power supply for laser printers and laser engine drivers, including 110W, 400W power modules and 72W (Combo) etc.

(8) Power supply for inkjet printer: Provides the internal power supply ranging from 10W to 60W.

(9) Internet of Things (IoT): Power supply includes the accessory unit.

(10) Battery charging device: Power supply and charger for machine tools, drones, and mobile devices.

(11) Power supply for smart household devices: 5W to 60W power adapters and open frames are used for smart speakers, smart doorbells, smart temperature controller as well as smoke detector, smart monitoring system as well as security system, smart switch as well as outlet, and smart mirror.

(12) LED automobile lighting and module: Provide the design and product development services for a variety of automobile interior and exterior lighting of automobile manufacturers. We will design and produce various LED adaptive driving beam modules.

(13) Smart building system: Provide the smart building integration management platform, smart computing logic controller, wireless control module, wireless gateway, ambient sensor, and mobile device App.

(14) Environmental control integrated system: Provide the system control unit, wireless control module, ambient sensor, wireless gateway, and mobile device APP.

(15) Image recognition system: Provide image recognition software for face recognition, people tracking, zone warning, and license plate recognition.

(16) Engineer consultation, planning, design, system integration, purchase, construction, and maintenance operations provided for smart building systems.

4. New products and services planned for development

(1) Power supply for desktop PCs: Continuously provide platinum highly efficient models and miniaturized highly efficient All in One power supplies.

(2) Power supply for gaming consoles: Develop high power and miniaturized power supplies over 200W with high switching frequency for new generation gaming console products.

(3) Power supply for notebook PCs: Power supplies with ultra-low standby power consumption (approximately 20mW), and ultra-thin or ultra-compact multi-function power supplies. They use the-state-of-the-art architecture and parts. The new USB Type C PD adapter with a variable output for more than 100W.

(4) High power, power supply for laser printers: 200W/300W/400W low voltage laser printer power supplies.

(5) Internal power supply for inkjet printers.

(6) 5G uses the telecom IT infrastructure power system: 500 ~ 1300W Series provide support for OTII (Open Telecom IT Infrastructure) high-temperature and high-humidity server room power system.

(7) High-end AI servers and hyper-scale cloud data center power system: The 3000 ~ 4400W high power density modular design power module provides support for high-end AI servers and hyper-scale cloud data center (N+1/N+N) redundant power supply system.

(8) Power supply for IoT devices.

(9) Various battery charging devices for high-end drone charging stations, and chargers for electric motorcycles.

(10) Development of the LED adaptive driving beam module and laser high beam module.

(II) Industry Overview

The main products of the Company include various types of power supplies; the following is the analysis overview of the Company's main products in the industry:

1. Industry status and development

The Power Supply Unit (PSU) can stabilize and convert unstable external power into stable power required within electronic products. The operations of most electronic products require direct current (DC), but due to the physical restrictions of generating and transmitting electricity, the power provided by the electrical company can only use high voltage alternating current (AC); therefore, electronic products require power supply devices to convert AC to DC and also adjust the voltage to within the range for product operation so that the product can operate smoothly. Also, as modern electronic components become more and more precise, they can get damaged more easily by unstable current; therefore, having a stable power supply unit not only is the key of whether the product can operate normally, but also affects the usage life of the product. The PSU can be described as the heart of electronic products.

PSUs are categorized by the amount of power supplied and their basic structures; they are mainly divided into Linear Power Supply (LPS), Switch Power Supply (SPS) and Uninterruptible Power Systems (UPS), in which the SPS is the mainstream for current products; the following introduction to the PSU industry is mostly about SPS.

If PSUs are categorized according to input/output features, they can be divided into AC/DC (alternating current to direct current), DC/DC (direct current to direct current), AC/AC (alternating current to alternating current) and DC/AC (direct current to alternating current) etc.; the designs of the PSU varies according to the need of the electronic product or instrument. The AC/DC PSU is the most common type; it is mainly used to convert the main power into direct current that complies with the voltage for product operation. AC/DC PSU products include SPS and adapters etc., that are applied on PC, NB, electronic appliances and network equipment etc. The DC/DC conversion PSUs are mainly used for communication, ultra-low voltage and ultra-high current needs; they covert the directly current already converted by the AC/DC power device into various special voltages, usually used on instruments and equipments that require extremely stable power or special operating voltages, such as computer chips etc. AC/AC is mainly applied on UPS (uninterruptible power system) and DC/AC is used on solar power conversion etc. Please refer to the following table for details on the categorization and usages of PSUs.

Main Category of PSU

Input/Output Current Type	Categories	Usage
AC/DC	PSU for PC	The most common PSU type; it is highly efficient and protected with iron casing. Its power is between 50W~2,000W.
AC/DC	Open Frame	Built-in PSU for network communication products, industrial computers, industrial machineries and monitors etc. It is not protected with iron casing and allows more freedom for design; it can be custom-made according to space and power needs.
AC/DC	Adapter	A common external PSU; covered with plastic casing and mostly applied on notebook computers and various consumer electronic products.
DC/DC	Converter	Increases or decreases the voltage of the DC converted by the AC/DC device; mostly applied on electronic products that require precise voltages.
AC/AC	UPS	UPS is the abbreviation of uninterruptible power system; usually it is connected to the city main AC for charging so that it can provide AC power to electronic products such as computers when there's power outage.

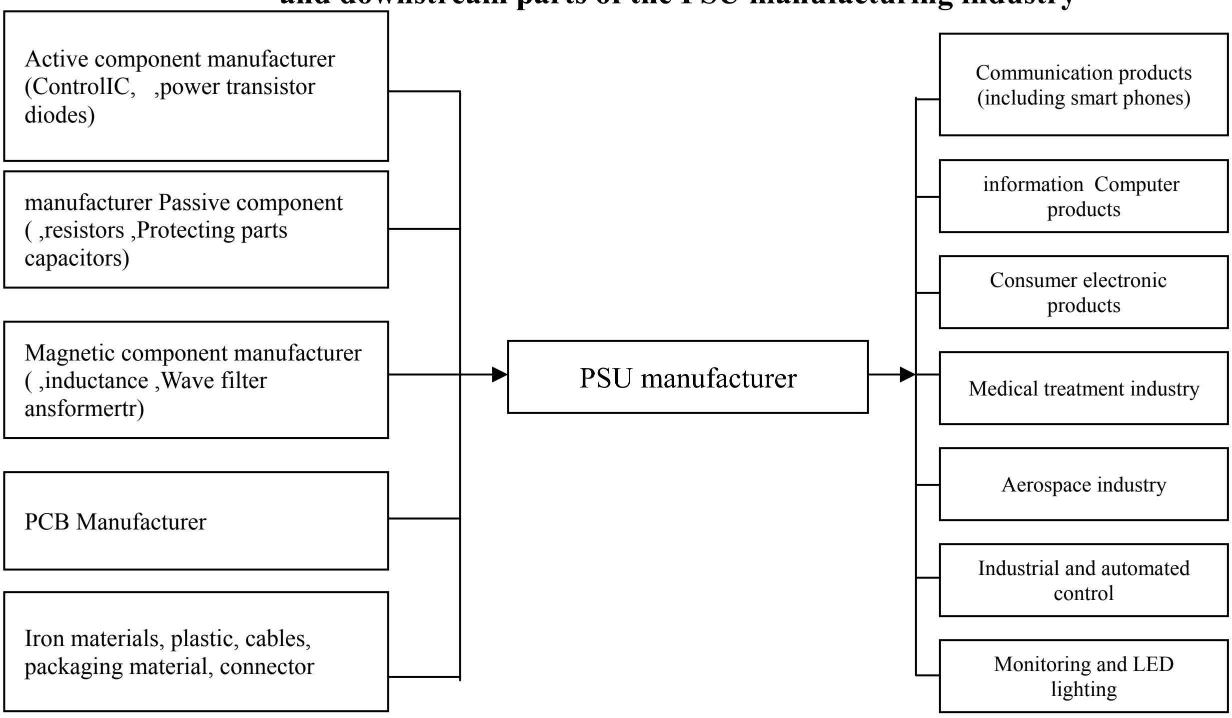
In addition, as people are becoming aware of concepts including environmental protection, energy-saving and carbon-reduction in recent years, how to increase the conversion efficiency and reduce the power consumption during standby of PSUs while complying with the energy-saving specifications and environmental protection laws of each country is becoming the focus of development for manufacturers. The power supply required for the energy-saving products, such as LCD TVs and LED lamps has become the new market of this industry; in order to develop revenue sources, manufacturers have already used their advantages in power technology to gradually cut onto other products requiring high power converters.

The power supply of USB TYPE C's identifiable system has become the one for the new-generation PC and mobile phone. The USB TYPE C connector may also become part of the phone standardization.

2. Correlation between the upstream, midstream and downstream parts of the industry

PSU is usually formed by various active components (able to amplify, oscillate, and compute electrical signals; such as control IC, power transistors and diodes), passive components (will not change the basic characteristics of electrical signals; such as capacitors, resistors and protective components) and magnetic components (volatile filtering or increase/decrease voltage; such as transformers, inductance and wave filter); the components described above are assembled manually or automatically by machinery and fixed on a printed circuit board (PCB). If this PSU is not an Open Frame product, then a metal casing will be added for protection and electromagnetic shielding; finally, they are connected with external cables then packed and shipped. PSU can be sold individually or as a component for other electronic products; it has a wide range of uses. Taiwan manufacturers mainly produce PSUs required for communication products, computer information products and consumer electronic products. The correlation between the upstream, midstream and downstream parts of the overall PSU manufacturing industry is shown in the figure below.

Correlation figure between the upstream, midstream and downstream parts of the PSU manufacturing industry



Most manufacturers in Taiwan focus on the AC/DC and DC/DC products in the PSU market; generally speaking, AC/DC products have a wider application range and DC/DC products are used as internal components of electronic products, and also applied by many high-end industrial power supplies, so it has a high product technology level. When we look at the structure of the upstream, midstream and downstream parts of the PSU industry, Taiwan companies have self-supply capabilities for most of the "upstream raw material" components for control IC (components), except a small part which are imported from foreign countries. As for the "downstream application industry", the development of Taiwan's information industry is very mature and the industrial chain is complete, so they have high competitiveness on the assorting of PC related products, consumer electronics, network communication and industrial machineries.

3. Various product development trends

(1) Products are developing towards miniaturized and beautified

PSU is a key component of electronic products; its function requirements are closely related to the features of the application product. As the development of electronic products gradually is trending toward becoming smaller, prettier, lighter, stackable and have lower power consumptions, the development of PSUs must also respond to these requirements and start having smaller module sizes, be more fashionable and have increased power conversion efficiency.

(2) Product quality and technology upgrades

As standard PSU products become more and more mature, most of the main products of domestic manufacturers are for supporting information applications; plus with the rapid increase in competing companies, price competitions have become fierce. With the profit of downstream application products becoming lesser and lesser, not only do PSU manufacturers need to increase their own technology, quality, control cost and expand their own industrial economy scale, they must also enhance their development and designs for products with high added-values in order to strive for new application markets.

(3) Safety specifications are becoming stricter and stricter

Consumer awareness for environment protection has been increasing as the prices of power increases; power-saving, environmental-friendly products have become the development trend for the future. Also, safety requirements for electronic products are stricter and stricter in various countries. In order to protect the safety of the users and also comply with the energy-saving specifications set by the government of different countries, products and manufacturers that can provide solutions for the technical designs will have competitive advantages and market opportunities.

(4) Product line and automated production of key components as well as parts

In response to labor shortage and increased wage, the automated production can solve the issues of delayed delivery and increased overall costs caused by labor shortage, while maintaining the consistency of the product quality to reduce the quality problems caused by human errors.

4. Product competitions

There are higher barriers to enter the PSU industry because the PSU industry requires economies of scale or production technologies, some high-end or environmentally-friendly PSUs require patent rights or certifications, plus the R&D cost is high because the technology level of high-end products is high; therefore the trend of larger manufactures getting larger is becoming more and more obvious.

Taiwan is a main production country for global information products; and because of the drive of downstream companies, the shipping amount of PSUs from Taiwan has always been among the top. This is why competitors in the PSU industry, mostly manufacturers from Taiwan, all have their own advantages, since the application range of PSUs is very wide and most manufacturers focus only on specific power ranges or application fields. This is also why very few mid-sized companies and above have died out and they are able to find a position in the market.

(III) Technology and R&D Overview

1. R&D expenses of the most recent year up to the date of publication of the annual report

Unit: NTD 1,000

Year	2017	2018	First quarter, 2019
R&D Expenses	1,480,293	1,438,813	340,799
Net Sales	27,874,928	31,292,361	7,228,794
Proportion of Net Sales (%)	5.31	4.60	4.71

2. Successively developed technology or product of the most recent year up to the date of publication of the annual report

R&D Outcomes	Developed Technology
• Built-in PSU for PC, 150W~500W	• Forward Technology
• External PSU for notebooks, 30W~ 330W	• Flyback • Half-bridge LLC architecture
• High-power smart DC power module for communications	• Half-bridge resonant • Digital monitoring design • Support for the redundancy function
• Miniaturized 30/40/60 W adapter with wall-mount design	• Active clamp Flyback
• New charging platform of Tablet/ Smart Phone	• PD, PPS & QC
• Power supply for multi-function 300W/400W Laser printers	• LLC+AC Module
• New 700~2500W server PSU	• Full digital control LLC architecture
• USB Type C PD adapter with multiple outputs, 26W / 30W /45W /65W/90W	• Designed in accordance with the USB PD Spec and ASIC
• Large and small charging device for lithium batteries, up to 1200W	• LLC+ charging circuit
• IoT-related PSU 7W~30W	• Flyback+networked
• PSU platform for gaming consoles, 50W~850W	• Flyback + high-frequency LLC architecture
• PSU for inkjet printers, 15 W~50W	• Flyback architecture and plastic casing
• Direct AC lighting module and Smart Lighting module, 10 W~150W	• AC directly controlled LED light source • Zigbee network architecture
• External high efficiency PSU for ganing PCs, 120W~330W	• LLC architecture
• Parallel module for drone charging stations, 1200W~2000W	• LLC architecture + charging auto control system
• Desktop gaming PSU, 550W~850W	• LLC architecture + Flyback + Buck
• LED daylight and positioning lamp module • LED low beam module • LED high beam module • LED high/low beam module • LED fog lamp module • LED daylight and turn signal lamp module • LED combination tail lamp module • LED high mounted stop lamp module • LED interior lamp module	• Optical design for the LED high/low beam module • Light-guide type LED daylight and turn signal lamp design • Thick-wall type LED daylight and turn signal lamp design • Temperature protection design • Optical design for the LED low beam module

3. Future annual research and development plan

The development directions for the company's future products are as follows:

(1) PSU products for office automation and personal computers:

Although the overall market scale of personal computers has declined due to the increasing number of tablet computers, all computer related products operate on power; the only difference is function requirements. Therefore, the overall power supply market still shows a growing trend.

In recent years, energy-saving, carbon-reduction and green power have become requirement demands for the industry; all power supply products have future performance demands defined by related international organizations, similar to the 80Plus standard for computer power supply units, and especially with the titanium gold brand where the efficiencies of the 10%, 20%, 50% and 100% loads are 90%, 94%, 96% and 91% respectively, the development of PSU products must march towards higher efficiency under this trend. By focusing on the future efficiency trend and upholding the innovation principle, the Company invested human and material resources to strive on developing PSU products that surpass the platinum brand. We focused on the standby and overall output efficiency for the development of notebook adapters and followed the design concept for the appearance of the system to create lightweight, compact and beautiful adapters. As for tablet PC products, although they have small output power, the appearance must be novel, lightweight and have regional plug switching functions, achieving generic PSU without boundaries.

The wireless network is a required function for the overall computer industry; the power supply required for the equipment plays a very important role. Among the output devices of these equipments, printer related equipment is the most important; therefore, the power supply requirements differ according to the different printing engines. In addition, the power supply requirements for laser engines are very complicated, so new technologies must be grasped in order to meet customer needs and extends to multi-function copiers in offices. In addition to the laser printer, we have also enter the market of the inkjet printer and become the one of the key suppliers for a large printer manufacturer.

(2) Input devices for entertainment purpose:

With the coming of the cloud era, traditional playback mediums such as hardware DVD, Blue-ray players and , game consoles etc., have been gradually replaced by network streaming, The mainstream trend for new hardware input devices will change into various types of set-top boxes such as: Apple TV, Google TV and MOD etc., except for the updating of digital content software. Integrated power supplies and thin external power adapters can all meet the needs, in which the standardized thin external power adapter also works on a small amount of diverse products, and the integrated power supplies will be able to satisfy models that focus on the style of the appearance.

In addition to the gaming console, the gaming module developed by video game developers also provides a convenient and easy-to-operate arcade game console. The gaming PC has also becomes one of the mainstream gaming consoles.

(3) Smart Building System:

The smart system with the networking, computing, control, and learning capabilities has provided a comprehensive smart solution which will be used in the residential buildings, office buildings, shopping malls, campus, and cities. It will be the heart of the integration management system for the future smart city.

(4) PSU products for cloud information equipment and data center:

Cloud service and mobile networking have become the mainstream of the market; not only do system developers import smart software and hardware architectures and strengthen their resilience, they also pay a lot of attention to the energy-saving demands for the PSUs of equipments. The power supply capabilities and insufficient spaces of most data centers limit business owners from expanding their equipment capacities, and poor cooling designs in the IDCs increases power consumption; that's why the design of PSUs must further reduce the size and increase conversion efficiency, and further reduce the operating cost of the data centers. Also, related energy-saving regulations of Europe and the U.S. forces the equipment PSUs to achieve a certain standard for light loads and conversion performance. On the other hand, the new container-based cloud data centers can significantly reduce the space and cost used; all of the IDC equipments can fit into a 20-foot container and has the advantage of flexibility for usage for enterprise users.

The Company is actively laying out PSUs for cloud equipment; not only for use by servers and storage systems, but also invested in the development of network communication PSUs. We have acquired many patents related to power management by working with related domestic and international companies, and has lead the industry in proposing various solutions for improving the power efficacy of equipments. For example using bridgeless AC/DC circuit architecture with lossless switching technology, and applying SiC components and integrated magnetic components etc. to effectively improve the efficiency of entire machines and increase power density, challenging various types of high performance and high power models. We also applied simulated software to analyze circuits, 3D models and thermal analysis during the development and designing stage in order to effectively shorten development time, and also had long-term technical cooperation with domestic and international academic units; for example the Center for Power Electronics Systems (CPES) of Virginia Tech, hoping to connect academic trends with future development focus.

For the design and development of future cloud equipment PSUs, we will focus more on software design and applications, especially on the smart PSU monitoring and management units and digital PSU controls such as home security monitor system; they will be development priorities. In response to the demands for cloud service technology, the Company will create new innovative solutions for power management to face the many challenges for future PSU designs.

(5) Chargers for machine tools and garden equipment:

The machine tools with the digital intelligence has driven the growth of the machine tool industry. For garden equipment, petroleum and diesel are mainly now. For the environmental protection and convenient use, more and more people want electric-powered equipment, which drives the demands of medium-power charging devices.

(6) Automobile LED headlights:

Automobile LED adaptive headlight module: In response to the development of the automobile electronics, the use of LED headlights is a natural trend. To improve the driving safety and driver's comfort, the Company expects to perform the development of the LED adaptive driving beam (ADB) module. The ADB is designed to change the lighting pattern by detecting the external surroundings, to reduce glare coming from the opposite direction and change the lighting pattern based on the road conditions.

Laser high beam module: A more compact high beam module can be designed by using the laser alignment. This also gives the automobile manufacturers more flexibility to design cars. Moreover, the laser can meet the projection of 400~600m, which gives the driver enough time to respond for better safety.

(IV) Long-term and Short-term Business Development Plans

1. Short-term Business Development Plans

(1) Product Marketing

A. Upgrade the sale proportion of high value-added power supply products to increase the Company's earnings.

(2) Production Management

A. Utilize the inter-group co-procurement and actively expand cooperation with suppliers in Mainland China to effectively reduce the procurement cost of raw materials.

B. Continuously increase automated production ratio, improve production efficiency and strengthen product quality to mitigate the pressure produced by increase in labor cost.

(3) Development Strategies

A. Continue to focus on research & development in innovation and technology of products to upgrade the Company's position levels in the markets and in the know-how.

B. Comprehensively promote the automated production and continuously develop new manufacturing processes to boost product efficiency and quality.

C. Speed up quality certification of various products, domestic and overseas, to upgrade competitiveness of the products in international markets.

D. Continue to recruit excellent human resources and enhance employees' professional training to upgrade the Company's strength in R&D.

(4) Human Resources

A. Work with colleges and universities and provide scholarships and fellowships to excellent students to recruit professional human resources.

B. Effectively utilize the system targets of all sorts of human resources to help all business divisions accomplish annual targets in profits.

(5) Financial Management

A. Make maximum possible use of the derivative financial instruments and diversified, comprehensive, and multifaceted instruments in the capital markets to minimize potential fluctuations in foreign exchange and the risks in rising prices of raw materials.

B. Continuously strengthen control over accounts receivable, boost the turnover rate of a variety of assets to effectively control budgeting and implementation process.

2. Long-term business development plans

(1) Product Marketing

A. Actively develop the business for products related to IoT and power supply of e-sports computers, etc.

B. Actively continue to expand the market share of power supply products and develop customers for new products.

C. Take firm trends of market development and boost customer service efficiency, with continuous profound cultivation of and contacts with customers to provide customers with services in the best real-time.

(2) Production Management

A. Continue to research, develop and improve the production process to upgrade the production efficiency and product quality.

B. Continuously boost the ratio of automated production and continue to develop new manufacturing processes to minimize production costs, enhance production efficiency and quality.

(3) Development Strategies

A. Continuously cooperate with heavyweight manufacturers, customers and suppliers throughout the world, make use of advanced key technology and development trends in the markets to create a technology advantage.

B. Take the firm trends of market development and boost research and development of power supply products for new domains of application to increase product items and help the Company gain added profits.

C. Continue to develop the power supply products related to smart family and green buildings to be in line with the global smart energy trend.

D. Augment the power supply solution projects for server and huge information centers to develop upward to high-end products.

E. Continue to research and develop high-power supply products related to video games and gaming computers.

(4) Human Resources

A. Look into and make sure of the trends in human resources relevant policies at home and abroad, and regularly review the relevant practices and systems of the Company, to win over maximum possible benefits common for both labor and management.

B. Fulfill corporate social responsibility, practice corporate governance and value care for employees to achieve the enterprise's objectives for sustainable operations.

(5) Financial management

A. Devise and work out optimum taxation planning for the Company and the subsidiaries pursuant to the requirements of taxation laws of the countries concerned.

B. Continuously minimize liability ratios.

II. Market and Sales Overview

(I) Market Analysis

1. Sales regions for the main products of the Company

Unit: NTD 1,000, %

Sales Region		2017		2018	
		Amount	Ratio (%)	Amount	Ratio (%)
Domestic Sales		74,330	0.27	163,996	0.52
Exports	Asia	23,797,310	85.37	27,691,413	88.50
	America	3,543,112	12.71	2,988,857	9.55
	Europe	430,631	1.54	444,344	1.42
	Others	29,545	0.11	3,751	0.01
	Subtotal	27,800,598	99.73	31,128,365	99.48
Total		27,874,928	100.00	31,292,361	100.00

2. Market share of our products

According to the research data of MTC, U.S.A., the Company ranked in the top 10 among the top 15 PSU manufacturer market share ranking, and is one of the leading manufacturers in the market. We also are ranked top 5 in global PSU OEM and communication market.

3. Future supply, demand and growth in the market

The PSU is an indispensable key component for power electronics; its application range is very wide and can be applied on information, communication, industrial/measurement, national defense/aerospace and other types of products. The Company also has diverse operation and the main applications of our products include notebook computers, desktop computers, game consoles, servers, smart home and LED car headlights, etc.; therefore, the future supply of the PSU industry is closely related. The following is the analysis and description of the future supply, demand and growth for the application of the main products of the Company:

(1) Notebook computer and desktop computer markets

When the PC demands were gradually increased from 2018, the supply chain encountered the CPU shortage challenge. The total annual PC shipments reach 259 million units which is decreased by 1.3% year-by-year. In 2019, the PC market is expected to remain stable. However, in the short term, the CPU shortage still affects the market. It is expected to solve the shortage problem in the second half of the year and the shipments will increase slightly.

(2) Game console market

Basically, gaming hardware is divided into the video game console, arcade game console, single-player gaming, and hand-held game mobile device.

For the video game console, although PS4 and Xbox One have been released for 5 years, and are at the final stage of the lifecycle with weak sales, the release of Nintendo Switch and popular games help the overall market of 2018, which enjoyed a 4% growth. If no new game console is expected to be released in 2019, the overall market is expected to decline by 0.8% with 44.3 million units sold. Therefore, the manufacturers are likely to launch the next-generation video game console between 2019 and 2020.

A research institution estimated that the global video game console market will increase from US$ 121.7 billion in 2017 to US$ 174 billion in 2021. Because the Nintendo Switch still remains a hot selling item, and the game software as well as subscription services are stably growing, the share of the video game console platform is expected to maintain 27%～28%.

(3) Cloud and server markets

The global server market of 2018 continues to grow and the total annual shipment increases roughly by 5% and to 12.42 million. In 2019, because of the preparation period of new platforms, most demands had been met in 2018 so that the manufacturers become conservative. It is expected that the shipments in the first half of 2019 will increase by 2%. After Intel's Gen2 and AMD's Rome platforms are released in the second half of the year, the market demand will revive again.

(4) Smart home markets

The global smart family equipment market increased by 31% in 2018 with 0.64 billion units shipped/ The overall market include the smart speaker, video entertainment product, lighting, smart thermostat, and family monitoring/safety products. It is expected to ship about 1.3 billion units in 2022 and the 5-year compound annual growth rate is 39.1%. 1,000 million units were shipped in 2008 while it is expected to ship 230 million units in 2022.

(5) LED car headlights industry

In 2018, the China–United States trade war has resulted in the uncertainty for the economy of many countries or even economic downturn. Therefore, the global automobile market is also affected. In 2018, the annual automobile sales figures slightly increase or maintain stable. In 2019, as the China–United States negotiations continue, and the automobile demand in Chain has been increased, the output value of automobile LEDs in China is expected to exceed more than US$ 1 billion with an annual growth rate of more than 20% which is much greater than the global market.

In summary, while the industries which our main products are applied in experience good and bad situations respectively, according to MTC's data, the global power supply market of 2019 is about US 32.661 billion and grows by 1.51%. It is expected that the demand for power supplies has been still being increased.

4. The company's competitive niche and the favorable factors, unfavorable factors and countermeasures that will affect the development vision of the company

(1) Competitive niche

A. Strong management team

The Company has a strong professional management team with rich experience; the macro perspective and excellent entrepreneurship formed by combining its strong industrial base and contacts have lead the continual innovation and changes of the Company, the continual increase of market share of our products, and the successful experience of expanding new businesses. In addition, we acquired the newest market information and mastered the market trends by cooperating fully and closely with our customers, continued to develop new products that meet the requirements by the customers, and won the appraisal of famous international customers again and again. The Company has accumulated capabilities to develop excellent world-class customers because the main sales customers of the Company are all famous major international manufacturers, and our strong management team described above also allowed the Company to become important partners that work closely with various major manufacturers when developing new products.

B. Global strategic layout

The Company uses Taiwan as the center of operation for the Group, planning business strategies, operation plans, customer development and sales orders of the entire Group; it is also responsible for the planning, design and development of new products and new technologies. The Company uses regional resources effectively to deploy global marketing, logistics, production and technical service locations; Taiwan is the main development and sales center, China is responsible for the division of labor of the production and to provide nearby services to the customers in order to become closer to the market, and global real-time supply warehouses (such as Asia, the U.S.A. and Europe etc.) are established in order to shorten product shipping time and to provide a steady and fast source of goods for the customers, allowing customers to have minimum stock, reduce funding backlog and satisfying customer's demand for quality, price, delivery and location, providing customers with the best logistical support service and technology.

C. Strong development and innovation capabilities

The Company has development teams with rich experience and great qualifications, and most of our customers are large international first-class manufacturers; our long-term cooperation has already allowed us to develop great technical depth and customization capabilities, and we are the capability to develop software/hardware HMI. Not only can we actively help customers improve the product's design interface, we can actively develop standardized platform as well and make limited changes under the original design basis to speed up the development time for various new products in response to the rapid changes of the market. In addition, the Company has been dedicated to the production and technical development of PSU products, and we have accumulated rich experiences in technical contents, power electronics, cooling and material analysis etc. The development and innovative capabilities described above are great niches for the Company's future development in PSU businesses.

D. Automated management and production capacities

Not only does the Company focus on our own core competitiveness and enhancing our product development capabilities, we also continue to simplify and rationalize the production process of our products through product designs in order to reduce loss of material. In recent years, we continued to develop automated production and production line detection equipments and actively imported modular automated production, testing equipment and production processes in order to increase production efficiency and quality and also reducing labor cost.

In addition, the Company has accumulated self-design, development and improvement capabilities for the automated machinery equipments used for production by the Company; there are precision models set up at each production unit, and dedicated personnel stationed for the designs, production and importing of automated assembling equipments for mass production. We also develop and design automated machinery equipment with the equipment manufacturer according to the product structures, features and quality demands in order to master the production process and control the quality of the products; and we try to increase the production process technology and yield of the production line through continuous development and improvement. Particularly, the automated production of transformers is a great help to reducing the labor costs with more stable quality.

E. Product layout for both long term and short term growth momentum and one stop shopping service.

The Company is a professional designer and manufacturer for PSU products; we are equipped with diverse PSU product lines and the power and application range of our products is wide, ranging across 3C and home appliance. The Chicony Group that the Company belongs to is also a leading brand in fields including computer keyboards, computer cameras, built-in camera modules for notebook computers and digital imaging products; therefore the Company has the advantage of diverse products and professional capabilities for global marketing and technical service, allowing us to provide one stop shopping service for our world's leading major manufacturer customers; we are equipped with the benefits of horizontal integration which also allowed the Company to have an important position in our industry.

(2) Favorable, unfavorable factors and countermeasures for our development vision

A. Favorable conditions

a. Our management team has rich industrial experience and has high level of mastery on product features

PSU products are highly relevant to downstream electronic products; they have wide application ranges and are indispensable components for various major information electronics and consumer home appliances. The development of emerging PSU application field industries including the rise and continual growth of tablet computers and smartphones, the popular sales of large-screen TVs and the moving into the digital TV conversion period of countries all help attract the consuming trend for consumers to speed up the switching of units. The high-end PSU for servers that has higher gross profits are benefited from the increased establishment of cloud database IDCs; business opportunities can be expected for some companies. The related PSU shipment amount for the emerging application field industries described above will be able to grow steadily. The management team of the Company has rich experience in the production and development of related products, and has a high level of mastery for product features; therefore, they are able to quickly provide solutions that can satisfy customer demands.

b. Complies with multiple international certifications, product qualities praised

The Company upholds the principle of "No Quality, No Sales" and customers first, and the designs of our PSU products comply with multiple safety certifications including UL, CAS, NEMKO, FIMKO, DEMKO, SEMKO, PSE of Japan and TUV of Europe, and also comply with the FCC Class B/CISPR requirements of the U.S.A. They have also passed ISO 9001/ISO 14001/OHSAS 18001 certifications. We have products that support personal computers, notebook computers, game consoles, laser printers, LCD TV, servers and telecommunication equipments etc.; we are a professional PSU manufacturer that complies with international standards and our products and sold to major international brands in Hong Kong, Singapore, Japan, Korea, the U.S.A., England and Europe. The qualities of our products are deeply praised.

c. Maintain great and steady relationships with upstream and downstream manufacturers

The Company has already created stable supplier relationships with our main suppliers for raw materials; our sources are stable and have great qualities, and allow us to grasp the delivery date and price. The materials unit also controls the delivery date of raw materials strictly according to order conditions in order to lower inventory cost. We have sales channels in major markets in Asia, Europe and America, allowing us to actively collect market trends to design and develop products according to customer demands. We also maintain great long-term cooperating relations with our customers by having concentrated technical exchanges with our downstream customers, which allows us to further accumulate our development and manufacturing strengths.

B. Unfavorable conditions

a. Life cycle of products are shortened

The alternation of information, communication and consumer electronics are rapid, causing the life cycle of products to be shortened. We must work with the development speed of our customers for new products and shorten delivery dates, causing the time for product development, design and mass production to be shortened, which challenges the professional skills and management capabilities of the Company.

Countermeasure:

Not only will the Company actively develop new technologies, train development talent and improve production efficiency and yield, we will also actively develop standardized platforms to make limited changes on the original design basis, and speed up the development schedule of various new products in order to shorten the product development cycle and simplify material usage in response to the rapid changes of the market and reduce the risk of inventory in stock.

The Company has already created great long-term partnership with many renowned major domestic and international manufacturers, and we use exchange cooperation with our customers during product development to fully understand customer demands and market trends, allowing us to quickly develop and mass-produce products that meet the market demands. We also have rigorous control for raw materials with special specifications, and we are actively reducing our inventory in order to reduce the loss from idle products; this can effectively lower cost and increase market competitiveness.

b. The fierce competition of product prices compresses profit margins

As the development of 3C products flourished in recent years, it brought about market demands of related components for products such as computer peripherals, consumer electronics; it also caused the market competition to become more fierce and the pressure of product prices has increased, causing a low-priced trend to be generated for electronic products, compressing and profit margins for manufacturers.

<u>Countermeasure:</u>

The Company continues to focus on increasing our operating capacities and core competitiveness, including product development capabilities, material analysis capabilities, raw material bargaining capabilities, automated production capabilities and production efficiency and quality; also continue to expand high-end products with higher gross profit margins in order to seek product differentiation, increase added-value for the products and strengthen the profitability of the company. Also, continue strengthen our partnership with existing customers and try to continually expand our footprint and market share under existing basis.

c. Lack of workers in China and labor cost

The labor department of the provinces in China has started increasing the wages in recent years to protect labor rights, plus the economic development is very rapid in China, causing the willingness of workers to stay in the coastal areas to become lower; therefore, there is a lack of labor and the cost of labor is growing continually and has caused an increase in operation costs for many companies.

Countermeasure:

(a) The Company will continue to make the production process standardized, simplified, and rationalized, and make production automated or semi-automated in order to increase production efficiency and quality and lower labor costs.

(b) Reduce the parts used during product production and the cost for materials through the Company's core technologies including optics/mechanics/power/thermal management, material analysis and excellent integration capabilities, and grasp the fluctuations in raw materials at all times in order to maintain the overall gross profit margin for the Company's products.

(II) Important Usages and Production of Main Products

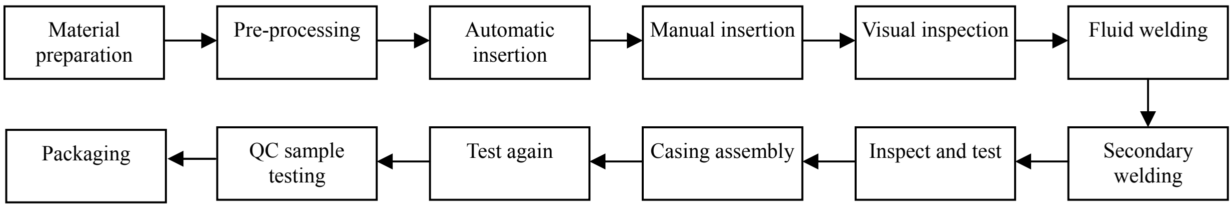
1. Important usages of products

Product	Function	Usage
PSU for desktop PCs (Desktop PC Power)	AC voltage is 90~132VAC and 180~265 VAC, converts into single set or multiple sets of output; main power outputs include 180W, 200W, 250W, 180W, 200W, 250W, 300W, 250W, 400W, 950W, 1000W and 1400W.	Used for desktop personal computers.
PSU for notebook computer (Adapter and PSU for gaming PC)	AC is full-range 90~265 VAC voltage; main output is 19V, 20V and greater than 75W. It includes power factor correction circuit and the output ranges from 30W to 400W etc.	Used on general notebook computers and AIO PC; those with output greater than 150W are used for notebook workstations.
PSU for game consoles	AC is full-range 90~265VAC voltage; main output is 12V. It includes power factor correction circuit and the output ranges from 100W to 500W etc.	Mainly used for game consoles.
PSU for set-top-box	Divided into built-in and external (Adapter) forms; to make it easier for repairs, they have gradually changed to the external (Adapter) in recent years. The AC is full range or 115 ranges, and the output is made according to the requirement of the set-top-box; usually under 60W.	Used on various set-top-boxes.
PSU for LED drive	1. AC is between 85VAC to 265VAC, or between 180VAC to 265VAC. It also provides constant power to work with the demands of numbers and brightness of LED. 2. The new technology that AC directly drives the LED module.	Provided for use with large amounts of indoor light bulbs, linear light, ceiling light, spot lamps and outdoor streetlights and patio lights.
Inkjet printer and laserprinterpower system	AC is between 85VAC to 135VAC or 180VAC to 265VAC; all outputs are made according to printer requirements and they all have laser engine drivers.	Used for large laser printers with different functions.
Cloud server power system and data power system	Ultra-high power density full digital control (N+1 / N+N) redundant power system. It can be used for monitoring of input AC/output DC, which is the output of 500W~several KW. Communication PSU generally has a 48V output whereas storage/AI servers usually have 12V or 54.5V single/multiple sets of output monitoring systems.	Used for communication systems, storage devices and servers.
Charging device IoT PSU USB Type C power adapter	Charges lithium compound batteries.	Used to charge various tablet computers. Drone charging stations and charging devices for electric cars.

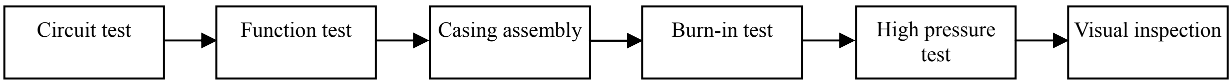
2. Production process

Switch PSU:

a. Production process



b. Testing process



(III) Supply Status of Main Materials

The main products of the Company include PSU; the main raw materials for PSU include power cables, capacitors, fans, heat sinks, semiconductors, transformer, plastic casing, PCB, insulation film and socket. In order to lower production cost, the Company indirectly invested in 100% Chicony Power Technology (Dongguan) Co., Ltd., Chicony Power Technology (Suzhou) Co., Ltd., and Chicony Power Technology (Chong Qing) Co., Ltd. to manufacture the main raw materials required; he procurement price is agreed by the Procurement Center of the Company and then Chicony Power International Inc. and its subsidiaries will take orders on their own for procurement. There should be no supply shortage of interruptions that will affect the operation of the Company because we have two or more suppliers for most of the raw materials, and we have already created a stable supplier relationship with our suppliers so the source and quality of our raw materials are stable.

(IV) Names Of Suppliers (Customer) with Purchase (Sales) Amount Over 10% of the Total Purchase (Sales) Amount.and Their Purchase (Sales) A mount and Percemtage.

1. Information on main suppliers (net purchase amount reached over 10% of net purchases in the last two year)

None of our main suppliers took up more than 10% of our net purchases in the last two years; also, the investee companies in China maintained two or more suppliers for the procurement of most of the raw materials, and there are one-month inventories for all of the important products. The estimated purchase amount for the next three months is provided to the supplier and we also requested the suppliers to have two or more production bases for risk diversification. The Company has great long-term exchange and interactions with our suppliers and there are no worries for unstable sources of supply.

2. Information on main customers (net sales amount reached over 10% of net sales in the last two years)

Unit: NTD 1,000

Item	2017				2018				First quarter, 2018			
	Name	Amount	%	Relationship with the issuer	Name	Amount	%	Relationship with the issuer	Name	Amount	%	Relationship with the issuer
1	Company A	4,285,256	15.37	None	Company A	4,754,448	15.19	None	Company A	1,203,792	16.65	None
2	Others	23,589,672	84.63	–	Others	26,537,913	84.81	–	Others	6,025,002	83.35	–
	Net Sales	27,874,928	100.00	–	Net sales	31,292,361	100.00	–	Net sales	7,228,794	100.00	–

Explanation of the reason of the changes for trade debtors

When compared to those of 2018 and 2017, the net sales of 2019 Q1 for Customer A are roughly equal to those of 018 and 2017.

(V) Production Values Table

Unit: NTD 1,000, 1,000 sets

Year / Production Value / Main Products	2017			2018		
	Capacity	Quantity	Output value	Capacity	Quantity	Output value
Electronic Components products	114,336	97,545	16,140,886	139,504	114,396	20,264,436
Consumer Electronic Products and Other electronic Products	66,355	43,250	7,089,712	58,018	43,958	6,399,506
Others	-	-	-	32	24	3,119
Total	180,691	140,795	23,230,598	197,554	158,378	26,667,061

(VI) Sales Values Table

Unit: NTD 1,000, 1,000 sets

Year / Production Value / Main products	2017				2018			
	Domestic sales		Export		Domestic sales		Export	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Electronic Components products	159	62,024	96,171	18,317,786	390	129,902	111,106	22,066,664
Consumer Electronic Products and Other electronic Products	7	4,866	49,052	9,341,312	214	26,387	47,087	8,894,029
Others	-	7,440	3	141,500	-	7,707	1	167,672
Total	166	74,330	145,226	27,800,598	604	163,996	158,194	31,128,365

III. Number of Employees, Average Length of Service, Average Age and Education Background Distribution Rate

Number of practitioner employees in the last two years up until March 31, 2019

Unit: person

Year		2017	2018	By Mar. 31 , 2019
Number of Employees	Directly	10,520	9,435	9,318
	Indirectly	1,983	2,005	2,001
	Total	12,503	11,440	11,319
Average Age (year)		33.03	29.03	29.15
Average years of service (Note)		3.33	3.97	4.12
Academic Background (%)	Doctorate	0.06	0.11	0.11
	Master degree	2.45	2.69	2.59
	University/college	14.46	12.39	12.69
	Senior high school	26.45	47.52	43.64
	Below senior high school	56.58	37.29	40.97

Note: Calculated since Feb. 1, 2009 when Chicony Power Technology Co., Ltd. undertook the spin-off PSU business of Hipro Electronics (Taiwan) Co., Ltd.

IV. Information on Environmental Protection Expenditure

In the last two years up to the date of publication, the total amount for losses (including compensation) and fines due to environmental pollution of the Company, and discloses their future countermeasures (including improvement measures) and possible expenditures (including the estimated amount for losses, punishments and compensation that might occur due to not taking the countermeasures; reasons and facts for why reasonable estimations could not be made should be explained for those that cannot be estimated reasonably): None.

V. Labor Relationship

(I) Lists the various employee welfare measures, advanced studies, training, retirement systems and their implementation status, and the agreement and various measures for preserving the interests of employees between the employers and employees.

1. Employee welfare measures:

The Company provides labor insurance and health insurance, labor pension provision, group insurance, regular health checks for employees, subsidy for catering, subsidy for parking, subsidy for business trips, subsidy for gasoline used on private cars for official business, subsidy for employee travel, on-site medical consultation, massage services, year-end bonus and banquet, bonuses, employee bonus, birthday gifts, Labor Day gift certificates, Dragon Boat Festival gift certificates, Mid-Autumn Festival gift certificates, implementation of employee stocks according to the law, and has subsidies for wedding, funeral, hospitalization and giving birth in order to take care of the living of our employees. Meanwhile, the Company also provides the childbirth stipend in order to encourage childbirth.

2. Advanced studies and training for employees:

The Company has employee training management approaches to train the professional knowledge and skills for employees so that they can carry out their functions, increase work efficiency and ensure work quality in order to achieve the Company's goal of sustainable operation and development. Not only is there educational training for new employees to allow them to quickly blend into the organization team, the department heads and employees can also hold training courses and seminars etc. for the entire company or department according to the project requirements for the internal and external environmental trends of the enterprise in order to increase the professional capabilities and core competitiveness of the employees and strengthen the integrity for the training and advance study channels of the employees.

3. Retirement system and implementation status:

The Company follows the regulations of the "Labor Standards Act" and pays 4% of the employee's monthly salary to the retirement account set up at the Bank of Taiwan for the employee's retirement fund. Further, in order to be adapted to the Labor Pension Act (new system), the seniority of the employees who were supposed to apply the old retirement system but chose the new system or the employees who are hired after enforcement of the new system shall be subject to the defined contribution system. Under the defined contribution system, the Company will contribute no less than 6% of the employee's monthly salary to the exclusive personal retirement account at the Bureau of Labor Insurance according to the Labor Pension Act.

4. Agreement between employer and employee:

The regulations of the Company follow the guidelines according to the Labor Standards Act; employees can communicate problems with the Company such as concerning the various systems of the Company and the working environment etc. through the welfare committee or labor conferences in order to maintain excellent interactions between the employers and employees. The relations between our employers and employees have been peaceful all the way to the publication date and nothing had to be harmonized due to employer/employee conflicts.

5. Various measures for preserving the interests of employees:

The Company has related management approaches and systems set that clearly states the rights, obligations and welfare items for the employees; these approaches and systems are reviewed on a regular basis in order to preserve the interests of all employees.

(II) Losses suffered by the Company due to employer/employee conflicts in the recent year up to the date of publication and disclose any estimated expenditures and countermeasures that might occur currently or in the future; reasons why reasonable estimations could not be made should be explained for those that cannot be estimated reasonably.

In the recent year up to the date of publication, the Company had no conflicts between employer/employee; both parties get along happily and peacefully and there were no arguments, therefore there are also no losses suffered by the Company due to employer/employee conflicts.

VI. Important Contracts

Contract Type	Counterparty	Contract Beginning and Ending Date	Chief Contents	Restricted Clause
Syndicated Credit Facility Agreement	Taiwan Cooperative Bank, Ltd. First Commercial Bank, Ltd. E.SUN Commercial Bank, Ltd. Chang Hwa Commercial Bank Ltd. Land Bank of Taiwan Co., Ltd. Hua Nan Commercial Bank Ltd. Bank of Taiwan Bangkok Bank Public Company Limited, Taipei Branch Mega International Commercial Bank Co., Ltd. Taiwan Business Bank Co., Ltd. Yuanta Commercial Bank Co., Ltd. Taipei Fubon Commercial Bank Co., Ltd. Shin Kong Commercial Bank Co., Ltd. Far Eastern International Bank Co., Ltd.	From the date of first drawdown until expiration of 5 years. (Date conclusion: October 30, 2015) (Date of first drawdown: January 20, 2016)	Line of credit is equivalent to NTD 4.5 billion, revolving usage allowed. The Company's qualified creditor's right for receivables shall be assigned to the managing bank as of the date of conclusion of the Contract, in part, and the total of the qualified creditor's right for receivables plus the balance of designated exclusive account shall be more than 50% of the disbursed fund.	Shall maintain financial ratio promised
Sales Contract	Company A	The Contract was effective for the Company as of June 1, 2009. If one party fails to notify the other party to terminate the Contract in writing within 90 days prior to the proposed date, the Contract shall be renewed automatically.	The requirements and details about procurement of the Company's products were provided in the Contract per se and attachments thereto.	Contract content kept confidential according to contract
Construction Contract	Suzhou Weiye Group Construction & Development Co., Ltd	December 28, 2018 Upon termination of the warranty liability	The Company contracted the "New Factory Premises Construction Project in Wujiang Economic Development Zone, Suzhou City, Jiangsu Province" to Suzhou Weiye Group Co., Ltd., and signed the Contract governing the right and obligation related to the Project.	-

Six. Financial Status

I. Five-Year Financial Summary

(I) Condensed Balance Sheets and Statement Comprehensive Income

1. Condensed Balance Sheet and Statement of Comprehensive Income -IFRS (Consolidated Financial Statement)

(1) Condensed Balance Sheet

Unit: NTD 1,000

Item \ Year		Financial Information for the Most Recent 5 Years					By 31 March 2019 Financial Information (Note 1)
		2014	2015	2016	2017	2018	
Current Assets		14,237,400	13,690,605	15,883,208	16,560,484	17,955,003	16,620,893
Property, Plant, and Equipment		2,748,945	2,657,578	2,335,096	2,377,050	2,499,500	2,534,455
Intangible Assets		125,606	217,891	210,488	205,587	194,445	189,304
Other Assets		565,940	526,535	402,926	589,225	605,768	648,962
Total Assets		18,506,667	18,232,672	19,463,435	20,409,651	21,875,718	20,616,464
Current Liabilities	Before Distribution	11,821,502	11,536,592	12,135,838	12,679,961	14,440,152	12,701,325
	After Distribution	12,646,865	12,383,346	13,158,185	13,854,062	Note 2	Note 2
Non-current Liabilities		56,861	71,618	175,769	183,209	95,722	126,780
Total Liabilities	Before Distribution	11,878,363	11,608,210	12,311,607	12,863,170	14,535,874	12,828,105
	After Distribution	12,703,726	12,454,964	13,333,954	14,037,271	Note 2	Note 2
Equity Attributable to Shareholders of the Parent		6,566,334	6,569,924	7,105,291	7,500,400	7,301,708	7,747,003
Capital Stock		3,588,533	3,683,191	3,757,446	3,822,723	3,831,413	3,831,413
Capital Reserve		1,129,321	1,332,487	1,489,983	1,696,317	1,860,279	1,860,279
Retained Earnings	Before Distribution	2,111,576	2,406,664	2,875,986	3,390,433	3,421,505	3,712,227
	After Distribution	1,268,270	1,541,894	1,835,051	2,197,395	Note 2	Note 2
Other Equity Items		(263,096)	(462,593)	(504,174)	(1,043,408)	(1,611,685)	(1,457,112)
Treasury Stocks		-	(389,825)	(513,950)	(365,665)	(199,804)	(199,804)
Non-controlling Equity		61,970	54,538	46,537	46,081	38,136	41,356
Total Equity	Before Distribution	6,628,304	6,624,462	7,151,828	7,546,481	7,339,844	7,788,359
	After Distribution	5,802,941	5,777,708	6,129,481	6,372,380	Note 2	Note 2

Note 1: The financial information of 2014 to 2018 are audited by the CPA. The current year information as of Mar. 31 is reviewed by the CPA.

Note 2: The 2018 profit distribution plan shall be determined after the proposal submitted for the Shareholders' Meeting for approval.

(2) Condensed Statement of Comprehensive Income

Unit: NTD 1,000

Item \ Year	Financial Information for the Most Recent 5 Years					By 31 March 2019 Financial Information (Note 1)
	2014	2015	2016	2017	2018	
Sales Revenue	27,013,224	26,518,732	27,419,463	27,874,928	31,292,361	7,228,794
Gross Profit	3,887,802	4,120,332	4,578,273	4,790,390	4,383,681	1,036,090
Operating Income (Loss)	1,087,157	1,223,283	1,437,811	1,633,641	1,422,343	297,727
Non-operating Income and Expenses	250,305	181,712	273,201	301,050	(87,677)	101,651
Income Before Tax	1,337,462	1,404,995	1,711,012	1,934,691	1,334,666	399,378
Net Income from Continuing Operations	1,124,595	1,149,248	1,337,031	1,562,238	1,023,400	329,693
Loss from Discontinuing Operations	-	-	-	-	-	-
Net Income (Loss)	1,124,595	1,149,248	1,337,031	1,562,238	1,023,400	329,693
Other Comprehensive Income, Net of Income Tax	(31,802)	(155,140)	(94,351)	(567,359)	(267,987)	118,822
Total Comprehensive Incomes	1,092,793	994,108	1,242,680	994,879	755,413	448,515
Net income Attributable to Shareholders of the Parent	1,128,575	1,154,140	1,340,653	1,561,602	1,030,209	327,913
Net income Attributable to Non-controlling Shareholders	(3,980)	(4,892)	(3,622)	636	(6,809)	1,780
Comprehensive Attributable to Shareholders of the Parent	1,094,381	1,001,540	1,250,681	995,335	763,358	445,295
Comprehensive income Attributable to Non-controlling Shareholders	(1,588)	(7,432)	(8,001)	(456)	(7,945)	3,220
Earnings Per Share (Dollars)	3.14	3.20	3.69	4.19	2.72	0.86

Note 1: The financial information of 2014 to 2018 are audited by the CPA. The current year information as of Mar. 31 is reviewed by the CPA.

2. Condensed Balance Sheet and Statement of Comprehensive Income - IFRSs (Individual Financial Statements)

(1) Condensed Balance Sheet

Unit: NTD 1,000

Item \ Year		Financial Information for the Most Recent 5 Years				
		2014	2015	2016	2017	2018
Current Assets		10,033,067	9,627,643	10,975,724	10,498,687	11,919,249
Property, Plant, and Equipment		72,754	68,578	86,663	126,775	165,437
Intangible Assets		26,074	33,582	45,333	50,989	45,102
Other Assets		32,351	29,227	29,909	37,446	91,572
Total Assets		13,181,184	13,550,596	15,073,120	15,354,525	17,048,700
Current Liabilities	Before Distribution	6,589,760	6,943,760	7,823,538	7,700,695	9,680,526
	After Distribution	7,415,123	7,790,514	8,845,885	8,874,796	Note 2
Non-current Liabilities		25,090	36,912	144,291	153,430	66,466
Total Liabilities	Before Distribution	6,614,850	6,980,672	7,967,829	7,854,125	9,746,992
	After Distribution	7,440,213	7,827,426	8,990,176	9,028,226	Note 2
Equity Attributable to Shareholders of the Parent		6,566,334	6,569,924	7,105,291	7,500,400	7,301,708
Capital Stock		3,588,533	3,683,191	3,757,446	3,822,723	3,831,413
Capital Reserve		1,129,321	1,332,487	1,489,983	1,696,317	1,860,279
Retained Earnings	Before Distribution	2,111,576	2,406,664	2,875,986	3,390,433	3,421,505
	After Distribution	1,268,270	1,541,894	1,835,051	2,197,395	Note 2
Other Equity Items		(263,096)	(462,593)	(504,174)	(1,043,408)	(1,611,685)
Treasury Stocks		-	(389,825)	(513,950)	(365,665)	(199,804)
Non-controlling Equity		-	-	-	-	-
Total Equity	Before Distribution	6,566,334	6,569,924	7,105,291	7,500,400	7,301,708
	After Distribution	5,740,971	5,723,170	6,082,944	6,326,299	Note 2

Note 1: The financial information of 2014 to 2018 are audited by the CPA.

Note 2: The 2018 profit distribution plan shall be determined after the proposal submitted for the Shareholders' Meeting for approval.

(2) Condensed Statement of Comprehensive Income

Unit: NTD 1,000

Item \ Year	Financial Information for the Most Recent 5 Years				
	2014	2015	2016	2017	2018
Sales Revenue	25,235,041	24,587,307	25,100,545	24,936,066	28,013,917
Gross Profit	2,371,953	2,514,353	2,578,390	2,793,462	2,533,338
Operating Income (Loss)	431,566	555,590	501,833	860,106	827,994
Non-operating Income and Expenses	798,508	679,712	1,022,185	859,796	302,976
Income Before Tax	1,230,074	1,235,302	1,524,018	1,719,902	1,130,970
Net Income from Continuing Operations	1,128,575	1,154,140	1,340,653	1,561,602	1,030,209
Loss from Discontinuing Operations	-	-	-	-	-
Net Income (Loss)	1,128,575	1,154,140	1,340,653	1,561,602	1,030,209
Other Comprehensive Income, Net of Income Tax	(34,194)	(152,600)	(89,972)	(566,267)	(266,851)
Total Comprehensive Incomes	1,094,381	1,001,540	1,250,681	995,335	763,358
Net income Attributable to Shareholders of the Parent	1,128,575	1,154,140	1,340,653	1,561,602	1,030,209
Net income Attributable to Non-controlling Shareholders	-	-	-	-	-
Comprehensive Attributable to Shareholders of the Parent	1,094,381	1,001,540	1,250,681	995,335	763,358
Comprehensive income Attributable to Non-controlling Shareholders	-	-	-	-	-
Earnings Per Share (Dollars)	3.14	3.20	3.69	4.19	2.72

Note 1: The financial information of 2014 to 2018 are audited by the CPA.

(II) CPA Auditing Opinions

1. Independent auditors over the past five years and their audit opinions

Year	Accounting Firm	CPA	Audit Opinion
2014	PricewaterhouseCoopers Taiwan	Wang, Huei-Shyang Lin, Chun Yaw	Modified unqualified opinions
2015	PricewaterhouseCoopers Taiwan	Wang, Huei-Shyang Lin, Chun Yaw	Modified unqualified opinions
2016	PricewaterhouseCoopers Taiwan	Lin, Chun Yaw Weng, Shih-Jung	Unqualified opinion
2017	PricewaterhouseCoopers Taiwan	Lin, Chun Yaw Weng, Shih-Jung	Unqualified opinion
2018	PricewaterhouseCoopers Taiwan	Chen, Chin-Chang, Weng, Shih-Jung	Unqualified opinion

2. Reason for Changing CPA in recent five years:

To deal with the internal reorganization of PricewaterhouseCoopers Taiwan, Certified Public Accountants of the Company's Financial Statements 2016 were changed from Wang, Huei-Shyang, CPA and Lin, Chun Yaw, CPA to Lin, Chun Yaw, CPA, Weng, Shih-Jung, CPA. Certified Public Accountants of the Company's Financial Statements 2018 were changed fromLin, Chun Yaw, CPA and Weng, Shih-Jung, CPA to Chen, Chin-Chang, CPA, Weng, Shih-Jung,CPA.

II. Financial Analysis for the Most Recent 5 years

(I) Financial Ratio Analysis

1. Financial Analysis - IFRSs (Consolidated Financial Statements)

Item	Year	Financial Analysis for the Most Recent 5 Years					By 31 March 2019 Financial Information (Note 1)
		2014	2015	2016	2017	2018	
Financial Structure	Debt Assets Ratio (%)	64.18	63.67	63.26	63.02	66.45	62.22
	Long-term Capital to Property, Plants and Equipment (%)	243.19	251.96	313.80	325.07	297.48	312.3
Solvency Ability	Current Ratio (%)	120.44	118.67	130.88	130.60	124.34	130.86
	Quick Ratio (%)	84.93	87.79	92.35	82.97	71.08	78.54
	Interest Coverage	41.13	34.79	46.03	52.24	25.00	27.01
Operating Ability	Accounts Receivable Turnover Ratio(Times)	3.36	3.23	3.22	3.43	4.02	3.81
	Account Receivable Turnover Days	109	113	114	106	91	96
	Inventory Turnover Ratio (Times)	6.52	6.44	6.28	4.84	4.20	3.6
	Account Payable Turnover Ratio(Times)	2.88	2.63	2.52	2.40	2.70	2.72
	Sales Turnover Days	56	57	58	75	87	101
	Net Property, Plant and Equipment Turnover (Times)	10.12	9.81	10.98	11.83	12.83	11.49
	Total Asset Turnover Ratio (Times)	1.54	1.44	1.45	1.40	1.48	1.36
Profitability	Return on Assets (%)	6.58	6.47	7.28	7.99	5.08	6.4
	Return on Equity (%)	17.96	17.57	19.61	21.38	13.92	17.43
	Profit Before Tax to Pay-in Capital (%)	37.27	38.15	45.54	50.61	34.83	41.7
	Net Profit Margin (%)	4.18	4.35	4.89	5.60	3.29	4.54
	Earnings Per Share (dollars)	3.14	3.20	3.69	4.19	2.72	0.86
Cash Flow	Cash Flow Ratio (%)	18.69	17.80	20.07	19.45	4.02	(2.83)
	Cash Flow Adequacy Ratio (%)	102.13	123.34	125.42	114.62	79.90	63.08
	Cash Reinvestment Ratio (%)	16.24	12.66	15.00	12.80	(5.20)	(2.98)
Leverage	Operating Leverage	4.69	4.38	3.92	3.64	4.43	4.44
	Financial Leverage	1.03	1.04	1.03	1.02	1.04	1.05

Explanation of analysis of changes for the most recent two years (variations exceeded 20%):

(1) The decrease of interest coverage:
Mainly due to increase of interest expense and decrease of profit before tax in 2018.

(2) The decrease of return on assets, return on equity, profit before tax to pay-in capital, net profit margin, earnings per share:
Mainly from the increase of raw material prices, increase of labor cost and the impact the fluctuation of exchange rate on the decrease of net profit after tax in 2018.

(3) The decrease of cash flow ratio, cash flow adequacy ratio and cash reinvestment ratio:
Mainly from the decrease of net cash flow from operating activities in 2018.

(4) The increase of operating leverage:
Mainly from the decrease of operating profit in 2018.

Note 1: The financial information of 2014 to 2018 are audited by the CPA. The current year information as of March 31 is reviewed by the CPA.

1. Financial structure
   (1) Ratio of liabilities to assets = total liabilities / total assets.
   (2) Long-term liabilities to net property, plant and equipment = (total equity + non-current liabilities) / net property, plant and equipment.
2. Solvency ability
   (1) Current ratio = current assets / current liability.
   (2) Quick ratio = (current assets - inventory – prepaid expenses) / current liabilities.
   (3) Interest protection = net income before income tax and interest expense / interest expense.
3. Operating ability
   (1) Account receivable (including account receivable and notes receivable from operation) turnover = net sales / average of account receivable (including account receivable and notes receivable from operation) balance.
   (2) Average account receivable day = 365 / account receivable turnover.
   (3) Inventory turnover = cost of goods sold / average of inventory.
   (4) Account payable (including account payable and notes payable from operation) turnover = cost of goods sold / average of account payable (including account payable and notes payable from operation) balance.
   (5) Average inventory turnover days = 365 / inventory turnover.
   (6) Net property, plant and equipment turnover = net sales / average net property, plant and equipment.
   (7) Total assets turnover = net sales / average total assets.
4. Profitability
   (1) Return on assets = [after-tax income (loss) + interest expense × (1- tax rate)] / average total assets.
   (2) Return on equity = after-tax income (loss) / average equity.
   (3) Net profit margin = after-tax income (loss) / net sales.
   (4) EPS = (income (loss) attributable to owners of parent - dividend from prefer stock) / weighted average outstanding shares.
5. Cash flow
   (1) Cash flow ratio = net cash flow from operating activities / current liability.
   (2) Cash flow adequacy ratio = net cash flow from operating activities during the most recent five years / the most recent five years (capital spending + inventory additions + cash dividends).
   (3) Cash reinvestment ratio = (net cash flow from operating activities - cash dividends) / (net property, plant and equipment gross + long-term investment + other non-current assets + working capital).
6. Leverage
   (1) Operating leverage = (net revenue - variable cost of goods sold and operating expense) / operating income.
   (2) Financial leverage = operating income / (operating income - interest expenses).

2. Financial Analysis - IFRSs (Individual Financial Statements)

Item		Financial analysis for the last 5 years				
	Year	2014	2015	2016	2017	2018
Financial Structure	Debt Assets Ratio (%)	50.18	51.52	52.86	51.15	57.17
	Long-term Capital to Property, Plants and Equipment (%)	9,059.88	9,634.05	8,365.26	6,035.69	4,453.76
Solvency Ability	Current Ratio (%)	152.25	138.65	140.29	136.33	123.13
	Quick Ratio (%)	128.80	119.64	116.83	105.57	87.44
	Interest Coverage	38.65	30.58	43.05	46.70	21.47
Operating Ability	Accounts Receivable Turnover Ratio(Times)	3.39	3.36	3.42	3.67	4.33
	Account Receivable Turnover Days	108	109	107	100	84
	Inventory Turnover Ratio (Times)	15.24	16.20	15.02	10.96	9.04
	Account Payable Turnover Ratio(Times)	5.66	4.56	3.83	3.46	3.78
	Sales Turnover Days	24	23	24	33	40
	Net Property, Plant and Equipment Turnover (Times)	298.19	347.94	323.38	233.66	191.74
	Total Asset Turnover Ratio (Times)	2.02	1.84	1.75	1.64	1.73
Profitability	Return on Assets (%)	9.24	8.89	9.58	10.47	6.63
	Return on Equity (%)	17.96	17.57	19.61	21.38	13.92
	Profit Before Tax to Pay-in Capital (%)	34.28	33.54	40.56	44.99	29.52
	Net Profit Margin (%)	4.47	4.69	5.34	6.26	3.68
	Earnings Per Share (dollars)	3.14	3.20	3.69	4.19	2.72
Cash Flow	Cash Flow Ratio (%)	24.33	25.66	20.58	20.42	(0.24)
	Cash Flow Adequacy Ratio (%)	74.97	147.20	136.51	124.07	93.49
	Cash Reinvestment Ratio (%)	13.52	14.06	10.23	7.00	(15.79)
Leverage	Operating Leverage	2.78	2.50	2.76	2.07	2.12
	Financial Leverage	1.08	1.08	1.08	1.05	1.07

Explanation of analysis of changes for the most recent two years (variations exceeded 20%):

(1) The decrease of long-term capital to property, plants and equipment:
Mainly from the increase of property, plant and equipment in 2018.

(2) The decrease of interest coverage:
Mainly from the decrease of profit before tax in 2018.

(3) The increase of sales turnover days:
Mainly from the decrease of inventory from the strategic of material preparation in 2018.

(4) The decrease of return on assets, return on equity, profit before tax to pay-in capital, net profit margin, earnings per share:
Mainly from the increase of raw material prices, increase of labor cost and the impact the fluctuation of exchange rate on the decrease of net profit after tax in 2018.

(5) The decrease of cash flow ratio, cash flow adequacy ratio and cash reinvestment ratio:
Mainly from the decrease of net cash flow from operating activities in 2018.

Note 1: The financial information are audited by the CPA.

1. Financial structure
   (1) Ratio of liabilities to assets = total liabilities / total assets.
   (2) Long-term liabilities to net property, plant and equipment = (total equity + non-current liabilities) / net property, plant and equipment.
2. Solvency ability
   (1) Current ratio = current assets / current liability.
   (2) Quick ratio = (current assets - inventory – prepaid expenses) / current liabilities.
   (3) Interest protection = net income before income tax and interest expense / interest expense.
3. Operating ability
   (1) Account receivable (including account receivable and notes receivable from operation) turnover = net sales / average of account receivable (including account receivable and notes receivable from operation) balance.
   (2) Average account receivable day = 365 / account receivable turnover.
   (3) Inventory turnover = cost of goods sold / average of inventory.
   (4) Account payable (including account payable and notes payable from operation) turnover = cost of goods sold / average of account payable (including account payable and notes payable from operation) balance.
   (5) Average inventory turnover days = 365 / inventory turnover.
   (6) Net property, plant and equipment turnover = net sales / average net property, plant and equipment.
   (7) Total assets turnover = net sales / average total assets.
4. Profitability
   (1) Return on assets = [after-tax income (loss) + interest expense × (1- tax rate)] / average total assets.
   (2) Return on equity = after-tax income (loss) / average equity.
   (3) Net profit margin = after-tax income (loss) / net sales.
   (4) EPS = (income (loss) attributable to owners of parent - dividend from prefer stock) / weighted average outstanding shares.
5. Cash flow
   (1) Cash flow ratio = net cash flow from operating activities / current liability.
   (2) Cash flow adequacy ratio = net cash flow from operating activities during the most recent five years / the most recent five years (capital spending + inventory additions + cash dividends).
   (3) Cash reinvestment ratio = (net cash flow from operating activities - cash dividends) / (net property, plant and equipment gross + long-term investment + other non-current assets + working capital).
6. Leverage
   (1) Operating leverage = (net revenue - variable cost of goods sold and operating expense) / operating income.
   (2) Financial leverage = operating income / (operating income - interest expenses).

III. Audit Report of the Audit Committee for the Financial Statements 2018.

Chicony Power Technology Co., Ltd.
Audit Report of the Audit Committee

This is to certify that:

We, the Audit Committee of the company, hereby acknowledge that the Board of Directors has worked out and submitted hereto the Business Report, Consolidated Financial Statements, Individual Financial Statements and Proposed Allocation of Earnings of Chicony Power Technology Co., Ltd. for 2018 and that among them, the Financial Statements have been duly audited by PricewaterhouseCoopers Taiwan as duly delegated by the Board of Directors which already issued the Audit Report.

We hereby further declare and confirm that the aforementioned Business Report, Consolidated Financial Statements, Individual Financial Statements and Proposed Allocation of Earnings have been further duly audited by us, the Audit Committee, and we hereby declare and confirm that all those documents prove satisfactory to the laws and ordinances concerned. We hereby issue this Report in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act and hereby declare and submit the same for your verification.

Please review the report accordingly.

Attn.
Regular Shareholders Meeting of Year 2019

Chicony Power Technology Co., Ltd.

Convener of the Audit Committee:Fu, Yow-Shiuan

March 6, 2019

IV. Consolidated Financial Statements in 2018 Audited by the CPA

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

PWCR18003520

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, 2018 and 2017, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the 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, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for Opinion

We conducted our audits in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" and generally accepted auditing standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. 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.

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

For accounting policy on revenue recognition and related details of revenue, refer to Notes 4(28) and 6(20).

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, assumptions, and details of inventory valuation. As of December 31, 2018, the balances of inventory and allowance for inventory valuation losses are NT$7,821,264 thousand and NT$466,357 thousand, respectively.

The Group's main inventories are switching power supply, electronic components, and LED lighting equipment. 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$605,061 thousand and NT$418,302 thousand, constituting 2.77% and 2.05% of consolidated total assets as at December 31, 2018 and 2017, respectively, and sales revenue amounting to NT$930,415 thousand and NT$802,940 thousand, constituting 2.97% and 2.88% 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.

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, 2018 and 2017.

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

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

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

Those charged with governance, including 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.

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 5, 2019

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

	Assets	Notes	December 31, 2018 AMOUNT	%	December 31, 2017 AMOUNT	%
	CURRENT ASSETS					
1100	Cash and cash equivalents	6(1)	$ 705,018	3	$ 958,789	5
1110	Financial assets at fair value through profit or loss - current	6(2) and 12(4)	971,324	4	59,086	-
1120	Financial assets at fair value through other comprehensive income - current	6(3)	430,047	2	-	-
1125	Available-for-sale financial assets - current	12(4)	-	-	1,643,440	8
1150	Notes receivable, net	6(4)	106,263	-	83,529	-
1170	Accounts receivable, net	6(4)	6,536,534	30	6,069,546	30
1180	Accounts receivable - related parties	7	1,347,721	6	1,432,367	7
1200	Other receivables		165,578	1	243,518	1
1210	Other receivables - related parties	7	457	-	1,396	-
130X	Inventories, net	6(5)	7,354,907	34	5,472,977	27
1410	Prepayments		336,604	2	567,114	3
1470	Other current assets	8	550	-	28,722	-
11XX	**TOTAL CURRENT ASSETS**		17,955,003	82	16,560,484	81
	NON-CURRENT ASSETS					
1510	Financial assets at fair value through profit or loss - non-current	6(2)	525,760	2	-	-
1517	Financial assets at fair value through other comprehensive income - non-current	6(3)	27,103	-	-	-
1523	Available-for-sale financial assets - non-current	12(4)	-	-	62,884	-
1543	Financial assets carried at cost - non-current	12(4)	-	-	506,256	2
1600	Property, plant and equipment, net	6(7)	2,499,500	12	2,377,050	12
1780	Intangible assets	6(8)	194,445	1	205,587	1
1840	Deferred income tax assets	6(26)	68,139	-	108,165	1
1900	Other non-current assets	6(9) and 8	605,768	3	589,225	3
15XX	**TOTAL NON-CURRENT ASSETS**		3,920,715	18	3,849,167	19
1XXX	**TOTAL ASSETS**		$ 21,875,718	100	$ 20,409,651	100

(Continued)

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

	Liabilities and Equity	Notes	December 31, 2018 AMOUNT	%	December 31, 2017 AMOUNT	%
	CURRENT LIABILITIES					
2100	Short-term borrowings	6(10)	$ 1,450,000	7	$ -	-
2120	Financial liabilities at fair value through profit or loss - current	6(2)	15,543	-	1,755	-
2130	Contract liabilities - current		114,222	-	-	-
2150	Notes payable		217	-	153	-
2170	Accounts payable	6(11)	10,334,645	47	9,620,143	47
2200	Other payables	6(12)	2,127,772	10	2,531,546	12
2220	Other payables - related parties	7	12,600	-	8,895	-
2230	Current income tax liabilities		360,727	2	343,213	2
2300	Other current liabilities		24,426	-	174,256	1
21XX	**TOTAL CURRENT LIABILITIES**		14,440,152	66	12,679,961	62
	NON-CURRENT LIABILITIES					
2540	Long-term borrowings	6(13)	-	-	100,000	1
2570	Deferred tax liabilities	6(26)	10,453	-	2,559	-
2600	Other non-current liabilities	6(14)	85,269	-	80,650	-
25XX	**TOTAL NON-CURRENT LIABILITIES**		95,722	-	183,209	1
2XXX	**TOTAL LIABILITIES**		14,535,874	66	12,863,170	63
	EQUITY ATTRIBUTABLE TO OWNERS OF PARENT					
	SHARE CAPITAL	6(16)				
3110	Share capital - common stock		3,831,413	18	3,822,723	19
	CAPITAL SURPLUS	6(17)				
3200	Capital surplus		1,860,279	8	1,696,317	9
	RETAINED EARNINGS	6(18)				
3310	Legal reserve		847,670	4	691,510	3
3320	Special reserve		1,043,408	5	483,361	2
3350	Unappropriated retained earnings		1,530,427	7	2,215,562	11
	OTHER EQUITY INTEREST	6(19)				
3400	Other equity interest		(1,611,685)	(7)	(1,043,408)	(5)
3500	**TREASURY STOCKS**	6(16)	(199,804)	(1)	(365,665)	(2)
31XX	**EQUITY ATTRIBUTABLE TO OWNERS OF PARENT**		7,301,708	34	7,500,400	37
36XX	**NON-CONTROLLING INTEREST**		38,136	-	46,081	-
3XXX	**TOTAL EQUITY**		7,339,844	34	7,546,481	37
	SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS	9				
	SIGNIFICANT SUBSEQUENT EVENTS	11				
3X2X	**TOTAL LIABILITIES AND EQUITY**		$ 21,875,718	100	$ 20,409,651	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			
			2018		2017	
	Items	Notes	AMOUNT	%	AMOUNT	%
4000	**SALES REVENUE**	6(20) and 7	$ 31,292,361	100	$ 27,874,928	100
5000	**OPERATING COSTS**	6(5)(24)(25)	(26,908,680)	(86)	(23,084,538)	(83)
5900	**GROSS PROFIT**		4,383,681	14	4,790,390	17
	OPERATING EXPENSES	6(24)(25) and 7				
6100	Selling expenses		(786,441)	(3)	(935,281)	(3)
6200	General and administrative expenses		(735,666)	(2)	(741,175)	(3)
6300	Research and development expenses		(1,438,813)	(4)	(1,480,293)	(5)
6450	Expected credit loss		(418)	-	-	-
6000	**TOTAL OPERATING EXPENSES**		(2,961,338)	(9)	(3,156,749)	(11)
6900	**OPERATING PROFIT**		1,422,343	5	1,633,641	6
	NON-OPERATING INCOME AND EXPENSES					
7010	Other income	6(21)	155,846	-	161,415	-
7020	Other gains and losses	6(22)	(187,902)	(1)	210,581	1
7050	Finance costs	6(23)	(55,621)	-	(37,759)	-
7060	Share of loss of associates and joint ventures accounted for under equity method		-	-	(33,187)	-
7000	**TOTAL NON-OPERATING INCOME AND EXPENSES**		(87,677)	(1)	301,050	1
7900	**PROFIT BEFORE INCOME TAX**		1,334,666	4	1,934,691	7
7950	Income tax expense	6(26)	(311,266)	(1)	(372,453)	(1)
8200	**PROFIT FOR THE YEAR**		$ 1,023,400	3	$ 1,562,238	6
	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)	($ 11,072)	-	($ 6,220)	-
8316	Unrealised losses from investments in equity instruments measured at fair value through other comprehensive income	6(19)	(183,546)	(1)	-	-
	COMPONENTS OF OTHER COMPREHENSIVE INCOME THAT WILL BE RECLASSIFIED TO PROFIT OR LOSS					
8361	Financial statement translation differences of foreign operations	6(19)	(73,369)	-	(38,153)	-
8362	Unrealised loss on valuation of available-for-sale financial assets		-	-	(525,874)	(2)
8370	Share of other comprehensive income of associates and joint ventures accounted for under equity method		-	-	2,888	-
8300	**TOTAL OTHER COMPREHENSIVE LOSS FOR THE YEAR**		($ 267,987)	(1)	($ 567,359)	(2)
8500	**TOTAL COMPREHENSIVE INCOME FOR THE YEAR**		$ 755,413	2	$ 994,879	4
	PROFIT (LOSS) ATTRIBUTABLE TO:					
8610	Owners of the parent		$ 1,030,209	3	$ 1,561,602	6
8620	Non-controlling interest		($ 6,809)	-	$ 636	-
	COMPREHENSIVE INCOME (LOSS) ATRRIBUTABLE TO:					
8710	Owners of the parent		$ 763,358	2	$ 995,335	4
8720	Non-controlling interest		($ 7,945)	-	($ 456)	-
	EARNINGS PER SHARE (NT$)	6(27)				
9750	**BASIC EARNINGS PER SHARE**		$	2.72	$	4.19
9850	**DILUTED EARNINGS PER SHARE**		$	2.68	$	4.13

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

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

	Notes	Equity attributable to owners of the parent								Non-controlling interest	Total equity
				Retained Earnings							
		Share capital - common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Other equity interest	Treasury stocks	Total		
Year ended December 31, 2017											
BALANCE AT JANUARY 1, 2017		$ 3,757,446	$ 1,489,983	$ 557,445	$ 399,950	$ 1,918,591	($ 504,174)	($ 513,950)	$ 7,105,291	$ 46,537	$ 7,151,828
Profit for the year		-	-	-	-	1,561,602	-	-	1,561,602	636	1,562,238
Other comprehensive loss for the year	6(14)(19)	-	-	-	-	(6,220)	(560,047)	-	(566,267)	(1,092)	(567,359)
Total comprehensive income for the year		-	-	-	-	1,555,382	(560,047)	-	995,335	(456)	994,879
Distribution of 2016 earnings	6(18)										
Legal reserve		-	-	134,065	-	(134,065)	-	-	-	-	-
Special reserve		-	-	-	83,411	(83,411)	-	-	-	-	-
Cash dividends		-	-	-	-	(1,022,347)	-	-	(1,022,347)	-	(1,022,347)
Stock dividends		18,588	-	-	-	(18,588)	-	-	-	-	-
Stock for employee compensation	6(16)(17)	47,216	181,784	-	-	-	-	-	229,000	-	229,000
Restricted employee stock options	6(16)(17)(19)	-	-	-	-	-	18,964	-	18,964	-	18,964
Retirement of restricted employee stock options	6(16)(17)(19)	(527)	(1,322)	-	-	-	1,849	-	-	-	-
Transfer of treasury stock to employees	6(16)(17)	-	25,872	-	-	-	-	148,285	174,157	-	174,157
BALANCE AT DECEMBER 31, 2017		$ 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
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	3(1)	-	-	-	-	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(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

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 2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 1,334,666	$ 1,934,691
Adjustments			
Income and expenses having no effect on cash flows			
Depreciation	6(7)(24)	603,523	540,504
Amortisation	6(8)(24)	56,125	52,656
Other non-current assets recognised as expense	6(24)	57,839	56,895
Long-term prepaid rents recognised as expense	6(9)(24)	4,826	3,047
Expected credit loss	12(2)	418	-
Reversal of provision for bad debts expense	6(22)	-	(1,365)
Share-based payments	6(15)	16,077	51,951
Interest income	6(21)	(12,629)	(6,872)
Dividend income	6(21)	(40,295)	(51,620)
Interest expense	6(23)	55,621	37,759
Loss on disposal of property, plant and equipment	6(22)	4,700	6,009
Net loss (income) on financial assets at fair value through profit or loss - derivative instruments	6(2)(22)	117,757	(153,380)
Net loss on financial assets at fair value through profit or loss - others	6(2)(22)	121,812	-
Gain on disposal of investments	6(22)	-	(329,959)
Share of loss of associates and joint ventures accounted for under equity method		-	33,187
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		(55,206)	103,018
Notes receivable, net		(22,734)	(54,542)
Accounts receivable, net		(467,406)	1,149,743
Accounts receivable - related parties		84,646	(9,361)
Other receivables		86,333	33,263
Other receivables - related parties		939	(603)
Inventories		(1,881,930)	(1,405,601)
Prepayments		230,510	40,669
Other current assets		658	(300)
Net changes in liabilities relating to operating activities			
Contract liabilities - current		(33,234)	-
Notes payable		64	(277)
Accounts payable		714,502	(23,951)
Other payables		(144,717)	751,879
Other payables - related parties		3,705	1,222
Other current liabilities		(2,374)	27,130
Accrued pension liabilities		(5,952)	832
Cash inflow generated from operations		828,244	2,786,624
Interest received		12,624	6,872
Dividends received		40,295	51,620
Interest paid		(55,482)	(37,759)
Income taxes paid		(245,832)	(341,149)
Net cash flows from operating activities		579,849	2,466,208

(Continued)

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

	Notes	Years ended December 31 2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of financial assets at fair value through profit or loss - others		($ 746,526)	$ -
Proceeds from disposal of financial assets at fair value through profit or loss - others		659,619	-
Proceeds from disposal of financial assets at fair value through other comprehensive income	6(3)	34,867	-
Acquisition of available-for-sale financial assets - current		-	(1,460,690)
Proceeds from disposal of available-for-sale financial assets - current		-	1,325,637
Decrease (increase) in other current assets		27,514	(5,244)
Acquisition of financial assets carried at cost - non-current		-	(340,423)
Acquisition of investments accounted for using equity method		-	(279,814)
Proceeds from disposal of investments accounted for using equity method		-	120,454
Acquisition of property, plant and equipment	6(7)	(527,945)	(591,521)
Proceeds from disposal of property, plant and equipment		2,862	18,745
Acquisition of intangible assets	6(8)	(44,805)	(52,485)
Increase in prepayments for business facilities		(74,450)	(303,225)
Acquisition of long-term prepaid rents		(153,656)	-
(Increase) decrease in other non-current assets		(102,781)	10,312
Net cash flows used in investing activities		(925,301)	(1,558,254)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in short-term borrowings		1,450,000	-
Repayments of long-term borrowings		(100,000)	-
Decrease in other non-current liabilities		(501)	(2,171)
Cash dividends paid	6(18)	(1,174,101)	(1,022,347)
Payments to acquire treasury shares		(75,678)	-
Transfer of treasury stock to employees		29,119	141,171
Net cash flows from (used in) financing activities		128,839	(883,347)
Effect of exchange rate changes on cash and cash equivalents		(37,158)	22,464
Net (decrease) increase in cash and cash equivalents		(253,771)	47,071
Cash and cash equivalents at beginning of year	6(1)	958,789	911,718
Cash and cash equivalents at end of year	6(1)	$ 705,018	$ 958,789

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, 2018 AND 2017
(In Thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND ORGANISATION

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

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

These consolidated financial statements were authorised for issuance by the Board of Directors on March 5, 2019.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
Amendments to IFRS 2, 'Classification and measurement of share-based payment transactions'	January 1, 2018
Amendments to IFRS 4, 'Applying IFRS 9 Financial instruments with IFRS 4 Insurance contracts'	January 1, 2018
IFRS 9, 'Financial instruments'	January 1, 2018
IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
Amendments to IFRS 15, 'Clarifications to IFRS 15 Revenue from contracts with customers'	January 1, 2018
Amendments to IAS 7, 'Disclosure initiative'	January 1, 2017
Amendments to IAS 12, 'Recognition of deferred tax assets for unrealised losses'	January 1, 2017
Amendments to IAS 40, 'Transfers of investment property'	January 1, 2018
IFRIC 22, 'Foreign currency transactions and advance consideration'	January 1, 2018

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
Annual improvements to IFRSs 2014-2016 cycle - Amendments to IFRS 1, 'First-time adoption of International Financial Reporting Standards'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle - Amendments to IFRS 12, 'Disclosure of interests in other entities'	January 1, 2017
Annual improvements to IFRSs 2014-2016 cycle - Amendments to IAS 28, 'Investments in associates and joint ventures'	January 1, 2018

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

IFRS 9, ‘Financial instruments’

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

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

When adopting the new standards endorsed by the FSC effective from 2018, the Group applied the new rules under IFRS 9 and IFRS 15 retrospectively from January 1, 2018, with the practical expedients permitted under the statement. The significant effects of applying the standards as of January 1, 2018 are summarised below.

Consolidated balance sheet Affected items		2017 version IFRSs amount		Effect of adoption of new standards		2018 version IFRSs amount	Remark
January 1, 2018							
Financial assets at fair value through profit or loss - current	$	59,086	$	1,008,061	$	1,067,147	(b)
Financial assets at fair value through other comprehensive income - current		-		635,379		635,379	(a)
Available-for-sale financial assets - current		1,643,440	(	1,643,440)		-	(a)(b)
Financial assets at fair value through profit or loss - non-current		-		517,579		517,579	(b)
Financial assets at fair value through other comprehensive income - non-current		-		34,898		34,898	(a)
Available-for-sale financial assets - non-current		62,884	(	62,884)		-	(a)(b)
Financial assets carried at cost - non-current		506,256	(	506,256)		-	(a)(b)
Total affected assets	$	2,271,666	($	16,663)	$	2,255,003	
Contract liabilities - current	$	-	$	147,456	$	147,456	(e)
Other current liabilities		174,256	(	147,456)		26,800	(e)
Total affected liabilities		174,256		-		174,256	
Retained earnings	$	3,390,433	$	310,594	$	3,701,027	(a)(b)(c)
Other equity interest	(	1,043,408)	(	327,257)	(	1,370,665)	(a)(b)(c)
Total affected equity		2,347,025	(	16,663)		2,330,362	
Total affected liabilities and equity	$	2,521,281	($	16,663)	$	2,504,618	

Explanation:

A. In accordance with IFRS 9, the Group reclassified available-for-sale financial assets – current, available-for-sale financial assets – non-current and financial assets carried at cost – non-current in the amounts of $635,379, $20,584 and $15,000, respectively, and made an irrevocable election at initial recognition on equity instruments not held for dealing or trading purpose, by increasing financial assets at fair value through other comprehensive income – current, financial assets at fair value through other comprehensive income – non-current in the amounts of $635,379 and $34,898, respectively, by decreasing other equity interest in the amounts of $686.

B. In accordance with IFRS 9, the Group reclassified available-for-sale financial assets – current, available-for-sale financial assets – non-current and financial assets carried at cost in the amounts of $1,008,061, $42,300 and $491,256, respectively, by increasing financial assets at fair value through profit or loss - current, financial assets at fair value through profit or loss - non-current, and other equity interest in the amounts of $1,008,061, $517,579 and $181,933, respectively, by decreasing retained earnings in the amounts of $197,910.

C. In accordance with IFRS 9 requirements on provision for impairment, the Group decreased other equity interest and increased retained earnings in the amounts of $508,504.

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

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

Under IFRS 15, liabilities in relation to contracts are recognised as contract liabilities, but were previously presented as advance sales receipts (shown as 'other current liabilities') in the balance sheet. The balance amounted to $147,456 on January 1, 2018. Please refer to Note 12(5) for other disclosures in relation to the first application of IFRS 15.

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

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

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

Except for the following, the above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment. The quantitative impact will be disclosed when the assessment is complete.

IFRS 16, 'Leases'

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

The Group expects to recognise the lease contract of lessees in line with IFRS 16. However, the Group does not intend to restate the financial statements of prior period (referred herein as the "modified retrospective approach"). On January 1, 2019, it is expected that 'right-of-use asset' and lease liability will be increased by $338,913 and $74,192, respectively, and long-term prepaid rents (shown as 'other non-current assets') will be decreased by $264,721.

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

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

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

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

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 / available-for-sale financial assets measured at fair value.

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

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

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

(3) 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, 2018	December 31, 2017	Remark
Chicony Power Technology Co., Ltd.	Chicony Power Holdings Inc. (CPH)	Investment holdings	100%	100%	
CPH	Chicony Power International Inc. (CPI)	Sales of switching power supplies and other electronic parts	100%	100%	
CPI	Chicony Power USA, Inc. (CPUS)	Sales of switching power supplies and other electronic parts	100%	100%	

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%) December 31, 2018	Ownership (%) December 31, 2017	Remark
CPI	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, manufacturing and sales of LED lighting module	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 eqiupment	100%	100%	Note
"	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 eqiupment	100%	100%	
"	Chicony Power Technology Trading (Dong Guan) Co., Ltd. (CPDGT)	Importing and exporting of power supplies, LED lighting equipments, and other electronics and smart building system	100%	100%	
WTS	WitsLight Technology Co., Ltd. (WT)	Design, researching and developing, manufacturing and sales of LED lighting module	100%	100%	
"	WitsLight Technology (Kunshan) Co., Ltd. (WTK)	Manufacturing and sales of LED lighting module	100%	100%	
"	Carlight Technology Co.,Ltd.(CT)	Design, researching and developing and sales of automotive and motorcycle lamps and other components	100%	100%	

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%) December 31, 2018	Ownership (%) December 31, 2017	Remark
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 equipment	100%	100%	

Note: On March 6, 2018, the Board of Directors of CPSZ resolved to increase capital by USD 20 million through capitalisation of earnings by USD 15 million. The capital increase was a reinvestment through CPHK. As of December 31, 2018, the above earnings of USD 15 million has been capitalised. The registration was completed in March 2018.

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

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

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group: 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) <u>Classification of current and non-current items</u>

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

Effective 2018

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

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

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

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

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

Effective 2018

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

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

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

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

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

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

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

(9) Accounts and notes receivable

Effective 2018

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

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

(10) Impairment of financial assets

Effective 2018

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

(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) <u>Operating leases (lessee)</u>

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

(15) <u>Intangible assets</u>

A. Trademark, right, patent and computer software are amortised on a straight-line basis over their estimated useful lives of 1-10 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 2-14 years.

(16) <u>Impairment of non-financial assets</u>

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.

(17) Borrowings

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

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

(18) Notes and accounts payable

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

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

Effective 2018

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

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

(a) Hybrid (combined) contracts; or

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

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

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

(20) Derecognition of financial liabilities

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

(21) Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(22) Non-hedging and embedded derivatives

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

(23) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

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

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

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

C. Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the Group's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept an offer of redundancy benefits in exchange for the termination of employment. The Group recognises expense as it can no longer withdraw an offer of termination benefits or it recognises relating restructuring costs, whichever is earlier. Benefits that are expected to be due more than 12 months after balance sheet date shall be discounted to their present value.

D. Employees', directors' and supervisors' remuneration

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

(24) Employee share-based payment

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

B. Restricted stocks:

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

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

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

(25) Income tax

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

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

C. Deferred income tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the 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.

(26) Share capital

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

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

(27) Dividends

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

(28) Revenue recognition

Effective 2018

A. Sales of goods

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

(29) 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.

(30) 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, 2018. Please refer to Note 12(4) of the consolidated financial statements for the year ended December 31, 2017.

(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, 2018	December 31, 2017
Cash on hand and revolving funds	$ 7,039	$ 4,028
Checking accounts and demand deposits	639,810	863,348
Time deposits	58,169	91,413
	$ 705,018	$ 958,789

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

Effective 2018

Items	December 31, 2018
Current items:	
Financial assets mandatorily measured at fair value through profit or loss	
Non-hedging derivatives	
Forward exchange contracts	$ 11,025
Listed stocks	763,245
Emerging stocks	12,870
Beneficiary certificates	220,000
Corporate bond	251,250
	1,258,390
Valuation adjustment	(287,066)
	$ 971,324
Financial liabilities mandatorily measured at fair value through profit or loss	
Non-hedging derivatives	
Forward exchange contracts	($ 12,927)
Foreign exchange swap contracts	(2,616)
	($ 15,543)
Non-current items:	
Financial assets mandatorily measured at fair value through profit or loss	
Unlisted stocks	$ 185,000
Beneficiary certificates	383,316
	568,316
Valuation adjustment	(42,556)
	$ 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:

	Year ended December 31, 2018	
Financial assets and liabilities mandatorily measured at fair value through profit or loss		
Equity instruments	($	86,316)
Debt instrument	(	1,000)
Beneficiary certificates	(	34,496)
Derivatives	(	117,757)
	($	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, 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 and liabilities at fair value through profit or loss pledged to others.

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

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

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

Effective 2018

Items	December 31, 2018
Current items:	
Listed stocks	$ 1,322,777
Valuation adjustment	(892,730)
	$ 430,047
Non-current items:	
Listed stocks	$ 422,100
Unlisted stocks	15,000
	437,100
Valuation adjustment	(409,997)
	$ 27,103

A. The Group has elected to classify equity investments that are considered to be strategic investments as current and non-current financial assets at fair value through other comprehensive income. The fair value of such investments amounted to $430,047 and $27,103 as at December 31, 2018.

B. The Group sold $34,867 equity investments at fair value and resulted in cumulative losses on disposal of $14,759 during the year ended December 31, 2018.

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

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

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

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

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

(4) Notes and accounts receivable

	December 31, 2018	December 31, 2017
Notes receivable	$ 106,263	$ 83,529
Accounts receivable	$ 6,540,814	$ 6,073,474
Less: Allowance for uncollectible accounts	(4,280)	(3,928)
	$ 6,536,534	$ 6,069,546

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

	December 31, 2018		December 31, 2017	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Not past due	$ 6,520,266	$ 106,263	$ 6,012,843	$ 83,529
1 - 30 days past due	10,734	-	43,963	-
31 - 120 days past due	1,491	-	16,668	-
121 - 210 days past due	8,323	-	-	-
	$ 6,540,814	$ 106,263	$ 6,073,474	$ 83,529

The above ageing analysis was based on past due date.

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

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

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

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

(5) Inventories

	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

	December 31, 2017		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 1,772,275	($ 119,646)	$ 1,652,629
Work in process	609,500	(39,814)	569,686
Finished goods	3,427,703	(177,041)	3,250,662
	$ 5,809,478	($ 336,501)	$ 5,472,977

The cost of inventories recognised as expense for the year:

	Years ended December 31,	
	2018	2017
Cost of inventories sold	$ 26,772,930	$ 23,029,081
Loss on decline in market value	134,689	54,743
Others	1,061	714
	$ 26,908,680	$ 23,084,538

Other related expenses of inventory mainly composed of loss on physical inventory and scrap.

(6) Investments accounted for under equity method

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

(7) Property, plant and equipment

	Buildings and structures	Machinery	Test equipment	Others	Total
January 1, 2018					
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
2018					
Balance, January 1, 2018	$ 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, 2018	$ 394,887	$ 1,255,481	$ 341,633	$ 507,499	$ 2,499,500
December 31, 2018					
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

	Buildings and structures	Machinery	Test equipment	Others	Total
January 1, 2017					
Cost	$ 872,275	$ 2,284,641	$ 1,384,906	$ 1,268,245	$ 5,810,067
Accumulated depreciation	(390,807)	(1,217,883)	(1,082,659)	(783,622)	(3,474,971)
	$ 481,468	$ 1,066,758	$ 302,247	$ 484,623	$ 2,335,096
2017					
Balance, January 1, 2017	$ 481,468	$ 1,066,758	$ 302,247	$ 484,623	$ 2,335,096
Additions	179	201,588	176,028	213,726	591,521
Disposals	-	(20,569)	(1,605)	(2,580)	(24,754)
Reclassifications	-	29,263	4,079	12,048	45,390
Depreciation charge	(40,259)	(193,820)	(131,392)	(175,033)	(540,504)
Net exchange differences	(5,614)	(10,900)	(3,450)	(9,735)	(29,699)
Balance, December 31, 2017	$ 435,774	$ 1,072,320	$ 345,907	$ 523,049	$ 2,377,050
December 31, 2017					
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

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

(8) Intangible assets

	Trademarks and patents	Software	Goodwill	Others	Total
January 1, 2018					
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
2018					
Balance, January 1, 2018	$ 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, 2018	$ 16,708	$ 36,979	$ 127,294	$ 13,464	$ 194,445
December 31, 2018					
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

	Trademarks and patents	Software	Goodwill	Others	Total
January 1, 2017					
Cost	$ 23,154	$ 76,638	$ 132,401	$ 57,301	$ 289,494
Accumulated amortisation	(11,715)	(33,507)	-	(33,784)	(79,006)
	$ 11,439	$ 43,131	$ 132,401	$ 23,517	$ 210,488
2017					
Balance, January 1, 2017	$ 11,439	$ 43,131	$ 132,401	$ 23,517	$ 210,488
Additions	15,140	36,868	-	477	52,485
Reclassifications	-	1,282	-	-	1,282
Amortisation charge	(12,289)	(35,438)	-	(4,929)	(52,656)
Net exchange differences	-	(208)	(5,160)	(644)	(6,012)
Balance, December 31, 2017	$ 14,290	$ 45,635	$ 127,241	$ 18,421	$ 205,587
December 31, 2017					
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

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

	December 31, 2018	December 31, 2017
Asia	$ 71,944	$ 73,540
America	55,350	53,701
	$ 127,294	$ 127,241

B. After assessing impairment of goodwill, the recoverable amount that the Group calculated is over the book value. Therefore, no impairment loss has occurred.

(9) Other non-current assets

	December 31, 2018	December 31, 2017
Long-term prepaid rents	$ 264,721	$ 121,673
Guarantee deposits paid	64,724	26,785
Prepayments for business facilities	135,027	345,342
Others	141,296	95,425
	$ 605,768	$ 589,225

A. In April 2018, the Group signed the land use rights contracts located in Wujiang Development Zone WJ-G-2018-021, Suzhou City with Bureau of Land Resources for use of the land in the municipality of Wujiang District, Suzhou City with a term of 50 years. All rentals have been paid on the contract date.

B. In June 2011 and March 2013, the Group signed the land use rights contracts with Bureau of Land Resources for use of the land in the municipality of Chongqing City with a term of 50 years. All rentals have been paid on the contract date. However, the local government of Chongqing City had an agreement which terminated part of the land use rights and returned related funds to the Group in October, 2014.

C. In June 2009, the Group signed the land use rights contracts with Bureau of Land Resources for use of the land in the municipality of Dongguan City with a term of 50 years. All rentals have been paid on the contract date.

D. The above mentioned costs of land use rights less the government grants as a reward for the local investment are shown as 'long-term prepaid rents'.

E. The Group recognised rental expenses of $4,826 and $3,047 for the years ended December 31, 2018 and 2017, respectively.

(10) Short-term borrowings

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

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

(11) Accounts payable

	December 31, 2018	December 31, 2017
Accounts payable	$ 8,854,515	$ 8,006,602
Estimated accounts payable	1,480,130	1,613,541
	$ 10,334,645	$ 9,620,143

(12) Other payables

	December 31, 2018	December 31, 2017
Salaries payable	$ 651,703	$ 631,726
Consumption goods expense payable	386,777	375,619
Employees' compensation and directors' and supervisors' remuneration payable	234,021	279,187
Processing fee payable	203,484	178,885
Payables for service and recruitment fees	115,506	74,544
Commissions payable	108,089	389,999
Others	428,192	601,586
	$ 2,127,772	$ 2,531,546

(13) Long-term borrowings

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

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

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

A long-term syndicated loan facility amounting to $4,500,000 (can be 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, 2018	December 31, 2017
Present value of funded defined benefit obligations	($ 90,551)	($ 78,690)
Fair value of plan assets	34,088	27,347
Net defined benefit liability	($ 56,463)	($ 51,343)

(c) Movements in net defined benefit liabilities are as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2018			
Balance at January 1	($ 78,690)	$ 27,347	($ 51,343)
Current service cost	(408)	-	(408)
Interest (expense) income	(1,082)	377	(705)
	(80,180)	27,724	(52,456)
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	759	759
Change in demographic assumptions	(902)	-	(902)
Change in financial assumptions	(2,529)	-	(2,529)
Experience adjustments	(8,400)	-	(8,400)
	(11,831)	759	(11,072)
Pension fund contribution	-	7,065	7,065
Paid pension	1,460	(1,460)	-
Balance at December 31	($ 90,551)	$ 34,088	($ 56,463)

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

(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, 2018 and 2017 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

(e) The principal actuarial assumptions used were as follows:

	Years ended December 31,	
	2018	2017
Discount rate	1.125%	1.375%
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, 2018				
Effect on present value of defined benefit obligation	($ 2,540)	$ 2,648	$ 2,570	($ 2,479)
December 31, 2017				
Effect on present value of defined benefit obligation	($ 2,458)	$ 2,567	$ 2,498	($ 2,405)

The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

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

(f) Expected contributions to the defined benefit pension plan of the Group for the year ending December 31, 2019 amount to $5,990.

(g) As of December 31, 2018, the weighted average duration of that retirement plan is 11.3 years.

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

Within 1 year	$ 1,640
1-2 years	1,241
2-5 years	24,049
5-10 years	16,952
	$ 43,882

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, 2018 and 2017 were $216,255 and $192,569, respectively.

(15) Share-based payment

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

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

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

(a) The Company's overall operating performance in the previous year should meet the following indicators:

i. Consolidated operating revenue shall grow by at least 10% higher than the average amount over past three years.

ii. Consolidated net income shall grow by at least 10% higher than the average amount over past three years.

iii. Return on equity shall be at least 15%.

(b) For the employees who have met the vesting conditions since the allocation of restricted stocks, the ratio of vested shares is as follows:

Vesting conditions	Ratio of vested shares
A month after the restricted stocks are kept at the trust	40% of the shares
September 30, 2016	30% of the shares
September 30, 2017	30% of the shares

The restricted shares issued by the Company cannot be sold, pledged, transferred, donated, collateralised, or disposed in any other method during the vesting period. Other rights including but not limited to dividends, the distribution rights of bonuses and capital surplus, and share options and voting rights of cash capital, etc., are the same as the Company's issued ordinary shares. At the date of resignation, retirement or termination, the restricted shares are considered as not meeting the vesting conditions if employees resign, retire or are terminated during the vesting period. The Company redeems at no consideration and retires the shares which do not meet the vesting condition. Employees are not required to return the dividends received.

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

	Years ended December 31,			
	2018		2017	
	No. of options	Weighted-average exercise price (in dollars)	No. of options	Weighted-average exercise price (in dollars)
Options outstanding at January 1	-	$ -	-	$ -
Options granted	746	39.15	3,555	39.83
Options exercised	(746)	39.15	(3,555)	39.83
Options outstanding at December 31	-	-	-	-
Options exercisable at December 31	-	-	-	-

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

E. The fair value of stock options granted on grant date is measured using the Black-Scholes option-pricing model. Relevant information is as follows:

Type of arrangement	Grant date	Stock price	Exercise price	Expected price volatility	Expected option life	Expected dividends	Risk-free interest rate	Fair value per unit
Treasury stock transferred to employees	2017.3.1	NT$49.10	NT$39.83	(Note)	0.0385	-	0.59%	NT$9.279
"	2018.3.6	NT$61.20	NT$39.15	"	0.0411	-	0.25%	NT$22.05

Note: Expected price volatility rate was estimated by using the stock prices of the most recent period with length of this period approximate to the length of the stock options' expected life, and the standard deviation of return on the stock during this period.

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

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

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

(16) Share capital

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

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

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

B. The Company's Board of Directors resolved to retire of treasury shares amounting to 4,739 thousand shares on October 29, 2018. The effective date for capital reduction was October 30, 2018 and the reduction was registered on November 26, 2018.

C. On September 13, 2018, the Company's Board of Directors resolved to purchase treasury shares with the ceiling of 10 million shares to be reissued to employees. As of December 31, 2018 (the expiration of the execution period), the Company has purchased 1,864 thousand treasury shares.

D. On July 10, 2018, the Company's Board of Directors during its meeting resolved to retire 699 thousand treasury shares. The effective date of capital reduction was set on July 11, 2018 and the registration was completed on July 31, 2018.

E. On June 7, 2018, the shareholders at the stockholders' meeting approved to issue common stock dividends amounting to $18,937. The above capitalisation has issued a total of 1,894 thousand shares were issued for the above capitalisation which was approved by the authorities. The effective date was set on August 2, 2018 and the registration was completed on August 16, 2018.

F. On March 6, 2018, the Company issued 4,423 thousand shares as the Board of Directors of the Company during its meeting resolved to appropriate employees' stock dividends of $259,196 which was calculated based on the closing price of NT$58.6 (in dollars) per share of the date (March 5, 2018) before the date the Board of Directors resolved the issuance. The issuance was approved by the authority, with the effective date set on April 8, 2018 and the registration was completed on May 1, 2018.

G. On June 5, 2017, the stockholders at the annual stockholders' meeting had approved to issue common stock dividends amounting to $18,588. This capitalisation had issued a total of 1,859 thousand shares were issued for this capitalisation which was approved by the appropriate authorities. The issuance date was set on July 21, 2017, and the Company had completed the registration on August 7, 2017.

H. On March 1, 2017, the Company issued 4,722 thousand shares, because the Board of Directors of the Company approved to appropriate employees' stock dividends of $229,000 which was calculated based on the closing price of NT$48.5 (in dollars) per share of the date (February 24, 2017) before the day the Board of Directors resolved the issuance. The issuance was approved by the authority with April 6, 2017 as the effective date, and the registration was completed on May 3, 2017.

I. The Board of Directors during its meeting on March 10, 2014 adopted a resolution to issue employee restricted ordinary shares (please refer to Note 6(15)), and the registration was on August 28, 2015 and March 16, 2016. The subscription price is $0 (in dollars) per share. The employee restricted ordinary shares issued are subject to certain transfer restrictions before their vesting conditions are met. Other than these restrictions, the rights and obligations of these shares issued are the same as other issued ordinary shares.

J. Information on retirement of employee stock options due to not meeting the vesting conditions are as follows:

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

K. Treasury shares:

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

		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

		December 31, 2017	
Name of company holding the shares	Purpose of buyback	Number of shares (in thousands)	Carrying amount
The Company	To be reissued to employees	8,699	$ 365,665

(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.

	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
–Restricted stocks to employees	(24,857)	(40,323)	-	(65,180)
–Retirement of treasury shares	(274)	-	-	(274)
–Treasury stock transferred to employees	-	14,451	-	14,451
At December 31	$ 1,750,231	$ -	$ 110,048	$ 1,860,279

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

(18) Retained earnings

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses; and then 10% of the remaining amount shall be set aside as legal reserve until it reaches the Company's paid-up capital; and then set aside special reserve in accordance with relevant regulations when necessary; and the remainder, if any, to be appropriated shall be resolved by the stockholders at the stockholders' meeting.

B. The Company's dividend policy is summarised below: the Company is in the development stage of the electronics industry. The dividend policy should be formulated by considering the capital requirements of the new products and promoting the return on equity simultaneously. Therefore, the total amounts of stockholders' dividends should not exceed 90% of the total distributable earnings, and then the cash dividend should not be less than 10% of the total amounts of stockholders' dividends. The above mentioned restrictions will not to be applicable if total amounts of stockholders' dividends are less than $0.5(in dollars) per share.

C. The appropriation for legal capital reserve shall be made until the reserve equals the Company's paid-in capital. The reserve may be used to offset a deficit, or be distributed as dividends in cash or stocks for the portion in excess of 25% of the paid-in capital if the Company incurs no loss.

D. Special reserve

(a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

(b) The amount of $205,324, previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Order No. 1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently.

E. (a) The appropriations of 2017 and 2016 earnings had been approved at the annual stockholders' meeting on June 7, 2018 and June 5, 2017, respectively, and the details are summarised below:

	Years ended December 31,			
	2017		2016	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	$ 156,160		$ 134,065	
Special reserve	560,047		83,411	
Cash dividends	1,174,101	$ 3.10	1,022,347	$ 2.75
Stock dividends	18,937	0.05	18,588	0.05

(b) Subsequent events:

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

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

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

(19) Other equity items

	2018			
	Currency translation	Unrealised gains (losses) on valuation of financial assets	Available-for-sale investment	Total
At January 1	($236,725)	$ -	($ 806,683)	($ 1,043,408)
Effect of retrospective application and retrospective restatement	-	(1,133,940)	806,683	(327,257)
Balance at January 1 after adjustments	(236,725)	(1,133,940)	-	(1,370,665)
Currency translation differences:				
- Group	(72,233)	-	-	(72,233)
Valuation adjustment:				
- Group	-	(183,546)	-	(183,546)
- Transfer out	-	14,759	-	14,759
At December 31	($308,958)	($ 1,302,727)	$ -	($ 1,611,685)

	2017			
	Currency translation	Available-for-sale investments	Others-unearned employee salary	Total
At January 1	($202,552)	($ 280,809)	($ 20,813)	($ 504,174)
Currency translation differences:				
–Group	(37,061)	-	-	(37,061)
–Associates	(434)	-	-	(434)
–Associates transfer out	3,322	-	-	3,322
Valuation adjustment:				
–Group	-	(238,657)	-	(238,657)
–Transfer out	-	(287,217)	-	(287,217)
Employee restricted shares:				
–Current transferred to expenses	-	-	18,964	18,964
–Current retired	-	-	1,849	1,849
At December 31	($236,725)	($ 806,683)	$ -	($ 1,043,408)

(20) Operating revenue

		Year ended December 31, 2018
Revenue from contracts with customers		
Electronic component products	$	22,196,566
Consumer electronic products and other electronic products		8,920,416
Others		175,379
	$	31,292,361

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

(21) Other income

	Years ended December 31, 2018		2017	
Dividend income	$	40,295	$	51,620
Interest income:				
Interest income from bank deposits		7,874		5,372
Other interest income		4,755		1,500
Other income		102,922		102,923
	$	155,846	$	161,415

(22) Other gains and losses

	Years ended December 31, 2018		2017	
Net (losses) gains on financial assets and liabilities at fair value through profit or loss -derivative instruments	($	117,757)	$	153,380
Net losses on financial assets and liabilities at fair value through profit or loss-others	(	121,812)		-
Net currency exchange gains (losses)		68,557	(	262,689)
Losses on disposal of property, plant and equipment	(	4,700)	(	6,009)
Gains on disposal of investments		-		329,959
Gains on doubtful debt recoveries		-		1,365
Others	(	12,190)	(	5,425)
	($	187,902)	$	210,581

(23) Finance costs

	Years ended December 31, 2018	2017
Interest expense:		
Bank borrowings	$ 55,621	$ 37,759

(24) Personnel expenses, depreciation and amortisation

	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
Long-term prepaid rents recognised as expenses	-	4,826	4,826

	Year ended December 31, 2017		
	Operating cost	Operating expense	Total
Employee benefit expenses	$ 2,313,843	$ 1,578,058	$ 3,891,901
Depreciation	414,043	126,461	540,504
Amortisation	3,289	49,367	52,656
Other non-current assets recognised as expenses	33,574	23,321	56,895
Long-term prepaid rents recognised as expenses	-	3,047	3,047

(25) Employee benefit expense

	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

	Year ended December 31, 2017		
	Operating cost	Operating expense	Total
Wages and salaries	$ 2,059,760	$ 1,415,227	$ 3,474,987
Labour and health insuarance fees	62,761	66,545	129,306
Pension costs	141,462	52,118	193,580
Other personnel expenses	49,860	44,168	94,028
	$ 2,313,843	$ 1,578,058	$ 3,891,901

A. According to the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees’ compensation and directors’ and supervisors’ remuneration. The ratio shall not be lower than 10% for employees’ compensation and shall not be higher than 1% for directors’ and supervisors’ remuneration.

B. For the years ended December 31, 2018 and 2017, employees’ compensation was accrued at $220,372 and $259,196, respectively; directors’ and supervisors’ remuneration was accrued at $13,649 and $19,991, respectively. The aforementioned amounts were recognised in salary expenses.

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

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

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

(26) Income tax

A. Components of income tax expense:

	Years ended December 31, 2018	Years ended December 31, 2017
Current tax:		
Current tax on profits for the year	$ 268,095	$ 381,622
Tax on undistributed surplus earnings	-	7,568
Prior year income tax overestimation	(4,749)	(2,308)
Total current tax	263,346	386,882
Deferred tax:		
Origination and reversal of temporary differences	61,748	(14,429)
Impact of change on tax rate	(13,828)	-
Total deferred tax	47,920	(14,429)
Income tax expense	$ 311,266	$ 372,453

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

	Years ended December 31, 2018	Years ended December 31, 2017
Tax calculated based on profit before tax and statutory tax rate (Note)	$ 356,183	$ 400,525
Effects from items allowed by tax regulation	(20,168)	(26,332)
Effect from investment tax credits	(20,000)	(7,000)
Tax on undistributed surplus earnings	-	7,568
Prior year income tax overestimation	(4,749)	(2,308)
Income tax expense	$ 311,266	$ 372,453

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, 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

	Year ended December 31, 2017		
	January 1	Recognised in profit or loss	December 31
Temporary differences:			
—Deferred tax assets:			
Provision for inventory price decline and obsolescence	$ 17,061	($ 3,062)	$ 13,999
Impairment loss	565	-	565
Unrealised loss on financial assets	-	95	95
Unrealised commission expense	63,476	2,824	66,300
Unfunded pension expense	2,114	142	2,256
Unrealised government grants	20,425	(673)	19,752
Others	5,198	-	5,198
	108,839	(674)	108,165
—Deferred tax liabilities			
Unrealised exchange gain	($ 11,416)	$ 9,329	($ 2,087)
Unrealised gain on financial assets	(6,246)	6,246	-
Others	-	(472)	(472)
	(17,662)	15,103	(2,559)
	$ 91,177	$ 14,429	$ 105,606

D. The Tax Authority has examined the income tax returns of the Company through 2016.

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

F. 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.

(27) Earnings per share

	Year ended December 31, 2018		
	Amount after tax	Weighted-average number of ordinary shares outstanding (In thousands)	Earnings per share (in dollars)
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' bonus	-	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

	Year ended December 31, 2017		
	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	$ 1,561,602	372,842	$ 4.19
Diluted EPS			
Assumed conversion of all dilutive potential ordinary shares			
-Employees' bonus	-	4,944	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 1,561,602	377,786	$ 4.13

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

7. RELATED PARTY TRANSACTIONS

(1) Parent and ultimate controlling party

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

(2) Names of related parties and relationship

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 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
XAVi Technologies (Suzhou) 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

Names of related parties	Relationship with the Group
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,	
	2018	2017
Sales of goods:		
-Entities controlled by the same parent company	$ 3,015,022	$ 2,898,767
-Other related parties	411,039	363,452
-Parent company	157,418	71,637
	$ 3,583,479	$ 3,333,856

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,	
	2018	2017
-Entities controlled by the same parent company	$ 27,252	$ 25,169
-Parent company	18,520	21,059
	$ 45,772	$ 46,228

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

C. Receivables from related parties

	December 31, 2018	December 31, 2017
Accounts receivable:		
-Entities controlled by the same parent company	$ 1,152,922	$ 1,270,987
-Other related parties	157,091	138,880
-Parent company	37,708	22,500
	1,347,721	1,432,367
Other receivables:		
-Entities controlled by the same parent company	433	1,349
-Other related parties	24	47
	457	1,396
	$ 1,348,178	$ 1,433,763

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, 2018	December 31, 2017
Other payables:		
-Entities controlled by the same parent company	$ 2,554	$ 2,486
-Parent company	10,046	6,409
	$ 12,600	$ 8,895

The other payables arise mainly from collections, operating leases and payments on behalf of others.

E. Operating leases:

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

	Years ended December 31,	
	2018	2017
Rental expense:		
-Entities controlled by the same parent company	$ 48,597	$ 36,870
-Parent company	52,752	49,377
	$ 101,349	$ 86,247

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

Lessor	Lease subject	Rental calculation and payment
-Entities controlled by the same parent company	Property, plant and equipment	RMB￥10,661 (in thousands) per year
-Parent company	Property, plant and equipment	$4,396 per month

(4) Key management compensation

	Years ended December 31,	
	2018	2017
Salaries and other short-term employee benefits	$ 118,051	$ 181,028
Post-employment benefits	1,081	1,331
	$ 119,132	$ 182,359

8. PLEDGED ASSETS

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

Pledged asset	Book value December 31, 2018	Book value December 31, 2017	Purpose
Time deposits (shown as 'other current assets')	$ -	$ 28,338	Customs Tariff
Guarantee deposits paid (shown as 'other non-current assets')	48,690	-	Performance guarantee and bid bond
"	11	5,083	Guarantee for purchase equipment
"	13,304	11,388	Guarantee for rentals
"	2,719	10,314	Others
	$ 64,724	$ 55,123	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) As of December 31, 2018, for financing forward exchange contracts and for bill purchase purposes, the Group provided standby promissory notes totaling $14,577,240 as security.

(2) As of December 31, 2018 and 2017, due to the Group’s leasing of plants, offices and parking lots, the Group shall pay rental expense as follows:

	December 31, 2018	December 31, 2017
Not later than one year	$ 136,193	$ 126,750
Later than one year but not later than five years	37,275	58,976
	$ 173,468	$ 185,726

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

(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, 2018	December 31, 2017
$ 55,134	$ 84,374

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

The appropriations of 2018 earnings and proposal for employees' compensation and supervisors' and directors' remuneration distribution have been resolved by the Board of Directors on March 5, 2019, please see Notes 6(18) and (25).

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, 2018	December 31, 2017
Financial assets		
Financial assets mandatorily measured at fair value through profit or loss - current	$ 971,324	$ 59,086
Financial asset at fair value through other comprehensive income - current	430,047	-
Available-for-sale financial assets - current	-	1,643,440
Financial assets at fair value through profit or loss, mandatorily measured at fair value - non-current	525,760	-
Financial assets at fair value through other comprehensive income - non-current	27,103	-
Available-for-sale financial assets - non-current	-	62,884
Financial assets carried at cost - non-current	-	506,256
Financial assets at amortised cost		
Cash and cash equivalents	705,018	958,789
Notes receivable	106,263	83,529
Accounts receivable (including related parties)	7,884,255	7,501,913
Other receivables (including related parties)	166,035	244,914
Guarantee deposits paid	64,724	26,785
Other financial assets	-	28,338
	$ 10,880,529	$ 11,115,934

	December 31, 2018	December 31, 2017
Financial liabilities		
Financial liabilities at fair value through profit or loss - current	$ 15,543	$ 1,755
Financial liabilities at amortised cost		
Short-term borrowings	1,450,000	-
Notes payable	217	153
Accounts payable	10,334,645	9,620,143
Other payables (including related parties)	2,140,372	2,540,441
	$ 13,940,777	$ 12,162,492

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 co-operation 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, 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

	December 31, 2017		
	Foreign Currency Amount (In Thousands)	Exchange Rate	Book Value (NTD)
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	$ 215,873	29.800	$ 6,433,015
USD:RMB (Note)	240,100	6.5179	7,154,980
Financial liabilities			
Monetary items			
USD:NTD	$ 223,176	29.800	$ 6,650,645
USD:RMB (Note)	174,197	6.5179	5,191,071

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 (loss), including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2018 and 2017, amounted to $68,557 and ($262,689), respectively.

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

	Year ended December 31, 2018		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
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	-

	Year ended December 31, 2017		
	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%	$ 64,330	$ -
USD:RMB	1%	71,550	-
Financial liabilities			
Monetary items			
USD:NTD	1%	$ 66,506	$ -
USD:RMB	1%	51,911	-

Price risk

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

ii. The Group's investments in equity securities comprise shares and open-end funds issued by the domestic and foreign companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, post-tax profit for the years ended December 31, 2018 and 2017 would have increased/decreased by $12,376 and $0, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would have increased/decreased by $4,572 and $14,568, respectively, as a result of other comprehensive income classified as available-for-sale equity investment and equity investment at fair value through other comprehensive income.

Cash flow and fair value interest rate risk

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash and cash equivalents held at variable rates. During the years ended December 31, 2018 and 2017, the Group's borrowings at variable rates were denominated in NTD and USD.

As of December 31, 2018 and 2017, if interest rates on USD-denominated borrowings had been 0.25% higher/lower with all other variables held constant, post-tax profit for the years ended December 31, 2018 and 2017 would have been $0 and $250 lower/higher, respectively.

(b) Credit risk

i. Credit risk refers to the risk of financial loss to the 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 adopts the assumptions under IFRS 9, that is, if the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition. Also, the default occurs when the contract payments are past due over 360 days.

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

v. The Group used the forecastability to adjust historical and timely information to assess the default possibility of accounts receivable. On December 31, 2018, the provision matrix is as follows:

	Expected loss rate	Total book value		Loss allowance	
December 31, 2018					
Not past due	0%~0.03%	$	6,520,266	$	357
1 - 30 days past due	2%~15%		10,734		647
31 - 120 days past due	8%~25%		1,491		180
121 - 210 days past due	20%~60%		8,323		3,096
		$	6,540,814	$	4,280

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

	2018	
	Accounts receivable	
At January 1_IAS 39	$	3,928
Adjustments under new standards		-
At January 1_IFRS 9		3,928
Provision for impairment		418
Effect of foreign exchange	(	66)
At December 31	$	4,280

vii. 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.

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

(c) Liquidity risk

i. Cash flow forecasting is performed in the operating entities of the 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, 2018 and 2017, the Group held money market position of $2,088,325 and $2,598,201, respectively, which are expected to generate sufficient cash inflows to cover liquidity risk.

iii. The Group has the following undrawn borrowing facilities:

	December 31, 2018	December 31, 2017
Floating rate:		
Expiring within one year	$ 5,935,625	$ 5,543,000
Expiring beyond one year	4,500,000	4,400,000
	$ 10,435,625	$ 9,943,000

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

December 31, 2018	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	
Derivative financial liabilities:		
Financial liabilities at fair value through profit or loss	15,543	-

December 31, 2017		
Non-derivative financial liabilities:	Less than 1 year	Over 1 year
Notes payable	$ 153	$ -
Accounts payable	9,620,143	-
Other payables (including related parties)	2,540,441	-
Long-term borrowings	-	100,551
Derivative financial liabilities:		
Financial liabilities at fair value through profit or loss	1,755	-

(3) Fair value of financial instruments

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the 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, accounts payable and other payables (including related parties) are approximate to their fair values.

C. The related information of financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities at December 31, 2018 and 2017 are as follows:

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

December 31, 2018	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets mandatorily measured at fair value through profit or loss - current				
Equity securities	$ 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

December 31, 2017	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Forward exchange contracts	$ -	$ 57,892	$ -	$ 57,892
Exchange rate swap contracts	-	1,194	-	1,194
Available-for-sale financial assets				
Equity securities	1,393,940	20,584	-	1,414,524
Debt seurities	249,500	-	-	249,500
Beneficiary certificates	42,300	-	-	42,300
	$1,685,740	$ 79,670	$ -	$1,765,410
Liabilities				
Recurring fair value measurements				
Financial liabilities at fair value through profit or loss				
Exchange rate swap contracts	$ -	$ 1,755	$ -	$ 1,755

(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.

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

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

	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.

E. For the year ended December 31, 2018 and 2017, there was no transfer into or out from Level 3.

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

	Fair value at December 31, 2018	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs 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

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

			December 31, 2018			
			Recognised in profit or loss		Recognised in other comprehensive income	
	Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets						
Equity 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)

(4) Effects on initial application of IFRS 9 and information on application of IAS 39 in 2017

A. Summary of significant accounting policies adopted in 2017:

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

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

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

(i) Hybrid (combined) contracts; or

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

(iii) They are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

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

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

(b) Available-for-sale financial assets

i. Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

ii. On a regular way purchase or sale basis, available-for-sale financial assets are recognised and derecognised using trade date accounting.

iii. Available-for-sale financial assets are initially recognised at fair value plus transaction costs. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognised in other comprehensive income. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured or derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are presented in 'financial assets carried at cost'.

(c) Accounts receivable

Receivables are non-derivative financial assets originated from the ordinary course of business. Accounts receivable are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

However, short-term accounts receivable without bearing interest are subsequently measured at initial invoice amount as effect of discounting is immaterial.

(d) Impairment of financial assets

i. The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

ii. The criteria that the Group uses to determine whether there is objective evidence of an impairment loss is as follows:

(i) Significant financial difficulty of the issuer or debtor;

(ii) Breach of contract, such as a default or delinquency in interest or principal payments;

(iii) The Group, for economic or legal reasons relating to the borrower's financial difficulty, granted the borrower a concession that a lender would not otherwise consider;

(iv) It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;

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

(vi) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, including adverse changes in the payment status of borrowers in the group or national or local economic conditions that correlate with defaults on the assets in the group;

(vii) Information about significant changes with an adverse effect that have taken place in the technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered;

(viii) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

iii. When the Group assesses that there has been objective evidence of impairment and an impairment loss has occurred, accounting for impairment is made as follows according to the category of financial assets:

(i) financial assets at amortised cost

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate, and is recognised in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortised cost that would have been at the date of reversal had the impairment loss not been recognised previously. Impairment loss is recognised and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(ii) Financial assets carried at cost

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at current market return rate of similar financial asset, and is recognised in profit or loss. Impairment loss recognised for this category shall not be reversed subsequently. Impairment loss is recognised by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(iii)Available-for-sale financial assets

The amount of the impairment loss is measured as the difference between the asset's acquisition cost (less any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss, and is reclassified from 'other comprehensive income' to 'profit or loss'. If, in a subsequent period, the fair value of an investment in a debt instrument increases, and the increase can be related objectively to an event occurring after the impairment loss was recognised, then such impairment loss is reversed through profit or loss. Impairment loss of an investment in an equity instrument recognised in profit or loss shall not be reversed through profit or loss. Impairment loss is recognised and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

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

Financial assets - impairment of equity investment

The Group follows the guidance of IAS 39 to determine whether a financial asset—equity investment is impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an equity investment is less than its cost and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

If the decline of the fair value of an individual equity investment below cost was considered significant or prolonged, the Group would recognise an adjustment to transfer the accumulated fair value adjustments in other comprehensive income on the impaired available-for-sale financial assets to profit or loss or to recognise the impairment loss on the impaired financial assets carried at cost in profit or loss.

C. The reconciliations of carrying amount of financial assets transferred from December 31, 2017, IAS 39, to January 1, 2018, IFRS 9, were as follows:

		Available-for-sale - current		Available-for-sale – non-current			Effects	
	Measured at fair value through profit or loss - current	Measured at fair value through other comprehensive income - current	Measured at fair value through profit or loss - non-current	Measured at fair value through other comprehensive income - non-current	Measured at cost	Total	Retained earnings	Other equity
IAS 39	$ 59,086	$ 1,643,440	$ -	$ 62,884	$ 506,256	$ 2,271,666	$ -	$ -
Transferred into and measured at fair value through profit or loss	1,008,061	(1,008,061)	517,579	(42,300)	(491,256)	(15,977)	(197,910)	181,933
Transferred into and measured at fair value through other comprehensive income	-	-	-	14,314	(15,000)	(686)	-	(686)
Impairment loss adjustment	-	-	-	-	-	-	508,504	(508,504)
IFRS 9	$ 1,067,147	$ 635,379	$ 517,579	$ 34,898	$ -	$ 2,255,003	$ 310,594	($ 327,257)

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

	Available-for-sale-current Measured at fair value through other comprehensive income - current	Available-for-sale - non-current Measured at fair value through other comprehensive income – non-current	Total
IAS 39	$ 102,847	$ 405,657	$ 508,504
Impairment loss adjustment	(102,847)	(405,657)	(508,504)
IFRS 9	$ -	$ -	$ -

E. The significant accounts as of December 31, 2017 are as follows:

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

Current items:	December 31, 2017
Financial assets held for trading	
Non-hedging derivatives	
Forward exchange contracts	$ 57,892
Foreign exchange swap contracts	1,194
	$ 59,086
Financial liabilities held for trading	
Non-hedging derivatives	
Foreign exchange swap contracts	($ 1,755)

i. The Group recognised net profit amounting to $153,380 on financial assets held for trading for the year ended December 31, 2017.

ii. The non-hedging derivative instruments transaction and contract information are as follows:

	December 31, 2017	
Current items:	Contract amount (Notional principal)	Expiry date
Foreign exchange swap contracts		
- Buy USD sell NTD	USD 34,700 thousand	2018.1.3~2018.12.27
Forward exchange contracts		
- Buy RMB sell USD	USD 111,000 thousand	2018.1.3~2018.12.4

Forward exchange contract/ Foreign exchange swap contracts

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

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

(b) Available-for-sale financial assets

Items	December 31, 2017
Current items:	
Listed stocks	$ 2,273,641
Emerging stocks	14,520
Convertible bonds	251,250
	2,539,411
Valuation adjustment	(793,124)
Accumulated impairment	(102,847)
	$ 1,643,440
Non-current items:	
Listed stocks	$ 422,100
Beneficiary certificates	60,000
	482,100
Valuation adjustment	(13,559)
Accumulated impairment	(405,657)
	$ 62,884

i. The above listed stocks of available-for-sale financial assets - non-current were private placements that could not be sold during the private lock-up in accordance with the R.O.C. Securities Exchange Law. These private placements are remeasured and stated at value adjusted by the same item’s fair value in active markets considering the effect of the restrictions.

ii. The above available-for-sale financial assets - non-current beneficiary certificates were private fund investment, the invested shares of the fund are all listed. As the stock has quoted market price in an active market, it was reclassified from financial assets carried at cost to available-for-sale financial assets – non-current beneficiary certificates.

iii. Certain stocks held by the Group had quoted market price in an active market starting the first quarter of 2017, they were reclassified from financial assets carried at cost - non-current to available-for-sale financial assets - current.

iv. The Group recognised ($238,657) in other comprehensive income for fair value change and reclassified ($287,217) from equity to profit or loss for the year ended December 31, 2017.

v. The Group has accumulated impairment loss of $508,504 on equity investments as of December 31, 2017.

vi. No interest income was recognised from debt instruments held for the years ended December 31, 2017.

vii. The counterparties of the Group's investments in debt instruments have good credit quality.

viii. The Group has no available-for-sale financial assets pledged to others.

(c) Financial assets carried at cost

Items	December 31, 2017
Non-current items:	
Unlisted shares	$ 247,110
Beneficiary certificates	306,256
	553,366
Accumulated impairment	(47,110)
	$ 506,256

i. According to the Group's intention, its investment in stocks and beneficiary certificates should be classified as 'available-for-sale financial assets'. However, as similar companies stocks are not traded in active market, and no sufficient industry information of companies similar to investees or investees' financial information cannot be obtained, the fair value of the investment in investees' stocks cannot be measured reliably. The Group classified those stocks as 'financial assets measured at cost'.

ii. For details of the financial assets carried at cost transferred to available-for-sale financial assets, please see Note 12(4)E(b).

iii. There has been objective evidence of impairment on the above certain stocks after the Group's assessment and an impairment loss has been recognised. As of December 31, 2017, the Group has recognised accumulated impairment loss of $47,110 on equity investments

iv. No financial assets measured at cost held by the Group was pledged to others.

F. Credit risk information for the year ended December 31, 2017 is as follows:

(a) Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables.

i. For the year ended December 31, 2017, no credit risk was found during the reporting periods, and management does not expect any significant losses from non-performance by these counterparties.

ii. The credit quality information of the Group's accounts receivable (including related parties) that are neither past due nor impaired is as follow:

		December 31, 2017
Group 1	$	4,890,345
Group 2		2,554,865
	$	7,445,210

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

Group 2: Other normal-risk customers.

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

		December 31, 2017
1 - 30 days past due	$	42,945
31 - 120 days past due		13,758
	$	56,703

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

Individual provision		2017
At January 1	$	5,346
Provision of impairment	(	1,365)
Effect of exchange rate changes	(	53)
At December 31	$	3,928

(5) Effects on initial application of IFRS 15 and information on application of IAS 18 in 2017

A. Summary of significant accounting policies adopted in 2017:

Revenue recognition

The Group revenue is measured at the fair value of the consideration received or receivable taking into account of value-added tax, returns, rebates and discounts for the sale of goods to external customers in the ordinary course of the Group's activities. Revenue arising from the sales of goods should be recognised when the Group has delivered the goods to the customer, the amount of sales revenue can be measured reliably and it is probable that the future economic benefits associated with the transaction will flow to the entity. The delivery of goods is completed when the significant risks and rewards of ownership have been transferred to the customer, the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the customer has accepted the goods based on the sales contract or there is objective evidence showing that all acceptance provisions have been satisfied.

B. The effects and description of current balance sheet and comprehensive income statement if the Group continues adopting above accounting policies are as follows:

		December 31, 2018		
Balance sheet items	Description	Balance by using IFRS 15	Balance by using previous accounting policies	Effects from changes in accounting policy
Contract liabilities - current	(b)	$ 114,222	$ -	($ 114,222)
Other current liabilities	(b)	-	114,222	114,222

Explanation：

(a) The initial application of IFRS 15 has no effect on the Group's current comprehensive income statement.

(b) Under IFRS 15, advance sales receipts in relation to contracts are recognised as contract liabilities - current, but were previously presented as other current liabilities in the balance sheet.

(6) Deferred tax assets and liabilities shall not be offset under the current regulations and IAS 12, hence, the Group reclassified the amounts which shall belong to deferred tax liabilities and were originally recognised under deferred tax asset. The reclassification has no effect on basic earnings per share and diluted earnings per share.

	December 31, 2017		
	Before reclassifications	Reclassifications	After reclassifications
Deferred tax assets	$ 105,606	$ 2,559	$ 108,165
Deferred tax liabilities	-	(2,559)	(2,559)

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 company 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, 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

Year ended December 31, 2017	Taiwan	Asia	America	Total
Revenue from external customers	$24,148,089	$ 1,091,252	$ 2,635,587	$27,874,928
Inter-segment revenue	787,978	25,862,999	22,709,975	49,360,952
Total-segment revenue	$24,936,067	$26,954,251	$25,345,562	$77,235,880
Segment profit	$ 935,160	$ 1,124,310	$ 270,482	$ 2,329,952

(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, 2018 and 2017 is provided as follows:

	Years ended December 31, 2018	Years ended December 31, 2017
Reportable segment profit	$ 2,205,331	$ 2,329,952
Unclassified related profit and loss	(782,988)	(696,311)
Non-operating revenue and expense	(87,677)	301,050
Profit before tax	$ 1,334,666	$ 1,934,691

(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, 2018	Years ended December 31, 2017
Electronic component products	$ 22,196,566	$ 18,379,810
Consumer electronic products and other electronic products	8,920,416	9,346,178
Others	175,379	148,940
	$ 31,292,361	$ 27,874,928

(6) Geographical information

Geographical information for the years ended December 31, 2018 and 2017 is as follows:

	Years ended December 31,			
	2018		2017	
	Revenue	Non-current assets	Revenue	Non-current assets
Asia	$ 27,855,409	$ 3,137,589	$ 23,871,640	$ 3,047,286
US	2,988,857	97,400	3,543,112	97,791
Europe	444,344	-	430,631	-
Others	3,751	-	29,545	-
	$ 31,292,361	$ 3,234,989	$ 27,874,928	$ 3,145,077

Non-current assets include property, plant and equipment, 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, 2018 and 2017 is as follows:

	Years ended December 31,			
	2018		2017	
	Revenue	Segment	Revenue	Segment
Company A	$ 4,754,448	Taiwan	$ 4,285,256	Taiwan

CHICONY POWER TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Loans to others

Year ended December 31, 2018

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

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

Note 1: The numbers filled in for the loans provided by the Company or subsidiaries are as follows:
(1) The Company is '0'.
(2) The subsidiaries are numbered in order starting from '1'.

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

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

Note 4: The numbers filled in the column of 'Nature of loan are as follows:
(1) The business transaction is '1'.
(2) The short-term financing is '2'.

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

Note 6: (1) Total financing amount should not exceed the Company's stockholders' equity and
a. the total financing amount to any individual party should not exceed 40% of the Company's stockholders' equity for the purpose of short-term financing.
b. the total financing amount to any individual party should not exceed 50% of the Company's stockholders' equity and the amount of sales/purchase during the year for the purpose of business.
(2) Total financing amount should not exceed 40% of the subsidiary's stockholders' equity and
a. the total financing amount to any individual party should not exceed 40% of the subsidiary's stockholders' equity for the purpose of short-term financing.
b. the total financing amount to any individual party should not exceed 50% of the subsidiary's stockholders' equity and the amount of sales/purchase during the year for the purpose of business.
(3) Loans for foreign companies whose voting rights are 100% directly or indirectly held by the Company are not limited to the restriction of 40% of the lending company's net assets based on the latest audited or reviewed financial statements. However, limit on loans granted to a single company is 30% of the Company's net assets based on the latest audited or reviewed financial statements, or the higher of sales and purchases during the year. Ceiling on total loans is 40% of the Company's net assets based on the latest audited or reviewed financial statements, and the financing period should not exceed 3 years.
(4) Except for (3), the financing period should not exceed one year.

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

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

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

CHICONY POWER TECHNOLOGY CO., LTD. AND SUBSIDIARIES

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

Year ended December 31, 2018

Table 3

Expressed in thousands of NTD
(Except as otherwise indicated)

							If the counterparty is a related party, information as to the last transaction of the real estate is disclosed below:						
Real estate acquired by	Real estate acquired	Date of the event	Transaction amount	Status of payment	Counterparty	Relationship with the counterparty	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)	$ -	Suzhou Weiye Group Co., Ltd.	None	-	-	-	$ -	Contract	Plant (For the Purpose of Conducting Business)	None

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

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

CHICONY POWER TECHNOLOGY CO., LTD. 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, 2018

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	($ 396,443)	1	60 days	Note 1	Note 1	$ 122,318	2	-
The Company	Chicony Electronics CEZ s.r.o.	Entity controlled by the same parent company	Sales	(108,320)	-	90 days	Note 1	Note 1	3,816	-	-
The Company	Chicony Electronics (Dong Guan) Co., Ltd.	Entity controlled by the same parent company	Sales	(809,797)	3	90 days	Note 1	Note 1	305,660	4	-
The Company	CPUS	Subsidiary	Sales	(954,424)	3	90 days	Note 1	Note 1	411,821	6	-
The Company	Chicony Electronics Co., Ltd.	Parent Company	Sales	(157,418)	1	90 days	Note 1	Note 1	37,708	1	-
CPI	The Company	The Company	Sales	(26,456,021)	93	45 days	Note 1	Note 1	7,149,606	90	-
CPI	Chicony Electronics (Suzhou) Co., Ltd.	Entity controlled by the same parent company	Sales	(1,142,639)	4	90 days	Note 1	Note 1	488,157	6	-
CPI	Mao-Ray(Dong Guan) Co., Ltd.	Entity controlled by the same parent company	Sales	(192,999)	1	90 days	Note 1	Note 1	87,025	1	-
CPI	Chicony Electronics (Chong-Qing) Co., Ltd.	Entity controlled by the same parent company	Sales	(478,619)	2	90 days	Note 1	Note 1	150,282	2	-
CPDG	CPI	Subsidiary	Sales	(9,730,341)	98	45 days	Note 1	Note 1	1,557,649	95	-
CPSZ	CPI	Subsidiary	Sales	(12,534,468)	97	45 days	Note 1	Note 1	4,066,243	97	-
CPSZ	Chicony Electronics (Suzhou) Co., Ltd.	Entity controlled by the same parent company	Sales	(224,741)	2	90 days	Note 1	Note 1	102,235	2	-
CPCQ	CPI	Subsidiary	Sales	(5,408,980)	85	45 days	Note 1	Note 1	1,577,010	87	-
CPCQ	CPSZ	Subsidiary	Sales	(866,747)	14	60 days	Note 1	Note 1	222,049	12	-
GSE	CPDG	Subsidiary	Sales	(394,003)	38	60 days	Note 1	Note 1	143,062	41	-
GSE	CPSZ	Subsidiary	Sales	(363,124)	35	60 days	Note 1	Note 1	118,411	34	-
GSE	CPCQ	Subsidiary	Sales	(160,257)	16	60 days	Note 1	Note 1	50,530	14	-
Purchases											
The Company	CPI	Subsidiary	Purchases	$ 26,456,021	97	45 days	Note 2	Note 2	($ 7,149,606)	99	-
CPUS	The Company	The Company	Purchases	954,424	100	90 days	Note 2	Note 2	(411,821)	100	-
CPI	CPDG	Subsidiary	Purchases	9,730,341	33	45 days	Note 2	Note 2	(1,557,649)	20	-
CPI	CPSZ	Subsidiary	Purchases	12,534,468	46	45 days	Note 2	Note 2	(4,066,243)	53	-
CPI	CPCQ	Subsidiary	Purchases	5,408,980	20	45 days	Note 2	Note 2	(1,577,010)	21	-
CPDG	GSE	Subsidiary	Purchases	394,003	4	60 days	Note 2	Note 2	(143,062)	4	-
CPSZ	CPCQ	Subsidiary	Purchases	866,747	7	60 days	Note 2	Note 2	(222,049)	5	-
CPSZ	GSE	Subsidiary	Purchases	363,124	3	60 days	Note 2	Note 2	(118,411)	3	-
CPCQ	GSE	Subsidiary	Purchases	160,257	3	60 days	Note 2	Note 2	(50,530)	2	-

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

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

CHICONY POWER TECHNOLOGY CO., LTD. AND SUBSIDIARIES

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

December 31, 2018

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

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

CHICONY POWER TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Significant inter-company transactions during the reporting period

Year ended December 31, 2018

Table 6

Expressed in thousands of NTD

(Except as otherwise indicated)

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

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

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

(1) Parent company is‘0’

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

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

(1) Parent company to subsidiary.

(2) Subsidiary to parent company

(3) Subsidiary to subsidiary

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

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

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

CHICONY POWER TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Information on investees

Year ended December 31, 2018

Table 7

Expressed in thousands of NTD

(Except as otherwise indicated)

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

Note: For the amounts denomimated in foreign currencies, profit and loss amounts are translated into New Taiwan dollars at the yearly average exchange rate of 2018,while others are translated into New Taiwan dollars at the spot 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, 2018

Table 8

Expressed in thousands of NTD
(Except as otherwise indicated)

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

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

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

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

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

(1) Chicony Power Technology Hong Kong Limited.

(2) Witslight Technology Co., Ltd.

3.Others

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

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

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

V. Individual Financial Statements in 2018Audited by the CPA

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

PWCR 18003646

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

Opinion

We have audited the accompanying parent company only balance sheets of Chicony Power Technology Co., Ltd. (the "Company") as of December 31, 2018 and 2017, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the report of other independent accountants (refer to "other matter"), the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Company as of December 31, 2018 and 2017, and its parent company only financial performance and its parent company only cash flows for the years then ended in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers".

Basis for Opinion

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

Key Audit Matters

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

Key audit matters for the Company's parent company only financial statements of the current period are stated as follows:

Appropriateness of Cut-off of Warehouse Sales Revenue

Description

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

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

How our audit addressed the matter

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

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

Inventory Valuation

Description

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

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

How our audit addressed the matter

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

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

Other matter - Scope of the Audit

We did not audit the financial statements of investments accounted for under equity method. The investments accounted for under equity method amounted to NT$28,383 thousand and NT$13,574 thousand, constituting 0.17% and 0.09% of total assets, as of December 31, 2018 and 2017, respectively, and comprehensive income amounted to NT$14,809 thousand and NT$1,411 thousand, constituting 1.94% and 0.14% of total comprehensive income, for the years then ended, respectively. Those financial statements and information disclosed in Note 13 were audited by other independent accountants whose report thereon has been furnished to us, and our opinion expressed herein is based solely on the report of the other independent accountants.

Responsibilities of Management and Those Charged with Governance for the Parent Company Only Financial Statements

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Parent Company Only Financial Statements

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

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

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

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

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Chen, Chin-Chang   Weng, Shih-Jung

For and on behalf of PricewaterhouseCoopers, Taiwan

March 5, 2019

The accompanying parent company only financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying parent company only financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.
As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

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

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

(Continued)

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

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

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

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

	Items	Notes	2018 AMOUNT	2018 %	2017 AMOUNT	2017 %
			Years ended December 31			
4000	**SALES REVENUE**	6(17) and 7	$ 28,013,917	100	$ 24,936,066	100
5000	**OPERATING COSTS**	6(5)(21)(22)	(25,480,579)	(91)	(22,142,604)	(89)
5900	**GROSS PROFIT**		2,533,338	9	2,793,462	11
	OPERATING EXPENSES	6(21)(22) and 7				
6100	Selling expenses		(298,107)	(1)	(438,787)	(1)
6200	General and administrative expenses		(224,361)	(1)	(247,299)	(1)
6300	Research and development expenses		(1,183,472)	(4)	(1,247,270)	(5)
6450	Expected credit gain		596	-	-	-
6000	**TOTAL OPERATING EXPENSES**		(1,705,344)	(6)	(1,933,356)	(7)
6900	**OPERATING PROFIT**		827,994	3	860,106	4
	NON-OPERATING INCOME AND EXPENSES					
7010	Other income	6(18) and 7	85,324	-	99,902	-
7020	Other gains and losses	6(19)	(90,844)	-	84,804	-
7050	Finance costs	6(20)	(55,240)	-	(37,633)	-
7070	Share of loss of associates and joint ventures accounted for under equity method	6(6)	363,736	1	712,723	3
7000	**TOTAL NON-OPERATING INCOME AND EXPENSES**		302,976	1	859,796	3
7900	**PROFIT BEFORE INCOME TAX**		1,130,970	4	1,719,902	7
7950	Income tax expense	6(23)	(100,761)	-	(158,300)	(1)
8200	**PROFIT FOR THE YEAR**		$ 1,030,209	4	$ 1,561,602	6
	OTHER COMPREHENSIVE INCOME					
	COMPONENTS OF OTHER COMPREHENSIVE INCOME THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS					
8311	Remeasurement of defined benefit plan	6(11)	($ 11,072)	-	($ 6,220)	-
8316	Unrealised losses from investments in equity instruments measured at fair value through other comprehensive income	6(16)	(183,546)	(1)	-	-
	COMPONENTS OF OTHER COMPREHENSIVE INCOME THAT WILL BE RECLASSIFIED TO PROFIT OR LOSS					
8361	Financial statement translation differences of foreign operations	6(16)	(72,233)	-	(37,061)	-
8362	Unrealised loss on valuation of available-for-sale financial assets		-	-	(500,132)	(2)
8380	Share of other comprehensive loss of associates and joint ventures accounted for under equity method		-	-	(22,854)	-
8300	**TOTAL OTHER COMPREHENSIVE LOSS FOR THE YEAR**		($ 266,851)	(1)	($ 566,267)	(2)
8500	**TOTAL COMPREHENSIVE INCOME FOR THE YEAR**		$ 763,358	3	$ 995,335	4
	EARNINGS PER SHARE (NT$)	6(24)				
9750	**BASIC EARNINGS PER SHARE**		$ 2.72		$ 4.19	
9850	**DILUTED EARNINGS PER SHARE**		$ 2.68		$ 4.13	

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

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

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

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

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

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

(Continued)

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

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

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

CHICONY POWER TECHNOLOGY CO., LTD.
NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017
(In thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND ORGANISATION

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

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

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

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 2, 'Classification and measurement of share-based payment transactions'	January 1, 2018
Amendments to IFRS 4, 'Applying IFRS 9, Financial instruments with IFRS 4, Insurance contracts'	January 1, 2018
IFRS 9, 'Financial instruments'	January 1, 2018
IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
Amendments to IFRS 15, 'Clarifications to IFRS 15, Revenue from contracts with customers'	January 1, 2018
Amendments to IAS 7, 'Disclosure initiative'	January 1, 2017
Amendments to IAS 12, 'Recognition of deferred tax assets for unrealised losses'	January 1, 2017
Amendments to IAS 40, 'Transfers of investment property'	January 1, 2018
IFRIC 22, 'Foreign currency transactions and advance consideration'	January 1, 2018

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Annual improvements to IFRSs 2014-2016 cycle - Amendments to IFRS 1, 'First-time adoption of International Financial Reporting Standards'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle - Amendments to IFRS 12, 'Disclosure of interests in other entities'	January 1, 2017
Annual improvements to IFRSs 2014-2016 cycle - Amendments to IAS 28, 'Investments in associates and joint ventures'	January 1, 2018

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

IFRS 9, 'Financial instruments'

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

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

When adopting the new standards endorsed by the FSC effective from 2018, the Company applied the new rules under IFRS 9 and IFRS 15 retrospectively from January 1, 2018, with the practical expedients permitted under the statement. The significant effects of applying the standards as of January 1, 2018 are summarised below.

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

Explanation:

A. In accordance with IFRS 9, the Company reclassified available-for-sale financial assets – current, available-for-sale financial assets – non-current and financial assets carried at cost – non-current in the amounts of $608,103, $20,584 and $15,000, respectively, and made an irrevocable election at initial recognition on equity instruments not held for dealing or trading purpose, by increasing financial assets at fair value through other comprehensive income – current, financial assets at fair value through other comprehensive income – non-current in the amounts of $608,103, $34,898, respectively, by decreasing other equity interest in the amounts of $686.

B. In accordance with IFRS 9, the Company reclassified available-for-sale financial assets – current, available-for-sale financial assets – non-current and financial assets carried at cost in the amounts of $978,705, $42,300 and $395,000, respectively, by increasing financial assets at fair value through profit or loss - current, financial assets at fair value through profit or loss - non-current, and other equity interest in the amounts of $978,705, $428,568 and $181,933, respectively, by decreasing retained earnings and investment accounted for under equity method in the amounts of $197,910, and $7,245, respectively.

C. In accordance with IFRS 9 requirements on provision for impairment, the Company decreased other equity interest and increased retained earnings in the amounts of $508,504.

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

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

Under IFRS 15, liabilities in relation to contracts are recognised as contract liabilities, but were previously presented as advance sales receipts (shown as ‘other current liabilities’) in the balance sheet. The balance amounted to $136,670 on January 1, 2018. Please refer to Note 12(5) for other disclosures in relation to the first application of IFRS 15.

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

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

Except for the following, the above standards and interpretations have no significant impact to the Company’s financial condition and financial performance based on the Company’s assessment. The quantitative impact will be disclosed when the assessment is complete.

IFRS 16, ‘Leases’

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

The Company expects to recognise the lease contract of lessees in line with IFRS 16. However, the Company does not intend to restate the financial statements of prior period (referred herein as the "modified retrospective approach"). On January 1, 2019, it is expected that 'right-of-use asset' and lease liability will be increased by $44,734.

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

The parent company only financial statements of the Company have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers".

(2) Basis of preparation

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

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

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

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

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

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

(3) Foreign currency translation

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

A. Foreign currency transactions and balances

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

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

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

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

B. Translation of foreign operations

(a) The financial performance and financial position of all the subsidiaries and associates that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

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

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

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

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

(4) Classification of current and non-current items

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

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

(b) Assets held mainly for trading purposes;

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

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

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

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

(b) Liabilities arising mainly from trading activities;

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

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

(5) Cash equivalents

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

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

Effective 2018

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

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

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

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

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

Effective 2018

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

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

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

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

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

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

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

(8) Accounts and notes receivable

Effective 2018

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

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

(9) Impairment of financial assets

Effective 2018

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

(10) Derecognition of financial assets

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

(11) Inventories

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

(12) Investments accounted for using equity method / subsidiaries

A. Subsidiaries are all entities (including structured entity) controlled by the Company. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity

B. Unrealised gains on transactions between the Company and its subsidiaries are eliminated to the extent of the Company's interest in the subsidiaries. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.

C. The Company's share of its subsidiaries' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, the Company should continue to recognise losses in proportion to its ownership.

D. According to "Regulations Governing the Preparation of Financial Reports by Securities Issuers", profit and other comprehensive income in the parent company only financial statements should be the same as profit and other comprehensive income attributable to shareholders of the parent in the parent company only financial statements, and the equity in the parent company only financial statements should be the same as the equity attributable to shareholders of the parent in the parent company only financial statements.

(13) Property, plant and equipment

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

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

C. Land is not depreciated. Other property, plant and equipment are depreciated using the straight-line method to allocate their costs over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives for the plant and buildings are 20 years and for the other fixed assets are 1-7 years.

(14) Operating leases (lessee)

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

(15) Intangible assets

A. Trademark, right, patent and computer software, are amortised on a straight-line basis over their estimated useful lives of 1-10 years.

B. Other intangible asset, mainly expertise, is amortised on a straight-line basis over its estimated useful lives of 2-14 years.

(16) Impairment of non-financial assets

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

(17) Borrowings

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

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

(18) Notes and accounts payable

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

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

Effective 2018

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

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

(a) Hybrid (combined) contracts; or

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

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

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

(20) Derecognition of financial liabilities

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

(21) Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(22) Non-hedging and embedded derivatives

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

(23) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plan

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

(b) Defined benefit plan

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

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

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

C. Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the Company’s decision to terminate an employee’s employment before the normal retirement date, or an employee’s decision to accept an offer of redundancy benefits in exchange for the termination of employment. The Company recognises expense as it can no longer withdraw an offer of termination benefits or it recognises relating restructuring costs, whichever is earlier. Benefits that are expected to be due more than 12 months after balance sheet date shall be discounted to their present value.

D. Employees’, directors’ and supervisors’ remuneration

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

(24) Employee share-based payment

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

B. Restricted stocks:

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

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

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

(25) Income tax

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

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

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

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

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

F. A deferred tax asset shall be recognised for the carryforward of unused tax credits resulting from research and development expenditures to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilised.

(26) Share capital

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

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

(27) Dividends

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

(28) Revenue recognition

Effective 2018

A. Sales of goods

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

(b) A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(c) Under the contracts with customers, as the time interval between the transfer of committed goods or service and the payment of customer does not exceed one year, the Company does not adjust the transaction price to reflect the time value of money.

B. Incremental costs of obtaining a contract

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

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

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

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

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

(2) Critical accounting estimates and assumptions

Evaluation of inventories

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

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

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

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

B. The Company has no cash and cash equivalents pledged to others.

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

Effective 2018

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

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

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

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

	December 31, 2018	
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

Forward foreign exchange contract / Foreign exchange swap contracts

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

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

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

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

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

Effective 2018

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

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

B. The Company sold $34,867 equity investments at fair value which resulted in cumulative losses on disposal of $14,759 during the year ended December 31, 2018.

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

	2018
Equity instruments at fair value through other comprehensive income	
Fair value change recognised in other comprehensive income	($ 156,881)
Cumulative losses reclassified to retained earnings due to derecognition	$ 14,759
Dividend income recognised in profit or loss held at end of year	$ 14,781

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

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

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

(4) Notes and accounts receivable

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

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

	December 31, 2018		December 31, 2017
	Accounts receivable	Notes receivable	Accounts receivable
Not past due	$ 5,911,861	$ 112	$ 5,463,927
1-30 days past due	6,468	-	42,619
31-120 days past due	901	-	14,203
121-210 days past due	4	-	-
	$ 5,919,234	$ 112	$ 5,520,749

The above ageing analysis was based on past due date.

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

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

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

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

(5) Inventories

	December 31, 2018					
		Cost		Allowance for valuation loss		Book value
Raw materials	$	3,652	($	1,624)	$	2,028
Work in progress		12,556	(	5,614)		6,942
Finished goods		3,410,857	(	65,625)		3,345,232
	$	3,427,065	($	72,863)	$	3,354,202

	December 31, 2017					
		Cost		Allowance for valuation loss		Book value
Raw materials	$	1,767	($	189)	$	1,578
Work in progress		683	(	14)		669
Finished goods		2,317,380	(	37,340)		2,280,040
	$	2,319,830	($	37,543)	$	2,282,287

The cost of inventories recognised as expense for the year:

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

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

(6) Investments accounted for under equity method

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

		December 31, 2018		December 31, 2017
Chicony Power Holdings Inc. (CPH)	$	4,344,910	$	4,087,317

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

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

C. Subsidiaries

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

D. Associates

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

(7) Property, plant and equipment

	Machinery	Test equipment	Others	Total
January 1, 2018				
Cost	$ 27,927	$ 291,181	$ 73,659	$ 392,767
Accumulated depreciation	(4,236)	(237,545)	(24,211)	(265,992)
	$ 23,691	$ 53,636	$ 49,448	$ 126,775
2018				
Balance, January 1, 2018	$ 23,691	$ 53,636	$ 49,448	$ 126,775
Additions	20,359	29,145	31,871	81,375
Disposals - cost	(96)	(56,837)	(3,736)	(60,669)
Disposals - accumulated depreciation	21	56,710	2,856	59,587
Reclassifications	3,259	3,134	2,267	8,660
Depreciation charge	(6,984)	(26,055)	(17,252)	(50,291)
Balance, December 31, 2018	$ 40,250	$ 59,733	$ 65,454	$ 165,437
December 31, 2018				
Cost	$ 51,449	$ 266,623	$ 104,061	$ 422,133
Accumulated depreciation	(11,199)	(206,890)	(38,607)	(256,696)
	$ 40,250	$ 59,733	$ 65,454	$ 165,437

	Machinery	Test equipment	Others	Total
January 1, 2017				
Cost	$ 11,950	$ 254,667	$ 75,973	$ 342,590
Accumulated depreciation	(743)	(215,367)	(39,817)	(255,927)
	$ 11,207	$ 39,300	$ 36,156	$ 86,663
2017				
Balance, January 1, 2017	$ 11,207	$ 39,300	$ 36,156	$ 86,663
Additions	15,977	37,018	23,428	76,423
Disposals - cost	-	(504)	(26,646)	(27,150)
Disposals - accumulated depreciation	-	504	26,646	27,150
Reclassifications	-	-	904	904
Depreciation charge	(3,493)	(22,682)	(11,040)	(37,215)
Balance, December 31, 2017	$ 23,691	$ 53,636	$ 49,448	$ 126,775
December 31, 2017				
Cost	$ 27,927	$ 291,181	$ 73,659	$ 392,767
Accumulated depreciation	(4,236)	(237,545)	(24,211)	(265,992)
	$ 23,691	$ 53,636	$ 49,448	$ 126,775

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

(8) Short-term borrowings

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

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

(9) Other payables

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

(10) Long-term borrowings

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

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

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

A long-term syndicated loan facility amounting to $4,500,000 (can be 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 (subject to the consolidated financial statements audited by independent accountants), the borrower is considered to have violated the contract.

B. The Company should maintain appropriate accounts receivable ratio (including the drawn amount) above 50% for each withdrawal. If the Company's qualified accounts receivable is overdue (remains unpaid after 15 days of the due date of accounts receivable), or specific transaction parties did not deposit the accrued amount to the specific compensation accounts instructed by the payment notice, the total amount of that specific transaction parties' qualified accounts receivable will be deducted immediately. If the above situation results to the appropriate accounts receivable ratio to be lower than 50%, the Company should choose any of the following actions to make the accounts receivable ratio comply with the contract:

(a) Provide other qualified accounts receivable, or,

(b) Repay or deposit in compensation accounts to maintain appropriate accounts receivable ratio above (or equal to) 50%.

C. As part of the contract, the commitment fee should be calculated every three months, which begins six months after the Company's first drawdown of the credit. During the commitment fee calculation period, if the average drawdown amounts are less than 50% of the total loan facility, the commitment fee should be calculated seasonally, using the difference of actual drawdown amounts and 50% of the total loan facility, multiplied by 0.1%, the annual fee rate, and then pay the managing bank every three months.

(11) Pensions

A. Defined benefit plan

(a) The Company has a defined benefit pension plan in accordance with the Labor Standards Act, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Act. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes an amount equal to 4% of the employees' monthly salaries and wages to the pension fund deposited in the Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualifiy for retirement in the following year, the

Company will make contributions to cover the deficit by next March.

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

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

(c) Movements in net defined benefit liabilities are as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2018			
Balance at January 1	($ 78,690)	$ 27,347	($ 51,343)
Current service cost	(408)	-	(408)
Interest (expense) income	(1,082)	377	(705)
	(80,180)	27,724	(52,456)
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	759	759
Change in demographic assumptions	(902)	-	(902)
Change in financial assumptions	(2,529)	-	(2,529)
Experience adjustments	(8,400)	-	(8,400)
	(11,831)	759	(11,072)
Pension fund contribution	-	7,065	7,065
Paid pension	1,460	(1,460)	-
Balance at December 31	($ 90,551)	$ 34,088	($ 56,463)

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

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labour Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitisation products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorised by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan asset fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2018 and 2017 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

(e) The principal actuarial assumptions used were as follows:

	Years ended December 31,	
	2018	2017
Discount rate	1.125%	1.375%
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, 2018				
Effect on present value of defined benefit obligation	($ 2,540)	$ 2,648	$ 2,570	($ 2,479)
December 31, 2017				
Effect on present value of defined benefit obligation	($ 2,458)	$ 2,567	$ 2,498	($ 2,405)

The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

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

(f) Expected contributions to the defined benefit pension plan of the Company for the year ending December 31, 2019 amounts to $5,990.

(g) As of December 31, 2018, the weighted average duration of that retirement plan is 11.3 years.

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

Within 1 year	$ 1,640
1-2 years	1,241
2-5 years	24,049
5-10 years	16,952
	$ 43,882

B. Defined contribution plan

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

(b) The pension costs under defined contribution pension plan of the Company for the years ended December 31, 2018 and 2017 were $35,168 and $32,557, respectively.

(12) Share-based payment

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

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

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

(a) The Company's overall operating performance in the previous year should meet the following indicators:

i. Consolidated operating revenue shall grow by at least 10% higher than the average amount over past three years.

ii. Consolidated net income shall grow by at least 10% higher than the average amount over past three years.

iii. Return on equity shall be at least 15%.

(b) For the employees who have met the vesting conditions since the allocation of restricted stocks, the ratio of vested shares is as follows:

Vesting conditions	Ratio of vested shares
A month after restricted stocks are kept at the trust	40% of the shares
September 30, 2016	30% of the shares
September 30, 2017	30% of the shares

The restricted shares issued by the Company cannot be sold, pledged, transferred, donated, collateralised, or disposed in any other method during the vesting period. Other rights including but not limited to dividends, the distribution rights of bonuses and capital surplus, and share options and voting rights of cash capital, etc., are the same as the Company's issued ordinary shares. At the date of resignation, retirement or termination, the restricted shares are considered as not meeting the vesting conditions if employees resign, retire or are terminated during the vesting period. The Company redeems at no consideration and retires the shares which do not meet the vesting condition. Employees are not required to return the dividends received.

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

	Years ended December 31,			
	2018		2017	
	No. of options	Weighted-average exercise price (in dollars)	No. of options	Weighted-average exercise price (in dollars)
Options outstanding at January 1	-	$ -	-	$ -
Options granted	746	39.15	3,555	39.83
Options exercised	(746)	39.15	(3,555)	39.83
Options outstanding at December 31	-	-	-	-
Options exercisable at December 31	-	-	-	-

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

E. The fair value of stock options granted on grant date is measured using the Black-Scholes option-pricing model. Relevant information is as follows:

Type of arrangement	Grant date	Stock price	Exercise price	Expected price volatility	Expected option life	Expected dividends	Risk-free interest rate	Fair value per unit
Treasury stock transferred to employees	2017.3.1	NT$49.10	NT$39.83	(Note)	0.0385	-	0.59%	NT$9.279
"	2018.3.6	NT$61.20	NT$39.15	"	0.0411	-	0.25%	NT$22.05

Note: Expected price volatility rate was estimated by using the stock prices of the most recent period with length of this period approximate to the length of the stock options' expected life, and the standard deviation of return on the stock during this period.

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

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

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

(13) Share capital

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

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

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

B. The Company's Board of Directors resolved to retire of treasury shares amounting to 4,739 thousand shares on October 29, 2018. The effective date for capital reduction was October 30, 2018 and the reduction was registered on November 26, 2018.

C. On September 13, 2018, the Company's Board of Directors resolved to purchase treasury shares with the ceiling of 10 million shares to be reissued to employees. As of December 31, 2018 (the expiration of the execution period), the Company has purchased 1,864 thousand treasury shares.

D. On July 10, 2018, the Company's Board of Directors during its meeting resolved to retire 699 thousand treasury shares. The effective date of capital reduction was set on July 11, 2018 and the registration was completed on July 31, 2018.

E. On June 7, 2018, the shareholders at the stockholders' meeting approved to issue common stock dividends amounting to $18,937. The above capitalisation has issued a total of 1,894 thousand shares were issued for the above capitalisation which was approved by the authorities. The effective date was set on August 2, 2018 and the registration was completed on August 16, 2018.

F. On March 6, 2018, the Company issued 4,423 thousand shares as the Board of Directors of the Company during its meeting resolved to appropriate employees' stock dividends of $259,196 which was calculated based on the closing price of NT$58.6 (in dollars) per share of the date (March 5, 2018) before the date the Board of Directors resolved the issuance. The issuance was approved by the authority, with the effective date set on April 8, 2018 and the registration was completed on May 1, 2018.

G. On June 5, 2017, the stockholders at the annual stockholders' meeting had approved to issue common stock dividends amounting to $18,588. This capitalisation had issued a total of 1,859 thousand shares were issued for this capitalisation which was approved by the appropriate authorities. The issuance date was set on July 21, 2017, and the Company had completed the registration on August 7, 2017.

H. On March 1, 2017, the Company issued 4,722 thousand shares, because the Board of Directors of the Company approved to appropriate employees' stock dividends of $229,000 which was calculated based on the closing price of NT$48.5 (in dollars) per share of the date (2017/2/24) before the day the Board of Directors resolved the issuance. The issuance was approved by the authority with April 6, 2017 as the effective date, and the registration was completed on May 3, 2017.

I. The Board of Directors during its meeting on March 10, 2014 adopted a resolution to issue employee restricted ordinary shares (please refer to Note 6(12)), and the registration was on August 28, 2015 and March 16, 2016. The subscription price is $0 (in dollars) per share. The employee restricted ordinary shares issued are subject to certain transfer restrictions before their vesting conditions are met. Other than these restrictions, the rights and obligations of these shares issued are the same as other issued ordinary shares.

J. Information on retirement of employee stock options due to not meeting the vesting conditions are as follows:

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

K. Treasury shares:

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

		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

		December 31, 2017	
Name of company holding the shares	Purpose of buyback	Number of shares (in thousands)	Carrying amount
The Company	To be reissued to employees	8,699	$ 365,665

(b) Pursuant to the R.O.C. Securities and Exchange Law, the number of stocks bought back as treasury stock should not exceed 10% of the number of the Company's issued and outstanding stocks and the amount bought back should not exceed the sum of retained earnings, paid-in capital in excess of par value and realised capital surplus.

(c) Pursuant to the R.O.C. Securities and Exchange Law, treasury stocks should neither pledged as collateral nor exercise shareholder's rights on these shares.

(d) Pursuant to the R.O.C. Securities and Exchange Law, treasury stocks should be reissued to the employees within three years from the reacquisition date and shares not reissued within the three-year period are to be retired. Treasury shares to enhance the Company's credit rating and the stockholders' equity should be retired within six months of acquisition.

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

(14) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Law requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

	2018			
	Share 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
- Restricted stocks to employees	(24,857)	(40,323)	-	(65,180)
- Retirement of treasury shares	(274)	-	-	(274)
- Treasury stock transferred to employees	-	14,451	-	14,451
At December 31	$ 1,750,231	$ -	$ 110,048	$ 1,860,279

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

(15) Retained earnings

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses; and then 10% of the remaining amount shall be set aside as legal reserve until it reaches the Company's paid-up capital; and then set aside special reserve in accordance with relevant regulations when necessary; and the remainder, if any, to be appropriated shall be resolved by the stockholders at the stockholders' meeting.

B. The Company's dividend policy is summarised below: the Company is in the development stage of the electronics industry. The dividend policy should be formulated by considering the capital requirements of the new products and promoting the return on equity simultaneously. Therefore, the total amounts of stockholders' dividends should not exceed 90% of the total distributable earnings, and then the cash dividend should not be less than 10% of the total amounts of stockholders' dividends. The above mentioned restrictions will not to be applicable if total amounts of stockholders' dividends are less than $0.5(in dollars) per share.

C. The appropriation for legal capital reserve shall be made until the reserve equals the Company's paid-in capital. The reserve may be used to offset a deficit, or be distributed as dividends in cash or stocks for the portion in excess of 25% of the paid-in capital if the Company incurs no loss.

D. Special reserve

(a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

(b) The amount of $205,324, previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Order No. 1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently.

E. (a) The appropriations of 2017 and 2016 earnings had been approved at the annual stockholders' meeting on June 7, 2018 and June 5, 2017, respectively, and the details are summarised below:

	Years ended December 31,			
	2017		2016	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	$ 156,160		$ 134,065	
Special reserve	560,047		83,411	
Cash dividends	1,174,101	$ 3.10	1,022,347	$ 2.75
Stock dividends	18,937	0.05	18,588	0.05

(b) Subsequent events:

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

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

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

(16) Other equity items

	2018			
	Currency translation	Unrealised gains (losses) on valuation of financial assets	Available-for-sale investment	Total
At January 1	($ 236,725)	$ -	($ 806,683)	($ 1,043,408)
Effect of retrospective application and retrospective restatement	-	(1,133,940)	806,683	(327,257)
Balance at January 1 after adjusments	(236,725)	(1,133,940)	-	(1,370,665)
Currency translation differences:				
- Group	(72,233)	-	-	(72,233)
Valuation adjustment:				
- The Company	-	(156,881)	-	(156,881)
- Subsidiaries	-	(26,665)	-	(26,665)
- Transfer out	-	14,759	-	14,759
At December 31	($ 308,958)	($ 1,302,727)	$ -	($ 1,611,685)

	2017			
	Currency translation	Available-for-sale investment	Others-unearned employee salary	Total
At January 1	($ 202,552)	($ 280,809)	($ 20,813)	($ 504,174)
Currency translation differences:				
- Group	(37,061)	-	-	(37,061)
- Associates	(434)	-	-	(434)
- Associates transfer out	3,322	-	-	3,322
Valuation adjustment:				
- The Company	-	(224,152)	-	(224,152)
- Subsidiaries	-	(14,505)	-	(14,505)
- Transfer out	-	(287,217)	-	(287,217)
Employee restricted shares:				
- Current transferred to expenses	-	-	18,964	18,964
- Current retired	-	-	1,849	1,849
At December 31	($ 236,725)	($ 806,683)	$ -	($ 1,043,408)

(17) Operating revenue

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

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

(18) Other income

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

(19) Other gains and losses

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

(20) Finance costs

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

(21) Personnel expenses, depreciation and amortisation

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

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

(22) Employee benefit expense

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

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

A. According to the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees’ compensation and directors’ and supervisors’ remuneration. The ratio shall not be lower than 10% for employees’ compensation and shall not be higher than 1% for directors’ and supervisors’ remuneration.

B. For the years ended December 31, 2018 and 2017, employees’ compensation was accrued at $220,372 and $259,196, respectively; directors’ and supervisors’ remuneration was accrued at $13,649 and $19,991, respectively. The aforementioned amounts were recognised in salary expenses.

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

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

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

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

(23) Income tax

A. Components of income tax expense:

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

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

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

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

	2018		
	January 1	Recognised in profit or loss	December 31
Temporary differences:			
—Deferred tax assets:			
Provision for inventory price decline and obsolescence	$ 6,014	$ 8,124	$ 14,138
Impairment loss	565	(565)	-
Unrealised loss on financial assets	95	348	443
Unrealised commission expense	66,300	(44,682)	21,618
Unfunded pension expense	2,256	(792)	1,464
Others	5,197	918	6,115
	80,427	(36,649)	43,778
—Deferred tax liabilities:			
Unrealised exchange gain	($ 2,087)	($ 7,916)	($ 10,003)
	$ 78,340	($ 44,565)	$ 33,775

	2017		
	January 1	Recognised in profit or loss	December 31
Temporary differences:			
—Deferred tax assets:			
Provision for inventory price decline and obsolescence	$ 8,924	($ 2,910)	$ 6,014
Impairment loss	565	-	565
Unrealised loss on financial assets	-	95	95
Unrealised commission expense	63,476	2,824	66,300
Unfunded pension expense	2,115	141	2,256
Others	5,197	-	5,197
	80,277	150	80,427
—Deferred tax liabilities:			
Unrealised exchange gain	($ 11,416)	$ 9,329	($ 2,087)
Unrealised gain on financial assets	(6,246)	6,246	-
	(17,662)	15,575	(2,087)
	$ 62,615	$ 15,725	$ 78,340

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

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

(24) Earnings per share

	Year ended December 31, 2018		
	Amount after tax	Weighted-average number of ordinary shares outstanding (in thousands)	Earnings per share (in dollars)
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' bonus	-	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

	Year ended December 31, 2017		
	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	$ 1,561,602	372,842	$ 4.19
Diluted EPS			
Assumed conversion of all dilutive potential ordinary shares			
- Employees' bonus	-	4,944	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 1,561,602	377,786	$ 4.13

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

7. RELATED PARTY TRANSACTIONS

(1) Parent and ultimate controlling party

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

(2) Names of related parties and relationship

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

(3) Significant related party transactions and balances

A. Sales of goods

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

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

B. Purchases of goods

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

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

C. Purchases of services

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

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

D. Receivables from related parties

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

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

E. Payables to related parties

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

The accounts payable arise mainly from purchase transactions. The payables are unsecured in nature and bear no interest. Other payables arise mainly from admission fees, collections, operating leases and payments on behalf of others.

F. Loans to/from related parties:

Loans to related parties:

(a) Outstanding balance:

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

(b) Interest income

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

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

G. Operating leases:

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

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

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

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

(4) Key management compensation

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

8. PLEDGED ASSETS

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

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

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) As of December 31, 2018, for financing forward exchange contracts and for bill purchase purposes, the Company provided standby promissory notes totaling $13,717,220 as security.

(2) As of December 31, 2018 and 2017, due to the Company's leasing of plants, offices and parking lots, the Company shall pay rental expense as follows:

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

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

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

12. OTHERS

(1) Capital management

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

(2) Financial instruments

A. Financial instruments by category

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

B. Financial risk management policies

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

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

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

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

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

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

iii. The Company's businesses involve some non-functional currency operations. The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	December 31, 2018		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	$ 227,092	30.715	$ 6,975,131
Non-monetary items			
USD:NTD	145,453	30.715	4,467,589
Financial liabilities			
Monetary items			
USD:NTD	$ 233,670	30.715	$ 7,177,174

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

iv. Total exchange gain (loss), including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2018 and 2017, amounted to $13,797 and ($165,720), respectively.

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

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

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

Price risk

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

ii. The Company's investments in equity securities comprise shares and open-end funds issued by the domestic and foreign companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, post-tax profit for the years ended December 31, 2018 and 2017 would have increased/decreased by $11,111 and $0, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would have increased/decreased by $4,513 and $14,002, respectively, as a result of other comprehensive income classified as available-for-sale equity investment and equity investment at fair value through other comprehensive income.

Cash flow and fair value interest rate risk

The Company's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk which is partially offset by cash and cash equivalents held at variable rates. During the years ended December 31, 2018 and 2017, the Company's borrowings at variable rates were denominated in NTD and USD.

As of December 31, 2018 and 2017, if interest rates on USD-denominated borrowings had been 0.25% higher/lower with all other variables held constant, post-tax profit for the years ended December 31, 2018 and 2017 would have been $0 and $250 lower/higher, respectively.

(b) Credit risk

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

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

iii. The Company adopts the assumptions under IFRS 9, that is, if the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition. Also, the default occurs when the contract payments are past due over 360 days.

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

v. The Company used the forecastability to adjust historical and timely information to assess the default possibility of accounts receivable. On December 31, 2018, the provision matrix is as follows:

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

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

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

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

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

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

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

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

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

(c) Liquidity risk

i. Cash flow forecasting is performed in the operating entities of the Company and aggregated by Company treasury. Company treasury monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Company does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Company's debt financing plans, covenant compliance, compliance with internal financial ratio targets and, if applicable external regulatory or legal requirements.

ii. Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Company treasury. Company treasury invests surplus cash in interest bearing current accounts, time deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts. As of December 31, 2018 and 2017, the Company held money market position of $1,621,299 and $1,961,761, respectively, which are expected to generate sufficient cash inflows to cover liquidity risk.

iii. The Company has the following undrawn borrowing facilities:

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

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

December 31, 2018	Less than 1 year	Over 1 year
Non-derivative financial liabilities		
Short-term borrowings	$ 1,451,796	$ -
Accounts payable (including related parties)	7,197,329	-
Other payables (including related parties)	793,255	-
Derivative financial liabilities		
Financial liabilities at fair value through profit or loss	2,616	-

December 31, 2017	Less than 1 year	Over 1 year
Non-derivative financial liabilities		
Accounts payable (including related parties)	$ 6,270,586	$ -
Other payables (including related parties)	1,097,686	-
Long-term borrowings	-	100,551
Derivative financial liabilities		
Financial liabilities at fair value through profit or loss	1,755	-

(3) Fair value of financial instruments

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Company's investment in listed (including emerging) stocks, convertible bonds and beneficiary certificates is included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Company's investment in private placement of listed shares and most derivative instruments is included in Level 2.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Company's investment in equity investment without active market is included in Level 3.

B. The carrying amounts of cash and cash equivalents, notes receivable, accounts receivable (including related parties), other receivables (including related parties), short-term borrowings, accounts payable (including related parties) and other payables (including related parties) are approximate to their fair values.

C. The related information of financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities at December 31, 2018 and 2017 are as follows:

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

December 31, 2018	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	$ 505,588	$ -	$ -	$ 505,588
Debt securities	248,500	-	-	248,500
Beneficiary certificates	193,996	-	-	193,996
Non-hedging derivatives				
Forward exchange conracts	-	403	-	403
Financial assets mandatorily measured at fair value through profit or loss - non-current				
Equity securities	-	-	182,679	182,679
Beneficiary certificates	24,120	-	204,750	228,870
Financial assets at fair value through other comprehensive income - current				
Equity securities	424,150	-	-	424,150
Financial assets at fair value through other comprehensive income - non-current				
Equity securities	-	9,831	17,272	27,103
	$1,396,354	$ 10,234	$ 404,701	$ 1,811,289
Liabilities				
Recurring fair value measurements				
Financial liabilities mandatorily measured at fair value through profit or loss - current				
Non-hedging derivatives				
Exchange rate swap contracts	$ -	$ 2,616	$ -	$ 2,616

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

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

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

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

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

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

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

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

Note: Recorded as non-operating income and expense.

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

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

	Fair value at December 31, 2018	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs of fair value
Non-derivative equity instrument:					
Unlisted shares	$ 199,951	Net asset value	N/A	-	N/A
Venture capital shares Private equity fund investment	$ 204,750	Net asset value	N/A	-	N/A

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

			December 31, 2018			
			Recognised in profit or loss		Recognised in other comprehensive income	
	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%	2,048	(2,048)	-	-
			$ 3,875	($ 3,875)	$ 173	($ 173)

(4) Effects on initial application of IFRS 9 and information on application of IAS 39 in 2017

A. Summary of significant accounting policies adopted in 2017:

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

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

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

(i) Hybrid (combined) contracts; or

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

(iii) They are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

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

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

(b) Available-for-sale financial assets

i. Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

ii. On a regular way purchase or sale basis, available-for-sale financial assets are recognised and derecognised using trade date accounting.

iii. Available-for-sale financial assets are initially recognised at fair value plus transaction costs. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognised in other comprehensive income. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured or derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are presented in 'financial assets carried at cost'.

(c) Accounts receivable

Receivables are non-derivative financial assets originated from the ordinary course of business. Accounts receivable are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. However, short-term accounts receivable without bearing interest are subsequently measured at initial invoice amount as effect of discounting is immaterial.

(d) Impairment of financial assets

i. The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

ii. The criteria that the Company uses to determine whether there is objective evidence of impairment loss is as follows:

(i) Significant financial difficulty of the issuer or debtor;

(ii) Breach of contract, such as a default or delinquency in interest or principal payments;

(iii) The Company, for economic or legal reasons relating to the borrower's financial difficulty, granted the borrower a concession that a lender would not otherwise consider;

(iv) It becomes probable that the borrower will enter bankruptcy or other financial reorganization;

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

(vi) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, including adverse changes in the payment status of borrowers in the group or national or local economic conditions that correlate with defaults on the assets in the group;

(vii) Information about significant changes with an adverse effect that have taken place in the technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered;

(viii) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

iii. When the Company assesses that there has been objective evidence of impairment and an impairment loss has occurred, accounting for impairment is made as follows according to the category of financial assets:

(i) Financial assets carried at amortised cost

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate, and is recognised in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortised cost that would have been at the date of reversal had the impairment loss not been recognised previously. Impairment loss is recognised and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(ii) Financial assets carried at cost

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at current market return rate of similar financial asset, and is recognised in profit or loss. Impairment loss recognised for this category shall not be reversed subsequently. Impairment loss is recognised by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(iii) Available-for-sale financial assets

The amount of the impairment loss is measured as the difference between the asset's acquisition cost (less any principal repayment and amortization) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss, and is reclassified from 'other comprehensive income' to 'profit or loss'. If, in a subsequent period, the fair value of an investment in a debt instrument increases, and the increase can be related objectively to an event occurring after the impairment loss was recognised, then such impairment loss is reversed through profit or loss. Impairment loss of an investment in an equity instrument recognised in profit or loss shall not be reversed through profit or loss. Impairment loss is recognised and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

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

Financial assets - impairment of equity investment

The Company follows the guidance of IAS 39 to determine whether a financial asset—equity investment is impaired. This determination requires significant judgement. In making this judgement, the Company evaluates, among other factors, the duration and extent to which the fair value of an equity investment is less than its cost and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

If the decline of the fair value of an individual equity investment below cost was considered significant or prolonged, the Company would suffer a loss in its financial statements, being the transfer of the accumulated fair value adjustments recognised in other comprehensive income on the impaired available-for-sale financial assets to profit or loss or being the recognition of the impairment loss on the impaired financial assets measured at cost in profit or loss.

C. The reconciliations of carrying amount of financial assets transferred from December 31, 2017, IAS 39, to January 1, 2018, IFRS 9, were as follows:

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

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

	Available-for-sale - current	Available-for-sale - non-current	
	Measured at fair value through other comprehensive income - current	Measured at fair value through other comprehensive income - non-current	Total
IAS 39	$ 102,847	$ 405,657	$ 508,504
Impairment loss adjustment	(102,847)	(405,657)	(508,504)
IFRS 9	$ -	$ -	$ -

E. The significant accounts as of December 31, 2017 are as follows:

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

Current items	December 31, 2017
Financial assets held for trading	
Non-hedging derivatives	
Foreign exchange swap contracts	$ 1,194
Financial liabilities held for trading	
Non-hedging derivatives	
Foreign exchange swap contracts	($ 1,755)

i. The Company recognised net loss amounting to $62,049 on financial assets held for trading for the year ended December 31, 2017.

ii. The non-hedging derivative instruments transaction and contract information are as follows:

	December 31, 2017	
	Contract amount (notional principal)	Contract period
Current items:		
Foreign exchange swap contracts		
- Buy USD sell NTD	USD 34,700 thousand	2018.1.3 ~ 2018.12.27

Foreign exchange swap contracts

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

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

(b) Available-for-sale financial assets

Items	December 31, 2017
Current items:	
Listed stocks	$ 2,072,475
Emerging stocks	14,520
Corporate bonds	251,250
	2,338,245
Valuation adjustment	(648,590)
Accumulated impairment	(102,847)
	$ 1,586,808

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

i. The above listed stocks of available-for-sale financial assets - non-current were private placements that could not be sold during the private lock-up in accordance with the R.O.C. Securities Exchange Law. These private placements are remeasured and stated at value adjusted by the same item's fair value in active markets considering the effect of the restrictions.

ii. The above available-for-sale financial assets - non-current beneficiary certificates were private fund investment, the invested shares of the fund are all listed. As the stock has quoted market price in an active market, it was reclassified from financial assets carried at cost to available-for-sale financial assets – non-current beneficiary certificates.

iii. Certain stocks held by the Company had quoted market price in an active market starting the first quarter of 2017, they were reclassified from financial assets carried at cost - non-current to available-for-sale financial assets - current.

iv. The Company recognised ($238,657) in other comprehensive income for fair value change and reclassified ($287,217) from equity to profit or loss for the year ended December 31, 2017.

v. The Company has accumulated impairment loss of $508,504 on equity investments as of December 31, 2017.

vi. No interest income was recognised from debt instruments held for the years ended December 31, 2017.

vii. The counterparties of the Company's investments in debt instruments have good credit quality.

viii. The Company has no available-for-sale financial assets pledged to others.

(c) Financial assets at cost

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

i. According to the Company's intention, its investment in stocks and beneficiary certificates should be classified as 'available-for-sale financial assets'. However, as similar companies stocks are not traded in active market, and no sufficient industry information of companies similar to investees or investees' financial information cannot be obtained, the fair value of the investment in investees' stocks cannot be measured reliably. The Company classified those stocks as 'financial assets measured at cost'.

ii. For details of the financial assets carried at cost transferred to available-for-sale financial assets, please see Note 12(4)E(b).

iii. There has been objective evidence of impairment on the above certain stocks after the Company's assessment and an impairment loss has been recognised. As of December 31, 2017, the Company has recognised accumulated impairment loss of $47,110 on equity investments.

iv. No financial assets measured at cost held by the Company was pledged to others.

F. Credit risk information for the year ended December 31, 2017 are as follows:

(a) Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. According to the Company's credit policy, each local entity in the Company is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables.

i. For the year ended December 31, 2017, no credit risk was found during the reporting period, and management does not expect any significant losses from non-performance by these counterparties.

ii. The credit quality information of the Company's accounts receivable (including related parties) that are neither past due nor impaired is as follows:

	December 31, 2017
Group 1	$ 4,044,588
Group 2	2,048,416
	$ 6,093,004

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

Group 2: Other normal-risk customers.

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

	December 31, 2017
1 - 30 days past due	$ 41,283
31 - 120 days past due	13,758
	$ 55,041

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

	2017
Individual provision	
At January 1	$ 2,385
Reversal of impairment	(604)
At December 31	$ 1,781

(5) Effects on initial application of IFRS 15 and information on application of IAS 18 in 2017

A. Summary of significant accounting policies adopted in 2017:

Revenue recognition

The Company revenue is measured at the fair value of the consideration received or receivable taking into account of value-added tax, returns, rebates and discounts for the sale of goods to external customers in the ordinary course of the Company's activities. Revenue arising from the sales of goods should be recognised when the Company has delivered the goods to the customer, the amount of sales revenue can be measured reliably and it is probable that the future economic benefits associated with the transaction will flow to the entity. The delivery of goods is completed when the significant risks and rewards of ownership have been transferred to the customer, the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the customer has accepted the goods based on the sales contract or there is objective evidence showing that all acceptance provisions have been satisfied.

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

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

Explanation:

(a) The initial application of IFRS 15 has no effect on the Company's current comprehensive income statement.

(b) Under IFRS 15, advance sales receipts in relation to contracts are recognised as contract liabilities - current, but were previously presented as other current liabilities in the balance sheet.

(6) Deferred tax assets and liabilities shall not be offset under the current regulations and IAS 12, hence, the Company reclassified the amounts which shall belong to deferred tax liabilities and were originally recognised under deferred tax assets as deferred tax liabilities. The reclassification has no effect on basic earnings per share and diluted earnings per share.

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

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

A. Loans to others: Please refer to table 1.

B. Provision of endorsements and guarantees to others: None.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 2.

D. Acquisition or sale of the same security with the accumulated cost exceeding $300 million or 20% of the Company's paid-in capital: None.

E. Acquisition of real estate reaching $300 million or 20% of paid-in capital or more: Please refer to table 3.

F. Disposal of real estate reaching $300 million or 20% of paid-in capital or more: None.

G. Purchases or sales of goods from or to related parties reaching $100 million or 20% of paid-in capital or more: Please refer to table 4.

H. Receivables from related parties reaching $100 million or 20% of paid-in capital or more: Please refer to table 5.

I. Trading in derivative instruments undertaken during the reporting periods: Please refer to Note 6(2).

J. Significant inter-company transactions during the reporting periods: Please refer to table 6.

(2) Information on investees

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

China): Please refer to table 7.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 8.

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

14. SEGMENT INFORMATION

Not applicable.

CHICONY POWER TECHNOLOGY CO., LTD.

Loans to others

Year ended December 31, 2018

Table 1

Expressed in thousands of NTD
(Except as otherwise indicated)

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

Note 1: The numbers filled in for the loans provided by the Company or subsidiaries are as follows:
(1) The Company is '0'.
(2) The subsidiaries are numbered in order starting from '1'.

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

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

Note 4: The numbers filled in the column of 'Nature of loan are as follows:
(1) The business transaction is '1'.
(2) The short-term financing is '2'.

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

Note 6: (1) Total financing amount should not exceed the Company's stockholders' equity and
a. the total financing amount to any individual party should not exceed 40% of the Company's stockholders' equity for the purpose of short-term financing.
b. the total financing amount to any individual party should not exceed 50% of the Company's stockholders' equity and the amount of sales/purchase during the year for the purpose of business.
(2) Total financing amount should not exceed 40% of the subsidiary's stockholders' equity and
a. the total financing amount to any individual party should not exceed 40% of the subsidiary's stockholders' equity for the purpose of short-term financing.
b. the total financing amount to any individual party should not exceed 50% of the subsidiary's stockholders' equity and the amount of sales/purchase during the year for the purpose of business.
(3) Loans for foreign companies whose voting rights are 100% directly or indirectly held by the Company are not limited to the restriction of 40% of the lending company's net assets based on the latest audited or reviewed financial statements. However, limit on loans granted to a single company is 30% of the Company's net assets based on the latest audited or reviewed financial statements, or the higher of sales and purchases during the year. Ceiling on total loans is 40% of the Company's net assets based on the latest audited or reviewed financial statements, and the financing period should not exceed 3 years.
(4) Except for (3), the financing period should not exceed one year.

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

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

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

CHICONY POWER TECHNOLOGY CO., LTD.

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

Year ended December 31, 2018

Table 3

Expressed in thousands of NTD
(Except as otherwise indicated)

Real estate acquired by	Real estate acquired	Date of the event	Transaction amount	Status of payment	Counterparty	Relationship with the counterparty	If the counterparty is a related party, information as to the last transaction of the real estate is disclosed below: 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)	$ -	Suzhou Weiye Group Co., Ltd.	None	-	-	-	$ -	Contract	Plant (For the Purpose of Conducting Business)	None

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

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

CHICONY POWER TECHNOLOGY CO., LTD.

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

Year ended December 31, 2018

Table 4

Expressed in thousands of NTD
(Except as otherwise indicated)

			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	($ 396,443)	1	60 days	Note 1	Note 1	$ 122,318	2	-
The Company	Chicony Electronics CEZ s.r.o.	Entity controlled by the same parent company	Sales	(108,320)	-	90 days	Note 1	Note 1	3,816	-	-
The Company	Chicony Electronics (Dong Guan) Co., Ltd.	Entity controlled by the same parent company	Sales	(809,797)	3	90 days	Note 1	Note 1	305,660	4	-
The Company	CPUS	Subsidiary	Sales	(954,424)	3	90 days	Note 1	Note 1	411,821	6	-
The Company	Chicony Electronics Co., Ltd.	Parent Company	Sales	(157,418)	1	90 days	Note 1	Note 1	37,708	1	-
CPI	The Company	The Company	Sales	(26,456,021)	93	45 days	Note 1	Note 1	7,149,606	90	-
CPI	Chicony Electronics (Suzhou) Co., Ltd.	Entity controlled by the same parent company	Sales	(1,142,639)	4	90 days	Note 1	Note 1	488,157	6	-
CPI	Mao-Ray(Dong Guan) Co., Ltd.	Entity controlled by the same parent company	Sales	(192,999)	1	90 days	Note 1	Note 1	87,025	1	-
CPI	Chicony Electronics (Chong-Qing) Co., Ltd.	Entity controlled by the same parent company	Sales	(478,619)	2	90 days	Note 1	Note 1	150,282	2	-
CPDG	CPI	Subsidiary	Sales	(9,730,341)	98	45 days	Note 1	Note 1	1,557,649	95	-
CPSZ	CPI	Subsidiary	Sales	(12,534,468)	97	45 days	Note 1	Note 1	4,066,243	97	-
CPSZ	Chicony Electronics (Suzhou) Co., Ltd.	Entity controlled by the same parent company	Sales	(224,741)	2	90 days	Note 1	Note 1	102,235	2	-
CPCQ	CPI	Subsidiary	Sales	(5,408,980)	85	45 days	Note 1	Note 1	1,577,010	87	-
CPCQ	CPSZ	Subsidiary	Sales	(866,747)	14	60 days	Note 1	Note 1	222,049	12	-
GSE	CPDG	Subsidiary	Sales	(394,003)	38	60 days	Note 1	Note 1	143,062	41	-
GSE	CPSZ	Subsidiary	Sales	(363,124)	35	60 days	Note 1	Note 1	118,411	34	-
GSE	CPCQ	Subsidiary	Sales	(160,257)	16	60 days	Note 1	Note 1	50,530	14	-
Purchases											
The Company	CPI	Subsidiary	Purchases	$ 26,456,021	97	45 days	Note 2	Note 2	($ 7,149,606)	99	-
CPUS	The Company	The Company	Purchases	954,424	100	90 days	Note 2	Note 2	(411,821)	100	-
CPI	CPDG	Subsidiary	Purchases	9,730,341	33	45 days	Note 2	Note 2	(1,557,649)	20	-
CPI	CPSZ	Subsidiary	Purchases	12,534,468	46	45 days	Note 2	Note 2	(4,066,243)	53	-
CPI	CPCQ	Subsidiary	Purchases	5,408,980	20	45 days	Note 2	Note 2	(1,577,010)	21	-
CPDG	GSE	Subsidiary	Purchases	394,003	4	60 days	Note 2	Note 2	(143,062)	4	-
CPSZ	CPCQ	Subsidiary	Purchases	866,747	7	60 days	Note 2	Note 2	(222,049)	5	-
CPSZ	GSE	Subsidiary	Purchases	363,124	3	60 days	Note 2	Note 2	(118,411)	3	-
CPCQ	GSE	Subsidiary	Purchases	160,257	3	60 days	Note 2	Note 2	(50,530)	2	-

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

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

CHICONY POWER TECHNOLOGY CO., LTD.

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

December 31, 2018

Table 5

Expressed in thousands of NTD

(Except as otherwise indicated)

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

CHICONY POWER TECHNOLOGY CO., LTD.

Significant inter-company transactions during the reporting period

Year ended December 31, 2018

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

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

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

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

(1) Parent company is‘0’

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

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

(1) Parent company to subsidiary.

(2) Subsidiary to parent company

(3) Subsidiary to subsidiary

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

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

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

CHICONY POWER TECHNOLOGY CO., LTD.

Information on investees

Year ended December 31, 2018

Table 7

Expressed in thousands of NTD
(Except as otherwise indicated)

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

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

CHICONY POWER TECHNOLOGY CO., LTD.

Information on investments in Mainland China

Year ended December 31, 2018

Table 8

Expressed in thousands of NTD
(Except as otherwise indicated)

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

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

Note 1: Investment methods are classified into the following three categories; fill in the number of category each case belongs to:
1.Directly invest in a company in Mainland China..
2.Through investing in an existing company in the third area, which then invested in the investee in Mainland China. The third areas are as follows:
(1) Chicony Power Technology Hong Kong Limited.
(2) Witslight Technology Co., Ltd.
3.Others

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

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

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

VI. Financial Difficulties of the Company and Its Affiliated Companies and the Impact to the Company: None.

Seven. Review and Analysis of Financial Status and Financial Performance and Risk Matters

I. Financial Status

(I) Analysis of change in the Company's assets, liabilities, and equity during the most recent two fiscal years

Explain the main reasons for any material change in the Company's assets, liabilities, and equity during the most recent two fiscal years (variations exceeded 20% between these two periods and for amount more than NTD 10 million). Where the effect is of material significance, describe the measures to be taken in response:

Unit: NTD 1,000, %

Year / Item	2018	2017	Difference	
			Amount	%
Current assets	17,955,003	16,560,484	1,394,519	8.42
Investment	552,863	569,140	(16,277)	(2.86)
Property, Plant, and Equipment	2,499,500	2,377,050	122,450	5.15
Intangible Assets	194,445	205,587	(11,142)	(5.42)
Other Assets	605,768	589,225	16,543	2.81
Total Assets	21,875,718	20,409,651	1,466,067	7.18
Current Liabilities	14,440,152	12,679,961	1,760,191	13.88
Non-current Liabilities	95,722	183,209	(87,487)	(47.75)
Total Liabilities	14,535,874	12,863,170	1,672,704	13.00
Capital Stock	3,831,413	3,822,723	8,690	0.23
Capital Reserve	1,860,279	1,696,317	163,962	9.67
Retained Earnings	3,421,505	3,390,433	31,072	0.92
Total Equity	7,339,844	7,546,481	(206,637)	(2.74)

Explanation of changes of significant items (variations exceeded 20% between these two periods and for amount more than NTD 10 million):

1. The decrease of non-current liabilities:
   Mainly from the decrease of the long-term bank loan in 2018.

The above variances are from Company's overall revenue growth or changes due to regular business activities. There is no significant effect on the financial condition of the Company.

II. Financial Performance

(I) Analysis of Financial Performance

The material change in sales revenues, operating income, and income before tax during the most recent two fiscal years, provide a sales volume forecast and the basis therefore, and describe the effect upon the Company's financial operations as well as measures to be taken in response:

1. Analysis of the result of operation for the most recent two fiscal years

Unit: NTD 1,000, %

Item / Year	2018	2017	Increase (Decrease) in Amount	Change in Percentage (%)
Net Sales Revenue	31,292,361	27,874,928	3,417,433	12.26
Costs of Goods Sold	26,908,680	23,084,538	3,824,142	16.57
Gross Profit	4,383,681	4,790,390	(406,709)	(8.49)
Operating Expenses	2,961,338	3,156,749	(195,411)	(6.19)
Operating Income (Loss)	1,422,343	1,633,641	(211,298)	(12.93)
Non-operating Income and Expenses	(87,677)	301,050	(388,727)	(129.12)
Income Before Tax	1,334,666	1,934,691	(600,025)	(31.01)
Income Tax Expense	311,266	372,453	(61,187)	(16.43)
Net Income	1,023,400	1,562,238	(538,838)	(34.49)

Explanation of changes of significant items (variations exceeded 20% between these two periods and for amount more than NTD 10 million):

(1) The decrease of non-operating income and expenses, net profit before tax and net profit after tax: Mainly from the decrease in gains from disposition of financial assets, increase in loss on valuation of financial assets at fair value through profit or loss, and declination in non-operating income cause by the foreign exchange rate fluctuation in 2018.

2. Sales volume forecast and the basis therefore, and the effect upon the Company's financial operations as well as measures to be taken in response:

(1) Sales volume forecast of next year and the basis

Except for referencing the market analysis of main research institutions, when setting up annual sales volume the Company also used demand forecast from customers, its own capacity planning and the past financial performance as basis for the estimate.

(2) The effect upon the Company's financial operations as well as measures to be taken in response: None.

III. Cash Flow

(I) Analysis of cash flow in the previous two years:

Unit: NTD 1,000

Item / Year	2018	2017	Increase (Decrease) in Amount	Change in Percentage (%)
Cash Flow from Operating Activities	579,849	2,466,208	(1,886,359)	(76.49)
Cash Flow from Investment Activities	(925,301)	(1,558,254)	632,953	(40.62)
Cash Flow from Financing Activities	128,839	(883,347)	1,012,186	(114.59)

Main reason for change of cash flow in the most recent year:

(1) The decrease of cash inflow from operating activities: Mainly from the result of decrease in net cash inflow from accounts receivable from 2017 to 2018.

(2) The decrease of net cash outflow from investing activities: Mainly from the decrease of financial assets investment and prepayments for equipment in 2018.

(3) The increase of net cash inflow from financing activities: Mainly from the increase repayment of short-term bank loans in 2018.

(II) Improvement plan for lack of liquidity: N/A.

(III) Analysis of liquidity in the Following year (2018)

Unit: NTD 1,000

Cash Balance, Beginning of Year (1)	Net Cash Flow from Operating Activities for the Year (2)	Net Cash Flow from Operating Activities for the Year (3)	Net Cash Flow from Operating Activities for the Year (4)	Remaining (Insufficient) Cash Balance	Cash Overage or Shortage and Countermeasures	
				(1)+(2)+(3)+(4)	Investment plans	Financing Plans
705,018	2,023,000	(1,825,000)	253,000	1,156,018	-	-

Analysis of cash flow in the coming year:

1. Analysis of cash flow in the recent years:
   (1) Operating Activities: Mainly from the increase of operating income in the current period accompanied with the growth of operating revenues.
   (2) Investing Activities: Mainly from the increase of capital expenditures in the current period.
   (3) Financing activities: Mainly from the increase repayment of bank loans in the current period.
2. Remedial measures if cash is estimated to be insufficient and the liquidity analysis: Not applicable as there is no such estimate of insufficient cash.

IV. Major Capital Expenditures in the Most Recent Year: None.

V. The Investment Policy in the Most Recent Year, Main Reasons for Profits or Losses, Improvement Plans and Investment Plans for the Following year:

(I) Investment Policy

The Company designates certain division to carry out investment activities, assess the invested companies' past and future prospects, market condition and quality of management team in compliance with the "investment cycle" of internal control system and the "procedures of acquiring or disposing assets", as a basis for decision makers to derive conclusion from such investments.

(II) Main reason for profit or loss from investment in the most recent year; the improvement plan and the investment plan for following year: None.

VI. Analysis and Assessment of Risk Matters

For 2018 and up to the date of printing of the annual report, the following matters should be analyzed and assessed:

(I) Impact of Interest and Exchange Rate Changes and Inflation on Company's, Profits (Losses) and the Countermeasures:

1. Changes of Interest Rate

The net of interest income/expenses of the Company and its subsidiaries for 2018 Q1 and 2019 are (NTD 42,992) thousand and (NTD12,777) thousand, accounting for profit before tax are (3.22)% and (3.20)%. With the bank borrowing balance of the Company is NTD 1,450,000 thousand as of Dec. 31, 2018, if the interest rate increases or decreases for 0.25%, the impact to the annual interest expenses and profit before tax of the Company would be NTD 3,625 thousand, merely 0.27% to the profit before tax for 2018. Therefore the change of interest rate has limited impact on the Company's profit or loss.

The Company periodically assesses the interest rate of the bank borrowings, maintain good relation with the banks to obtain preferential interest rate and reduce the interest expenditure. The Company also observes the fluctuation of interest rate in the financial market and its impact on the fund source of the Company, in order to take flexible measures. Therefore, the fluctuation of interest rate should not have significant impact on the Company’s profit or loss.

2. Changes in the exchange rate

Sales of the Company and its subsidiaries are quoted in US Dollars. Payments of major raw materials are also made by US Dollars. Therefore, the fluctuation of exchange rate has little impact on the gross margin. Also to reduce the impact the fluctuation of exchange rate on profit (loss) the Company manages the net US Dollar asset position, derived from offsetting US Dollar denominated Accounts Receivable and Payable from purchase and sales with US Dollar loans, by undertaking foreign exchange hedging. The fluctuation and hedging of the foreign exchange rate and foreign exchange loss for the 2018 Q1 and 2019 are NTD (25,975) thousand and NTD (76,825) thousand respectively.

The Company's future sales and major raw material procurement will still mainly be conducted in US Dollars. Considering the fluctuation of the exchange rate in recent years is volatile and to reduce impact of the exchange rate movements on profit or loss, the Company will continue to observe overall economic situation for the exchange rate, borrow US Dollar denominated loan, and undertake forward foreign exchange hedging for its US Dollars net asset position and potential cash flow.

3. Inflation

Most products of the Company and subsidiaries are for export; therefore, the domestic inflation should not have significant impact on the Company’s profit or loss. However, if inflation takes place in the global market, it will affect the consumer purchasing power and willingness, reduce demand for the products, and have negative impact on the Company's overall revenue and profit and loss. The influence of global inflation is comprehensive and does not impact only on individual company; however, governments of each country should be able to cope with it. The Company is constantly on the alert and monitors the changes of global political and economic situation and the fluctuation of market price, keep good relationship with suppliers and customers, and adjust procurement and sales strategies as needed. Therefore up to the date of printing of the annual report the Company is not impacted by any immediate risk resulted from the above stated inflation or deflation.

The Company constantly monitors the changes of the upstream raw material prices and keeps good relationship with suppliers and customers to reduce the impact the changes of raw material prices may have on the Company’s profit or loss. At the same time, the Company also references to reports and relevant economic data of major domestic and international economic research institutions and professional investment institutions make appropriate policy adjustment as need to cope with future inflation, in order to prevent the significant impact the inflation may have on the Company’s profit or loss.

(II) Policy on High-risk, High-leverage Investments, Lending Funds, Endorsements and Guarantees for Other Parties,and Derivatives Transactions, the Main Reasons for the Profits or Losses Generated thereby and Future Countermeasures:

1. The Company and its subsidiaries make investments and conduct derivatives transactions with careful assessment and per prescription of the “Regulations Governing the Acquisition and Disposal of Assets”, “Procedures for Engaging in Derivatives Transactions” and with due delegation of authority. Up to the date of printing of the annual report, except for conducting derivative products transactions to avoid risk resulting from fluctuation of exchange rate and prices of raw material, and

the investment of financial assets (partly), the Company does not engage in any high risk, high leveraged investment with respect to derivatives products transactions.

2. For the Company and its subsidiaries to lend fund to others, or endorse or make financial guarantee for others, they all have “Procedures for Lending Funds” and “Rules Governing Endorsement and Guarantee” in place. In the most recent fiscal year, for the fund lent by the Company to its subsidiaries for short-term financing needs and the lending and borrowing activities between subsidiaries, are all conducted in pursuance of “Procedures for Lending Funds” of the Company or its subsidiaries. Up to the date of printing of the annual report, neither the Company nor its subsidiaries incurred any loss from engaging in the endorsement/guarantee or fund lending activities.

(III) Future Research and Development Projects, and Corresponding Budget.

1. Future Research and Development Plans

Research and Development Items	Major Function/Specification
The cloud server power supply	Fully digital-controlled high power/high-efficiency resonate full-bridge & half-bridge 500W~4400W
Miniaturization digital control NB power supply	µP Base’s energy saving control 45W~200W
Multi router power supply	LLC Multiple power control system
Smart Building System	Control smart buildings using AC network technology
New LED light source technology	After AC input rectification, the control circuit directly drives LEDs with different voltages
Various charging devices	PSU ranges from 60W～120W, and is scalable up to 200W with the modular design. It complies with JEITA standards
Charging devices for electrical equipment (including drone applications)	Up to 2,000W charging stations and chargers for electric cars and motorcycles
IoT PSU	PSU, ranging from 7.5W~100W, for the IoT-related devices, such as warning sensors
PSU for set-top-box	Improvement for the miniaturization and assembly capability, 12W~50W
USB Type C power adapter with a variable output	The output may be adjusted depending on the notebook brand. 26W~130W of power is output using single USB Type C connector and may be used for smart-phones
Notebook and gaming PSU	The size is reduced by 30%; the complete series range from 65W to 300W
Desktop gaming PSU	Complete series with multiple outputs from 550W to 1200W
• LED adaptive headlamp module • Laser high beam module	• Design the adaptive front lighting system with about 20 pixels • Design a high beam module using the laser light source to achieve 3 Lux illumination within a distance of 400~600 m

2. Budget for the Research and Development Plans

The amount the Company expects to incur for R&D activities is budgeted in accordance with the development of new products and technologies, and will be increased gradually through the years along with the revenue growth. In 2019, the Company will budget 5%~6% of the estimated net operating revenue as R&D expenditures in order to support the future R&D plans and enhance the Company's market competitiveness.

(IV) Effect on the Company's Financial Operations of Imortant Policies Adopted and Change in the Legal Environment at Home or Broad and Countermeasures:

The Company's daily operations are performed in accordance with the relevant regulation at home and abroad. The Company also pays attention to the policy development trend and changes in regulations at home and abroad, collects relevant information for the reference of management to make decision and adopt appropriate strategies. For 2018 and up to the printing date of the annual report, the important policy at home and abraod as well as changes to law and regulations have no significant impact on the Company's financial operation.

(V) Effect on the Company's Financial Operations of Developments in Science and Technology as well as Industry Change, and Countermeasures:

The Company monitors the market changes and the development trend of related technology from time to time. The Company also cultivates deep relationship with its customers to understand the development of technology in the industry that will have significant impact on its future development and financial operation so it may instruct its R&D personnel to develop products meeting the market demand. For 2018 and up to the printing date of the annual report, the developments in science and technology as well as industrial change have no significant impact on the Company's financial operation.

(VI) Effect on the Company's Crisis Management of Changes in the Company's Corporate Image, and Countermeasures:

Since the establishment, the Company has focused on its own businesses and complied with the laws and regulations. For 2018 and up to the printing date of the annual report, there is no change in the Company's corporate image that would cause any crisis.

(VII) Expected Benefits and Possible Risks Associated with Any Merger or Acquisitions, and Countermeasures:

No other related potential risks, as for 2018 and up to the printing date of the annual report the Company has no merger and acquisitions plan.

(VIII) Expected Benefits and Possible Risks with Any Plant Expansion, and Countermeasures:

In response to the market growth, the Company is scheduled to build a new factory in Jiangsu Province, China in 2018 to expand our production capabilities. This makes us gain the market share and win customer orders to respond to potential risks.

(IX) Risks Associated with Any Consolidation of Sales or Purchasing Operations, and Countermeasures:

1. Purchase:

The company's main products are power supply. In order to reduce production costs, the Company invested the 100% owned Chicony Power Technology (Dongguan) Co., Ltd., the Chicony Power Technology (Suzhou) Co., Ltd., and the Chicony Power Technology (Chong Qing) Co., Ltd. to manufacture major raw material needed for production. The purchase price is negotiated by the Procurement Center of the Company and the purchases orders are issued by Chicony Power International Inc. and each subsidiary respectively. To mitigate risks, for most raw materials, two or more suppliers are required, for key parts and components one month of inventory reserve is required. In addition, the suppliers are provided with the estimated purchase quantity for the next three months and requested to have more than two production bases at the same time. The Company keeps long-term good interaction with suppliers and should not have risks of instable supply from consolidation of sales or purchasing operations.

2. Sales:

The company's main products are power supply. Power supply is used for computer peripheral products, consumer electronics and other electronic products. The customers are mainly the computer manufacturers, consumer electronics manufacturers and the subcontracting factories. The Company continues to develop new products, expand new market, and explore new customers to disperse risks of operation and concentration. Up to the printing date of the annual report, except for sales to the biggest customer accounted for 15.19% of total net sales the Company, each of all other customers accounted for less than 10% of total net sales. Overall, the Company's sales are scattered, and there is no sales concentration risk.

(X) Effect upon and Risk to the Company in the Event a Major Quantity of Shares Belonging to a Directors, Supervisors, or Shareholders Holding Greater than 10% Stake in the Company has been Transferred or has Otherwise Changed Hands, and Countermeasures:

For 2018 and up to the printing date of the annual report, there is no major transfer of shareholding by directors, supervisors, or shareholders with more than 10% ownership interest.

(XI) Effect upon and Risk to the Company Associated with any Change in Governance Personnel or Top Management, and Countermeasures:

Not applicable, as for 2018 and up to the printing date of the annual report, the Company has no change in governance personnel or top management.

(XII) Litigations or Non-litigious Matters

1. For 2018 and up to the printing date of the annual report, if there has been any substantial impact upon shareholders' equity or prices for the Company's securities as a result of any litigation, non-litigious proceeding, or administrative dispute involving the Company that was finalized or remained pending: None.
2. For the Company’s director, supervisor, general manager, de facto responsible person, or major shareholder with a stake of more than 10 percent, are they involved with any litigation, non-litigious proceeding, or administrative dispute involving matter that was finalized or remained pending during the most recent two fiscal years and up to the printing date of the annual report that may have substantial impact upon shareholders' equity or prices for the Company's securities: None.

(XIII) Other Important Risks and Countermeasures:

1. Explanation of Information Safety Risk Assessment and Measures:

In the current era of the Internet, illegal on-line attacks are on the rise so that it is harder and harder to provide security protection. Therefore, in addition to creation of a comprehensive network and PC security protection system, such as the firewall, e-mail cloud ATP protection, as well as AV software, and periodic update as well as maintenance, the Department of Information Management will regularly provide information security education and training, and perform promotions. If it is necessary to outsource our information business, we will research and propose the information security information in advance, and ask our vendors to comply with the requirements of the information security responsibilities and confidentiality.

For other information, such as the information security risk management architecture, information security policies, and specific management plans, visit our website.

VII. Other Important Events: None.

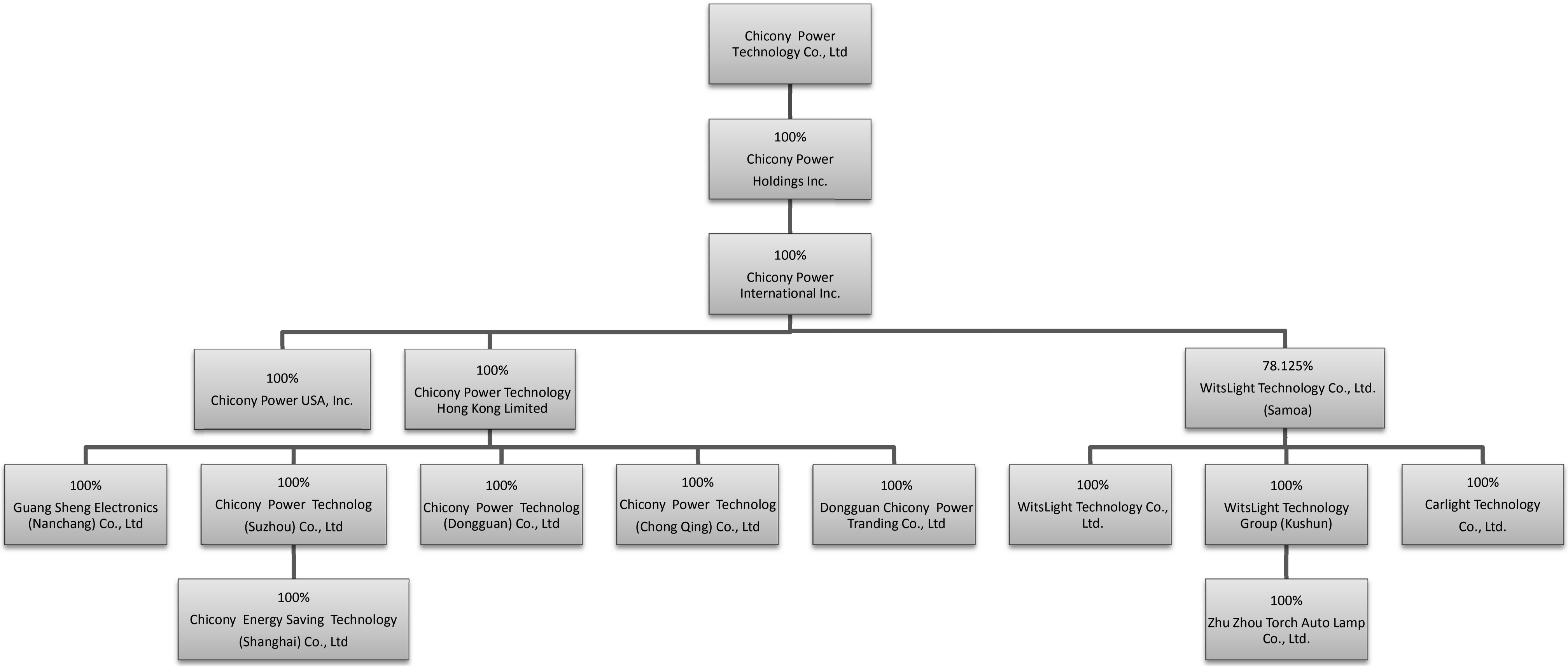
Eight. Special Items

I. Consolidated Business Reports of Affiliated Enterprises, Cconsolidated Financial Statements of Affiliates and Affiliation Report

(I) Consolidated Business Reports of Affiliated Enterprises in the Most Recen Year (2018)

1. Overview of the Organization of Affiliated Companies

(1) Organizational chart of affiliates



(2) The controlling and subordinate companies as concluded in accordance with Article 369-3 of the Company Act: None.

(3) The subordinate companies as concluded in accordance with Article 369-2 of the Company Act that the Company has a direct or indirect control over the management of the personnel, financial or business operation: None.

2. Basic information on affiliates

Company Name	Date of Incorporation	Address	Paid-in Capital	Main Business Activities
Chicony Power Holdings Inc.	2009.7	Portcullis Chambers, 4th Floor, Ellen Skelton Building 3076 Sir Francis Drake Highway, Road Town, Tortola, British Virgin Islands VG1110	US$ 10,000,000	General investment
Chicony Power International Inc.	2009.7	The Grand Pavilion Commercial Centre, Oleander Way, 802 West Bay Road, P.O. Box 32052, Grand Cayman, KY1-1208, Cayman Islands	US$ 10,000,000	Sales of power supply and related electronic products
Chicony Power Technology Hong Kong Limited	2002.4.24	3RD Floor, Building 9, NO.5 Science Park West Avenue, Shatin, New Territories.Hong Kong	HK$ 46,800,000	R&D Center and Investment Holdings
Chicony Power USA, Inc.	2003.11.21	723 S.Casino Center Blvd. 2nd Floor Las Vegas U.S.A.	US$ 1,500,000	Sales of power supply and related electronic products
WitsLight Technology Co., Ltd.	2009.12.11	2nd Floor, Building B, SNPF Plaza, Savalalo, Apia, Samoa	US$ 12,800,000	Designing, research and development, production and sales of LED lighting Module
Chicony Power Technology (Dongguan) Co., Ltd.	1998.12.7	Xincheng Technology Industrial Park, Liaobu Town, Dongwan City, Guangdong Province	US$ 20,750,000	Production and sales of power supply and related electronic products
Chicony Power Technology (Suzhou) Co., Ltd.	2002.12.11	No. 2379, Zhongshan North Road, Songling Town, Wujiang City, Jiangsu, PRC	US$ 22,100,000	Production and sales of electrical equipment (high performance power supply, power modules and wave filter) and LED lighting equipment
Guang Sheng Electronics (Nanchang) Co., Ltd.	2006.7.1	North direction of Huoju Avenue, Nanchang National High-tech Industrial Development	US$ 4,000,000	Production and sales of electrical equipment (magnetics, circuit board, keyboard) and wave filter, etc.
Chicony Power Technology (Chong Qing) Co., Ltd.	2011.4.25	No. 18, Jiujiang Rd., Shuangfu Office, Jiangjin Dist., Chongqing City	US$ 10,000,000	Production and sales of electrical equipment (high performance power supply, power modules and wave filter) and LED lighting equipment
Chicony Energy Saving Technology (Shanghai) Co., Ltd.	2011.5.25	Room 1702, No. 1600, Zhongshan E. Rd., Xuhui Dist., Shanghai City	RMB 10,000,000	Energy-saving technology consultation, development, transfer and service, and sale and installation of energy management and energy-saving lighting equipment
Dongguan Chicony Power Trading Co., Ltd.	2013.1.11	Xincheng Technology Industrial Park, Liaobu Town, Dongwan City, Guangdong Province	US$ 350,000	Wholesales and import/export of power supplies and related products, LED lighting equipment, digital products, office supplies, computer and its accessories
WitsLight Technology Co., Ltd.	2009.12.29	3F., No. 20, Sec. 2, Nanjing E. Rd., Zhongshan Dist., Taipei City	NTD 5,000,000	Designing, research and development and foreign sales of LED lighting Module
Carlight Technology Co., Ltd.	2016.6.24	24F., No.69, Sec. 2, Guangfu Rd., Sanchong Dist., New Taipei City	NTD 3,000,000	Design, researching and developing and foreign sales of automotive and motorcycle lamps and other components.
WitsLight Technology Group (Kunshan)	2010.7.6	Room 4, No. 99, Mu Ye Road, Yu Shan Township, Kunshan City, Chiangsu Province	US$ 10,500,000	Production and sales of LED lighting Module
Zhu Zhou Torch Auto Lamp Co. Ltd.	2002.3.22	No. 268, Huanghe S. Rd., Tianyuan Dist., Zhuzhou City., Hunan Province	RMB 46,000,000	Production and sales of automotive and motorcycle components, electric machine and device, lamps and plastic products.

3. For parties that are presumed to have control and subordinate relationship, the information of the same Shareholders: N/A.
4. Businesses engaged in by the affiliated companies. The Company and its affiliated companies engage in the business of: Manufacturing, buy-sales and management services.
5. Information of Directors, Supervisors and General Managers of each affiliated company

Unit: NTD 1,000, shares, %

Company Name	Title	Name of Individual or Representative(s)	Shares Held	
			Shares/Amount of Contribution	Shareholding %/ Contribution%
Chicony Power Holdings Inc.	Director Director	Lu, Chin-Tsung Tseng, Kuo-Hua	— —	— —
Chicony Power International Inc.	Director Director	Lu, Chin-Tsung Tseng, Kuo-Hua	— —	— —
Chicony Power Technology Hong Kong Limited	Director Director Director Director	Lu, Chin-Tsung Tseng, Kuo-Hua Huang, Chung-Ming Li, Tsu-Yu	— — — —	— — — —
Chicony Power USA, Inc.	Director Director Director	Lu, Chin-Tsung Tseng, Kuo-Hua Chang, Yao-Ching	— — —	— — —
WitsLight Technology Corporation Limited	Director Director President	Tseng, Kuo-Hua Tsai, Chih-Chieh Hu, Wei-Ming	— 2,089,500 —	— 16.3% —
Chicony Power Technology (Suzhou) Co., Ltd.	Chairman and President Director Director Director Supervisor	Tseng, Kuo-Hua Lu, Chin-Tsung Huang, Chung-Ming Huang, Chien-Yu Wang, Hui-Kai	— — — — —	— — — — —
Chicony Power Technology (Dongguan) Co., Ltd.	Chairman Director Director Supervisor	Tseng, Kuo-Hua Lu, Chin-Tsung Huang, Chung-Ming Huang, Chien-Yu	— — — —	— — — —
Guang Sheng Electronics (Nanchang) Co., Ltd.	Chairman Director Director Director and President Supervisor	Tseng, Kuo-Hua Lu, Chin-Tsung Huang, Chung-Ming Li, Tsu-Yu Huang, Chien-Yu	— — — — —	— — — — —
Chicony Power Technology (Chong Qing) Co., Ltd.	Chairman and President Director Director Supervisor	Tseng, Kuo-Hua Lu, Chin-Tsung Huang, Chien-Yu Huang, Chung-Ming	— — — —	— — — —

Company Name	Title	Name of Individual or Representative(s)	Shares Held	
			Shares/Amount of Contribution	Shareholding %/ Contribution%
Chicony Energy Saving Technology (Shanghai) Co., Ltd.	Chairman	Tseng, Kuo-Hua	—	—
	Director	Lu, Chin-Tsung	—	—
	Director	Huang, Chien-Yu	—	—
	Director and President	Cheng, Wei-Hao	—	—
	Supervisor	Huang, Chung-Ming	—	—
Dongguan Chicony Power Trading Co., Ltd.	Chairman	Tseng, Kuo-Hua	—	—
	Director	Lu, Chin-Tsung	—	—
	Director and President	Huang, Chien-Yu	—	—
	Supervisor	Huang, Chung-Ming	—	—
WitsLight Technology Co., Ltd.	Chairman (Representative)	Tsai, Chih-Chieh	—	—
	Director (Representative)	Chen, Chun-Chieh	—	—
	Director (Representative)	Ling, Tun	—	—
	Supervisor (Representative)	Lin, Wen-Hua	—	—
	The representative of above is WitsLight Technology Co., Ltd.(Samoa)			
Carlight Technology Co., Ltd.	Chairman (Representative)	Hu, Wei-Ming	—	—
	Director (Representative)	Tseng, Kuo-Hua	—	—
	Director (Representative)	Huang, Chien-Yu	—	—
	Supervisor (Representative)	Tsai, Chih-Chieh	—	—
	The representative of above is WitsLight Technology Co., Ltd. (Samoa)			
WitsLight Technology Group (Kunshan)	Chairman	Hu, Wei-Ming	—	—
	Director	Lin, Mao-Kuei	—	—
	Director	Tseng, Kuo-Hua	—	—
	President	Sung, Yu-Tai	—	—
	Supervisor	Tsai, Chih-Chieh	—	—
Zhu Zhou Torch Auto Lamp Co. Ltd.	Chairman	Hu, Wei-Ming	—	—
	Director	Lin, Mao-Kuei	—	—
	Director	Tseng, Kuo-Hua	—	—
	Supervisor	Tsai, Chih-Chieh	—	—

Note: The information of Directors, Supervisors and General Managers of the above affiliated companies and the shares held is updated as of March 31, 2019.

6. Highlights of business operation of affiliated companies, as well as the financial position and operating result of each affiliated company

Unit: NTD 1,000

Company Name	Capital(dollars)		Total Assets Note 1	Total Liabilities Note 1	Net Worth Note 1	Sales Revenue Note 2	Operating Profit Note 2	Net Income (after tax) Note 2	Net worth Per Share (after tax)
Chicony Power Holdings Inc.	US$	10,000,000	$4,467,613	$ 31	$4,467,582	$ -	($ 78)	$ 404,288	$ 40.43
Chicony Power International Inc.	US$	10,000,000	12,850,780	8,383,204	4,467,577	28,389,957	174,405	404,367	40.44
Chicony Power USA, Inc.	US$	1,500,000	606,447	578,064	28,383	930,415	16,306	14,143	9.43
WitsLight Technology Co., Ltd.(Samoa)	US$	12,800,000	205,535	31,588	173,947	-	(14,293)	(31,126)	(2.43)
Chicony Power Technology Hong Kong Limited	HK$	46,800,000	4,066,527	1,175,917	2,890,610	124,781	(5,507)	329,363	7.04
Chicony Power Technology (Dongguan) Co., Ltd.	US$	20,750,000	4,910,957	3,902,396	1,008,561	9,955,322	(8,661)	(95,365)	-
Chicony Power Technology (Suzhou) Co., Ltd.	US$	22,100,000	6,976,856	5,110,815	1,866,041	12,944,414	367,347	328,704	-
Guang Sheng Electronics (Nanchang) Co., Ltd.	US$	4,000,000	579,978	348,003	231,975	1,032,293	7,470	7,665	-
Chicony Power Technology (Chong Qing) Co., Ltd.	US$	10,000,000	3,327,841	2,457,373	870,468	6,300,653	132,475	120,690	-
Chicony Energy Saving Technology (Shanghai) Co., Ltd.	RMB	10,000,000	67,602	14,598	53,004	17,011	1,816	6,937	-
Dongguan Chicony Power Trading Co., Ltd.	US$	350,000	29,478	29,076	402	9,958	(8,313)	(9,265)	-
WitsLight Technology Co., Ltd.	NTD	5,000,000	10,885	90,367	(79,482)	-	(2,149)	(3,987)	(7.97)
Carlight Technology Co., Ltd.	NTD	3,000,000	6,012	29,463	(23,451)	-	(12,660)	(8,535)	(28.45)
WitsLight Technology Group (Kunshan)	US$	10,500,000	282,221	17,865	264,356	-	(1,387)	(4,528)	-
Zhu Zhou Torch Auto Lamp Co. Ltd.	RMB	46,000,000	757,297	586,747	170,550	818,952	(5,404)	(2,163)	-

Note 1: Mid exchange Rate of Hua Nan Bank on December 31, 2018 is adopted.
Note 2: Average exchange rate of Hua Nan Bank for 2018 is adopted.

(II) Consolidated financial statements of affiliated companies: Please refer to page 280 the declaration letter and pages 88-180 the parent and subsidiaries CPA audited consolidated financial statements of the most recent year.

(III) Affiliation Report:

1. Relationship between the controlling company and its subordinates

The Company is the subordinate company of Chicony Electronics Co., Ltd (abbreviated as “Chicony Electronics” hereafter), the information is as follows:

Unit: shares, %

Controlling Company	Reasons for Control	Shareholding and Pledges by the Controlling Company			Directors, Supervisors, and Managers Appointed by Controlling Company	
		Number of Shares Held	Shareholding Percentage	Shares Pledged	Title	Name
Chicony Electronics	Ultimate parent company of the Company	184,690,594	48.76%	-	Chairman (Representative)	Lu, Chin-Tsung

2. Transactions

Transaction of the Company with Chicony Electronics the controlling company:

(1) Purchase/sale transaction:

Unit: NTD 1,000, %

Transaction with the Controlling Company				Transaction Terms and Conditions with the Controlling Company		General Transaction Terms and Conditions		Reason for Variance	Accounts Receivables (Payable), Notes Receivable (Payable)		Overdue Accounts Receivable			Remarks
Purchase/Sale	Amount	Percentage to total Purchase /Sales	Gross Margin	Unit price (dollars)	Cedit Period	Unit Price (dollars)	Cedit Period		Balance	Percentage to total Accounts Receivable (Payable), Notes Receivable (Payable)	Amount	Treatment	Allowance for Bad Debts	
Sales	$157,418	0.56%	$14,168	(Note 1)					Accounts Receivable $37,708	0.55%	$ -	-	$ -	

Note 1: There is no significant difference between the unit price and credit period granted to Chicony Electronics with other regular customers.

(2) Property transaction: None.

(3) Capital financing: No significant transaction.

(4) Assets leasing:

Unit: NTD 1,000

Type of Transaction (Lease or rent)	Subject Premises		Term of lease	Nature of lease	Basis for rent	Collection (Payment) Method	Comparison with the general rent	Total rent in current period	Collection/payment in current period	Other Agreement
	Name	Location								
Rent	Office Building and Parking Space	23-30F. and 21F., No. 69, Sec. 2, Guangfu Rd., Sanchong Dist., New Taipei City	Jan. 1, 2018 - Dec. 31, 2018	Operating Lease	Per the Market Price	T/T	None	$52,752/year	Per the Payment Term	None

(5) Other important transaction: No significant transaction.

3. Endorsement/Guarantee：

(1) No Endorsement/Guarantee made by Chicony Electronics as of December 31, 2018:

(2) The Company does not endorse/guarantee for Chicony Electronics.

4. Other matters with significant effects on finance and business: None.

<u>Chicony Power Technology Co., Ltd.</u>

<u>Declaration Letter of Consolidated Affiliation Business Report</u>

Considering that the companies to be included into the consolidated financial statements of affiliates under the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" were the same as those to be included into the consolidated financial statements of the parent and subsidiaries under IFRS 10 in 2018 (from January 1, 2018 to December 31, 2018), and the related information to be disclosed in the consolidated financial statements of affiliated enterprises has already disclosed in said consolidated financial statements of the parent and subsidiaries, no consolidated financial statements of affiliated enterprises were prepared separately.

Hereby certify

Company name： Chicony Power Technology Co., Ltd.

Representative：Lu, Chin-Tsung

March 5, 2019

Chicony Power Technology Co., Ltd.

Declaration Letter of Affiliation Report

The Company hereby declares that the Company's 2018 Affiliation Report (from January 1, 2018 to December 31, 2018) was prepared pursuant to the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises", and there are no significant inconsistencies between the information given above and the supplementary information disclosed in the notes to the consolidated financial statements for the above period.

Company name： Chicony Power Technology Co., Ltd.

Representative: Lu, Chin-Tsung

March 5, 2019

Chicony Power Technology Co., Ltd

Affiliation Report

Independent Auditor's Report

Zi-Hui-Zong-Zi No. 18007385

To: Chicony Power Technology Co., Ltd.

The 2018 Affiliation Report of Chicony Power Technology Co., Ltd. was prepared pursuant to the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises", and the financial information related thereto the supplementary information disclosed in the notes to the consolidated financial statements for the above period were also re-checked by us.

According to our re-check result, the 2018 Affiliation Report of Chicony Power Technology Co., Ltd. did disclose related information pursuant to the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" and in conformity with the 2018 consolidated financial statements. Therefore, no significant amendments are required.

Pricewaterhouse Coopers,Taiwan

Chen, Chin-Chang

Weng, Shih-Jung

Financial Supervisory Commission
Approval certificate reference number: Jin-Guan-Zheng-Shen-Zi No. 1060025060
Former Securities Commission, Ministry of Finance
Approval certificate reference number: (88) Tai-Cai-Zheng (6) No. 95577

March 5, 2019

II. Private Placement of Securities in the Most Recent Year up to the Publication of this Annual Report: None.

III. Holding or Disposed of Shares in the Company by the Company's Subsidiaries in the Most Recent Year up to the Publication of this Annual Report: None.

IV. Other Necessary Supplementary: None.

V. Event Occurred in the Most Recent Year up to the Publication of this Annual Report, which Significantly Affect Shareholders' Equity or Price of Shares Pursuant to Article 36 Paragraph 3, Subparagraph 2 of the Securities and Exchange Act:

Please refer to P.273 for an explanation of litigation cases.

Chicony Power Technology Co., Ltd.
30F, No. 69, Sec. 2, Guangfu Rd., Sanchong Dist., New Taipei City, Taiwan (R.O.C.)
TEL：02-66260678　FAX：02-29958020