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Chicony Electronics CO.,Ltd.

2012 Annual Report

Dated by 2013 June 11st

Chicony Electronics Co., Ltd.

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1. Letter to Shareholders

Dear Shareholders:

1.1 Year 2012 performance (All in NTD\$)

1.1.1 Operating results

In the past year, we were facing a more challenging environment. Surrounded by severe unfavorable factors such as appreciation in NTD and RMB, and increase of labor cost in China, the electronic industry could hardly see growth in 2012. Nonetheless, joint efforts by our management team and employees, Our Consolidated Revenue increased by 11.2% to \$67,509,651 thousands. Our Operation Income also rised by 87.9%, to \$4,018,026 thousands, while the Net Income amounted to \$3,844,235 thousands.

1.1.2 Financial highlights and profitability analysis

a. Financial highlights

Units: NTD thousands

Item	2012	2011	Increase (decrease)
Operating profit	\$4,018,026	\$2,138,406	87.90%
Net profit after tax	3,844,235	4,156,369	(7.51%)
Average total assets	44,465,695	39,781,701	11.78%
Average shareholder equity	18,633,144	16,815,075	10.81%

b. Profitability

Item	2012	2011
Return on average assets (%)	8.88	10.78
Return on average shareholder equity (%)	20.63	24.72
Operating profit on end-of-period shareholder equity (%)	59.46	33.18
Net profit margin (%)	5.71	6.86
Earnings per share (EPS) in NTD	6.05	6.85

*The 2011 EPS is unadjusted by employee bonus and plowback funding, which would affect stock share numbers.

1.1.3 Research and development

In 2012, Chicony spent approximately \$1,622,609 thousands on product development, product value analysis and value engineering, process improvement, productivity improvement, quality conformity rate, and personnel training. Our solid R&D capacity and strength will be the major key point to make Chicony stay on top among when surrounded by fierce competition and fast changing of macro environment, therefore, we will continue to cultivate internal R&D staffs and hire outstanding R&D candidates, and step close to industry new development trend. To meet market demands and increase Chicony competition capacity, we will continuously invests in R&D for tablet keyboards, camera module for tablets and smart phones, input/output devices for smart TV, multi-functional high quality digital video products integrated with wireless communication, high power for cloud data centers, LED lighting and PV inverter (solar power converter) energy-saving products to meet the market demand.

1.2 Year 2013 outlook

1.2.1 2013 goals and outlook

Forecasted by the major research institutes, global GDP growth rate in 2013 is expected to range from 2.4% to 3.6% when economy may sway to the downside in consideration of unsolved European default crisis, yet uncertain US and China market recovery and slow growth in Emerging Countries. US GDP growth rate is expected to ranges from 1.8% to 2.1%, when Europe GDP growth rate is around from -0.3% to 0.4% ,with Japan GDP growth rate fallen on 1.2% to 1.3% as well as forecasting among 7.6% to 8.2% for China GDP growth rate. In respect of PC and tablet markets, moderate growth is expected to return in the global PC (excluding tablet) market, with the 3.2% shipment growth, while a near 40% growth rate is expected to be seen in the tablet market. Though the industry environment as a whole benefits from the rebounding market consuming demand from the valley, the growth is still weak and the markets are changing quickly as well. Therefore, Chicony still faces many challenging including uncertain oil prices, rising labor costs in China and other risks.

Chicony team will face the rapid change and external challenges with optimistic but cautious attitude by integrating all resources and devoting in the development of keyboard, digital image, power supply and other niche products. Moreover, to keep the continuing growth on overall revenue, we will also expand business into input/output devices on tablets, smart phone and smart TV, LED illumination and PV inverter products (solar energy converters). The computer peripheral sales units are estimated to reach 250.52 million units, and 88.23 million units in consumer electronics and other electronic goods.

1.2.2 Business strategies

Chicony has established more than thirty years since February 2012. We will keep the idea of sustainable and honest operation. Guided by the principle of “No Quality, No sales”, we are committed to provide the most satisfactory services and keep revenue and profit growing to reward to the shareholders, employees and the society. Our strategies for products, production, marketing, R&D, human resource, and finance are explained as follows:

a. Products

- (1) To continue developing in keyboard, digital image, power supply, and high value-added products and related categories, in order to increase profitability.
- (2) To continue developing in wireless, Bluetooth and ultra slim keyboards, high-pixel camera module, power supply and related products, which is compatible with Tablet and Ultrabook.
- (3) To expand our products scope and revenue with research and development in input/output devices on smart phone, smart TV and cloud service, LED illumination and PV inverter products.
- (4) To develop new blue-ocean products that meet market needs.

b. Production

- (1) To retain a competitive advantage in keyboard, digital video, and power supply products, increase production capacity, and closely monitor product quality.
- (2) To quickly react to customer needs by enhancing flexibility in delivery, stocking, and production.
- (3) To enhance greater bargain power and efficiently reduce material costs, by

integrating group procurement resources.

- (4) To purchase the key component with the original suppliers directly to cut down the material costs.
- (5) To continue to find key material suppliers for vertical integration, in order to enhance mutual complementarities and to expand benefit sharing from economic scale.
- (6) Through automation implement and new production processes engineering to enhance productivity.

c. Marketing

- (1) To integrate product categories and to satisfy customer needs with a “one-stop shopping” approach. Maximize profitability with efficient marketing resource consuming.
- (2) To change product portfolios and increase the weight of high value-added products to generate higher profit.
- (3) To expand customers and extend products market shares of Keyboard, PC Camera, DV, NB/Tablet build-in Camera Module and Power Supply.
- (4) To exploit developing Mobile Camera Module and LED business.
- (5) To expand the Chinese domestic market for each product category
- (6) To manage and control risk of accounts receivable.

d. Research and development

- (1) To collaborate with major international hardware/software providers to co-develop new products with patent values.
- (2) To increase the number of product patents to create technological advantage.
- (3) To continue VA/VE (value analysis/value engineering) and improve product design to increase product efficiency and reduce the costs of production.
- (4) To increase recruitment of professionals and academic elites to enhance overall R&D capability and capacity.

e. Human resources

- (1) To set up human resources management index to help each business unit and subsidiaries eternally operate in priority categories, in order to reach Group annual profit goals.
- (2) To cultivate employees for professional technique and help develop themselves, by continuous professional and management training.
- (3) To help employees develop stable self-career plan with position rotation and job deputy, and, there through, the work capacity and position experience can be continuously applied and inherited for eternal operation purpose.
- (4) To build up corporate social responsibility policy, which is make up in form of annual report, allied with Company’s operation and be the basis to implement corporate social responsibility criteria.
- (5) Reserve and feedback certain percentage of profit to help the disadvantaged, school, and research group for public health improvement.
- (6) To gain insight into government human resource policies in global each area, especially in Asian countries, and form strategies for of optimal mutual benefit for both sides.

f. Finance

- (1) To supervise and conduct in strict budget control of business units and in management of accounts receivable, inventory, and cash turnover.
- (2) To apply the IPO (Initial Public Offering) for Chicony Power Technology Co., Ltd.
- (3) To continually improve the debt ratio.
- (4) To adequately hedge against fluctuations in exchange rates and raw material costs.
- (5) To well conduct tax planning for Chicony group by overviewing of relevant tax law and regulation of each country.

1.2.3 Important production and marketing policies

- a. For the development of Chicony group in the future, we have started the construction of our new head quarter in February 2013. This building is located at Sanchong District, New Taipei City, with 39 floors above ground, 4 floors underground and 181 meters in height. The construction area is 12,357.28 square meters and the total floors area total is near 30 hundred thousand square meters. The whole construction is expected to complete in the first quarter 2015.
- b. To expand production capacity and meet the customers' demand, the 100%-owned subsidiary, Chicony Electronics (Suzhou) Co., Ltd has started to build a new plant for the production of keyboard products in January 2013 and the construction is expected to complete in October 2013.
- c. Continue to concentrate resources on the top 10 global brands of manufacturers in personal computers, notebooks, webcams, digital video peripherals, and mobile phone. By increasing our shares among these growing companies, we aim to expand our global market shares and strengthen our position.
- d. Utilize the competitive advantages based on Group's diversified product portfolios, collective sales and integrated procurement.
- e. Continue to establish just-in-time supplying warehouses to shorten product delivery time and gain advantages over competitors.
- f. Keep reviewing and adjusting production process on the optimum track, and head up to production automation to increase integrated efficiency.
- g. Establish just-in-time supplying warehouses to enhance overall material delivery efficiency and reduce stocks of inventory.

1.3 The company's development strategies are subject to the external competitive, regulatory, and overall business environments:

Details are provided in the 2013 Outlook. All operation details provided are in accordance with laws and related regulations under the R.O.C government. None of the company's operations are as yet affected by laws and related regulations changes.

Chairman: Kent Hsu

Vice President and General Manger: MK Lin

Chief Accounting Officer: Molly Lin

2. Company Profile

2.1 Date of founding: February 22, 1983

2.2 Company milestone

- 1983 – Chicony was founded by former vice chairman Mr. Mark Lee and former vice president Mr. Frank Lu, and registered with \$ 2 million capital for computer peripheral product trading.
- 1985 – Current chairman Kent Hsu joined the company. Production of APPLE and IBM compatible keyboards began.
 - Incremental capital of \$14 million was invested to expand facilities.
 - Sales reached \$39 million
- 1986 – Sales reached \$293 million, approximately 7.5 times the level of the previous year.
- 1987 – A project was established to develop mobile personal computers.
 - Incremental capital of \$47 million was invested to expand facilities.
 - Business units were introduced into the organization (including two major business units for mobile products and keyboards).
 - Purchased HP-3000 computers from Hewlett Packard for computerization.
 - Annual revenue doubled to \$585 million over 1986.
- 1988 – PC Clones Magazine listed Chicony as one of the world’s top five computer keyboard companies.
 - Ministry of Economic Affairs (MOEA) officially approved the investment in Chicony Electronics (Thailand) Co., Ltd.
 - An additional \$57 million capital was generated from cash and earnings.
 - Mass production of LT3400 model laptops began.
 - Annual earning reached \$801 million, up 37% from a year ago.
- 1989 – Keyboard KB-5581 (keyboard with tracking ball) won the Design Award for Excellent Product.
 - Production in Thailand plant officially began the company’s first oversea production expansion.
 - Acquired 4500 ping of space for the Taoyuang Plant in Nankan, Taoyuang.
 - To meet the demands of rapid sales growth, incremental capital of \$78 million was invested, bringing the total paid-in capital to \$198 million.
 - Established the motherboard business unit.
 - Annual sales doubled from the previous year and reached almost \$1.6 billion.
 - MOEA approved the establishment of Chicony Overseas Inc. (COI), dedicated to personal computer products and peripherals, and established to enhance oversea sales network and customer service.
- 1990 – Hipro Electronics (Taiwan) Co., Ltd was established to specialize in the production and sales of power supplies.
 - The company’s trade performance was ranked in the top 100 in Taiwan.
 - The company’s use of its own brand for exports won the Minister of Economy’s Award.
 - The company officially invested in Chicony Overseas Inc. (COI) with a 100% stake. To establish a complete oversea sales and production network, further investments were made through COI in distributors in the USA (Chicony America Inc., CAI), Europe (Chicony Electronics GmbH, CEG), and the production unit in Thailand (Chicony Electronics (Thailand) Co., Ltd (CET)).
 - The Nankan plant in Lujhu Township, Taoyuang, officially began operation.
 - Additional capital of \$ 802 million was raised through a public offering, approved by the SEC, bringing the total paid-in capital to \$1 billion.
- 1991 – General manager, Mark Lee was awarded the Golden Business Award in the 46th Taiwan Excellent Businessman Award.

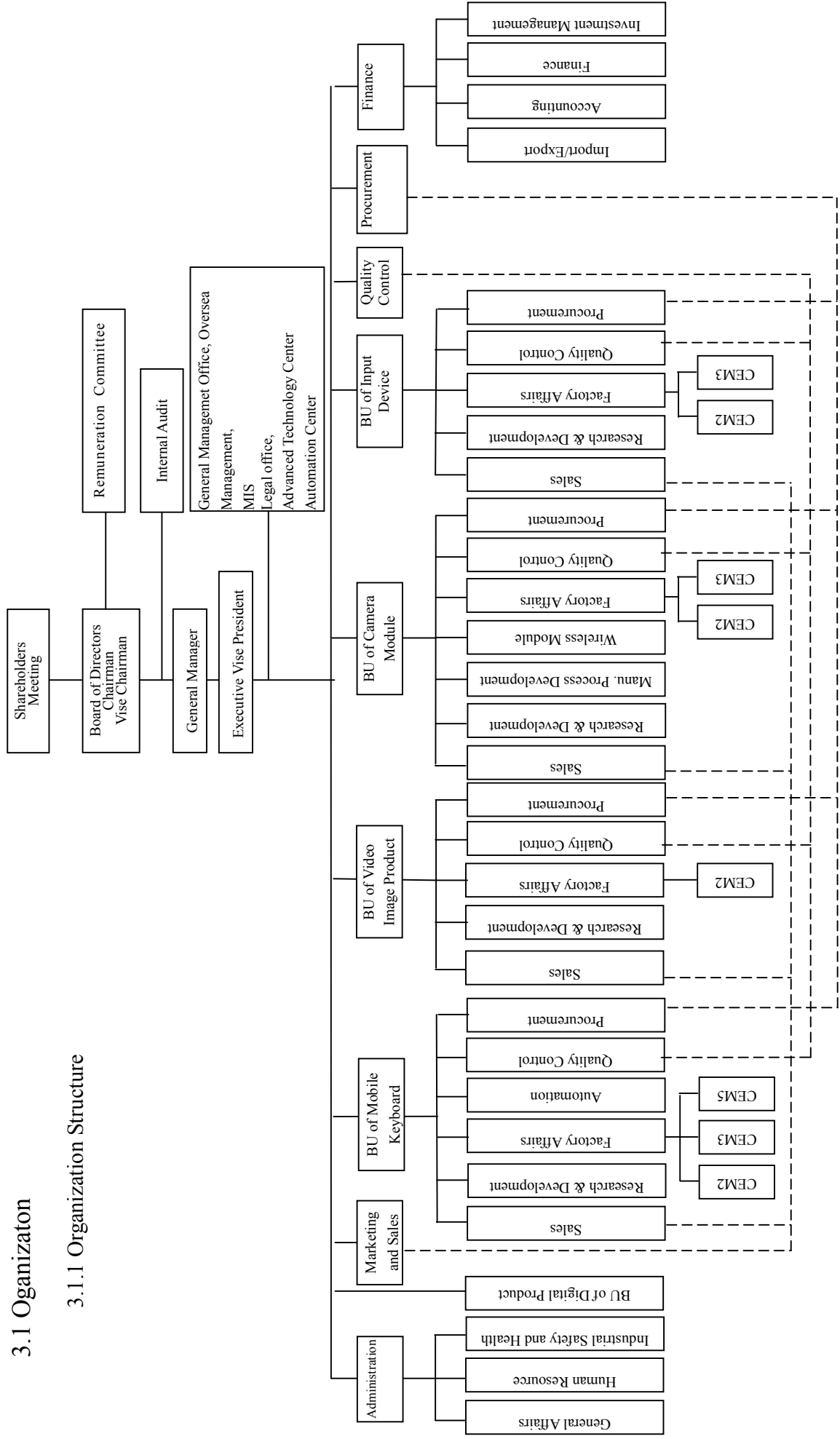
- Senior vice president M. K. Lin was awarded the Excellence in Taiwan 9th Outstanding Production Manger Award.
- Construction began on the headquarter in Wugu Industrial Park.
- Additional capital of \$120 million was made from earnings.
- 1992 – Plans for the motherboard manufacturing plant in Thailand were developed.
- Keyboard model KB-5591 won the National Product Image Award.
- 1993 – Chicony’s headquarters in Wugu were officially opened.
- 1994 – The first keyboard manufacturing plant in China officially opened for production.
- 1995 – An incremental capital investment of \$380 million was approved by SEC, bringing the total amount of paid-in capital to \$1.5 billion.
- 1996 – Motherboard business unit was discontinued.
- A capital reduction and an increment of capital in cash were made, at \$ 300 million.
- An investment was made in Chicony Electronics (UK) Ltd through Chicony Overseas Inc. to enable the sales of keyboards.
- 1997 – Hipro Electronics Co., Ltd was listed in Thailand.
- Keyboard model KWD-601 won Best Product Award from Chip Magazine, German Edition.
- Mark Lee was voted as the vice-chairman by the Board, and M.K. Lin was promoted to general manager from executive vice president.
- 1998 – Monthly keyboard sales reached 2.5 million units, ranking number one in the world.
- Investment was made into Chicony Electronic (DongGuan) Co., Ltd through Chicony Overseas Inc. to set up the production and sales of keyboards
- Capital increased by \$324.8 million from earned surplus (including employee bonuses) and capital reserves, approved by the SEC, bringing the total paid-in capital to over \$1.82 billion.
- 1999 – Chicony was publicly listed on the Taiwan Stock Exchange mainboard on January 5th.
- Increased capital by \$397 million from earned surplus (including employee bonuses), approved by the SEC, bringing the total paid-in capital to over \$2.22 billion
- 2000 – Relisted Hipro from the Stock Exchange of Thailand, and shares were bought back through Chicony Overseas Inc., increasing the company’s shareholding on Hipro from 32.29% to 75.33%.
- Digital camera business unit established.
- Laptop computer business unit was discontinued.
- 2001 – Invested in Chicony Electronic (Suzhou) Co., Ltd through Chicony Overseas Inc. for the production and sales of computer keyboards in the China market.
- 2002 – Increased the shareholding in Hipro to 99.8%.
- Increased capital by \$273.3 million from earned surplus (including employee bonuses), approved by the SEC, bringing the total paid-in capital to over \$2.49 billion.
- Founded Chicony Electronics CEZ s.r.o. to better serve the European market.
- 2003 – Mark Lee resigned as the vice chairman. The Board voted M.K. Lin as the vice chairman and general manager.
- Increased capital by \$492.32 million from earned surplus (including employee bonuses), approved by the SEC, bringing the total paid-in capital level to \$2.99 billion.
- 2004 – Increased capital by \$747.2 million from earned surplus (including employee bonuses), approved by the SEC, raising the total level of paid-in capital to over \$3.73 billion.
- Invested in optical lens company Newmax Electronics Co., Ltd through Unikey Electronics Co., Ltd, obtaining a 28.31% stake.
- 2005 – Monthly sales of laptop computer keyboards exceeded 1 million units.
- Capital increased by \$415 million from earned surplus (including employee

- bonuses), approved by the SEC, bringing the total paid-in capital to \$4.15 billion.
- 2006 – Achieved the worldwide number one position in sales of built-in laptop camera modules and webcams.
– Webcam monthly sales exceeded 1 million units.
– Capital was increased by \$275.5 million from earned surplus (including employee bonuses), approved by the SEC, bringing the total paid-in capital to almost \$4.43 billion.
- 2007 – Laptop computer keyboard monthly sales exceeded 3 million units.
– A capital increment of \$583.5 million was made from earned surplus (including employee bonuses), approved by the SEC, bringing the total paid-in capital over \$5 billion.
– Chicony Electronics (UK) Ltd. ceased operation.
- 2008 – Chicony was ranked 73rd among the world's top 100 technology companies by Business Week, US.
– Capital was increased by \$561 million from earned surplus (including employee bonuses), approved by the SEC, bringing the total level of paid-in capital to \$5.57 billion.
- 2009 – Chicony stock was selected as part of the MSCI Taiwan Index.
– For organization restructuring, Hipro Electronics, a 100%-owned subsidiary of Chicony, was merged with Chicony Power Technology Co., Ltd. (including full transfer of assets and liabilities), under the Enterprise Acquisition Law. Additional capital of \$2.08 billion was also invested in Chicony Power Technology Co., Ltd., bringing the company's ownership to 70.39%.
– A capital increment about \$342 million was made from earned surplus (including employee bonuses), approved by the SEC, bringing the total paid-in capital to over \$5.9 billion.
- 2010 – Upon approval of registration changes from Ministry of Economic Affairs, the remaining treasury stock reserved for none collateral convertible bond was canceled. A capital decrease of \$108,820.
– A capital increment about \$343 million was made from earned surplus (including employee bonuses), approved by the SEC, bringing the total paid-in capital to over \$6.2 billion.
– Established LED business unit under Chicony Power Technology Co., Ltd, profit recognized by Chicony Electronics as equity method investment.
– Newmax Technology Co., Ltd listed in Taiwan OTC market, profit recognized by Chicony Electronics as equity method investment indirectly.
- 2011 – To invest in Chicony Electronics (Chong Qing) Co., Ltd. through COI, dedicated to the manufacturing and sales of computer keyboards and digital image products.
– To invest in Chicony Power Technology (Chong Qing) Co., Ltd. indirectly through Chicony Power Technology Co., Ltd., dedicated to the manufacturing and sales of power supply and LED illumination products.
– Upon approval of registration changes from Ministry of Economic Affairs, the remaining treasury stock 10 million shares were canceled. A capital decrease of \$100 million, bringing the total paid-in capital to over \$6.1 billion.
– A capital increment about \$288 million was made from earned surplus (including employee bonuses), approved by the SEC, bringing the total paid-in capital to over \$6.4 billion.
- 2012 – A capital increment about \$313 million was made from earned surplus (including employee bonuses), approved by the SEC, bringing the total paid-in capital to over \$6.7 billion.
- 2013 – The invested company at equity method, Chicony Power Technology Co., Ltd, is listed on the GreTai Securities Market on 3rd January 2013.

3. Corporate Governance

3.1 Organization

3.1.1 Organization Structure



3.1.2 Major Corporate Functions

<u>Business Units</u>	<u>Description</u>
Input Device Business Unit	Desktop keyboard material procurement, production management, marketing, sales management, after service, and new product development
Mobile Keyboard Business Unit	Portable keyboard product procurement, production management, marketing, sales management, research and development, and after service
Video Image Product Business Unit	Production management of video image products, marketing, sales management, after service, and new product research and development
Camera Module Business Unit	Camera module production management, marketing, sales, after service, and new product research and development
Procurement	IT peripheral product and image product material procurement
Quality Control	Quality control, after service and customer relationship maintenance.
Finance	Finance, accounting, shareholding affairs, customs clearance, and imports/exports for the headquarters and subsidiaries.
Administration	Human resource, general affairs, corporate social responsibilities and industrial safety and health for headquarter and subsidiaries
Internal Audit	Review and evaluate internal control system and policy implementation
MIS	IT planning
Legal	Corporate legal affairs, contract drafting, and reviewing, litigation, patents and intellectual property management.
Advanced Technology Center	R&D on new products for Group and transfer technology for business units
Automation Engineering Center	Consolidate Group automation resources and setup projects of automation implement for business units. Develop and accumulate automation technology capacity for long term period.

3.2 Organization Members: Directors, Supervisors, General Manager, Vice Presidents, Associate Vice Presidents, and Department Heads

3.2.1. Information of Board Members and Supervisors

a. Information of Board Members and Supervisors(1)

April 13, 2013 Unit: Shares

Title	Name	Date Elected	Term	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Shares under Trust with Discretion Reserved Under the Holder and the Spouse		Selected Education and Experiences	Current Positions at Chicony and Other Companies	Title	Name	Relationship
					Shares	% (Note)	Shares	% (Note)	Shares	% (Note)	Shares	% (Note)	Shares	% (Note)					
Chairman	Kent Hsu	9th June 2010	3 years	4th March 1985	70,073,286	10.37%	78,817,468	11.66%	3,883,525	0.57%	-	-	-	-	National Taipei University of Technology Chairman of Clevo, Co.	Chairman of: Clevo Co., Epoque Corp. Chairman/legal representative of Chicony Power Technology Co., Ltd, Hipro Electronics Co., Ltd, Quan Sun Investment Co Ltd Chun Chin Power Technology, Co., Ltd Chairman of subsidiaries: Chicony (Dongguang) Co., Ltd Chicony (Suzhou) Co., Ltd, Chicony(Chong Qing) Co., Ltd Chicony Power Technology (Suzhou), Co., Ltd Chicony Power Technology (Chong Qing), Co., Ltd Chicony Energy Saving Technology(Shanghai) Co., Ltd, Dong Guan Chicony Power Trading CO., Ltd Hipro (Dongguang), Co., Ltd Guang Sheng Electronics (Nanchang), Co., Ltd Xavi Technologies (Suzhou) Co., Ltd Director of subsidiaries: Chicony Overseas Inc, Chicony Global, US, Czech, Thailand Mao Feng Electronics, MaoRui Electronics Real Young Electronics Guang Mao International Inc. Chicony America Group Inc, Chicony Power Technology Hong Kong, US, Holding, International Hipro Overseas Inc XAVI Communication Co., Ltd., XAVI Overseas, Directmax, Systemax Legal representative and Director of Unikey Electronics Co., Ltd	-	-	-

Title	Name	Date Elected	Term	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Shares under Trust with Discretion Reserved Under the Holder and the Spouse		Selected Education and Experiences	Current Positions at Chicony and Other Companies	Have a spouse/relative within two degrees of consanguinity serving as a manager, director, or a supervisor		
					Shares	% (Note)	Shares	% (Note)	Shares	% (Note)	Shares	% (Note)	Shares	% (Note)			Title	Name	Relationship
Vice Chairman and President	M.K. Lin	9th June 2010	3 years	12th August 1988	9,878,351	1.46%	14,705,251	2.18%	799,649	0.12%	-	-	6,240,000	0.92%	National Taipei University of Technology EMBA, National ChengChi University Plant director of Lite-On Technology Corp.	GM of Chicony Electronics Co., Ltd Chairman/legal representative of XAVI Technology Co. Ltd. Chairman/legal representative and GM of UniKey Electronics Co., Ltd Vice chairman/legal representative of Chicony Power Technology Co., Ltd. Vice chairman/legal representative and GM of Hipro Electronics Co., Ltd Chun Chin Power Technology Co., Ltd Quan Sun Co., Ltd. Vice chairman of Chicony (Dongguang) Co. Ltd. Director of Clevo Co., Chicony Overseas Inc. Suzhou, Czech, Thailand, Chong Qing, Mao Feng Electronics, Real Young Electronics Co., Ltd Global Faith Inc. Guang Mao International Inc. MaoRui Electronics Hipro Overseas Inc, Dongguang, Chicony Power Technology Suzhou, Hong Kong, Chong Qing, US, Holdings, International Chicony Energy Saving Technology (Shanghai) Co., Ltd. Dong Guan Chicony Power Trading CO., Ltd. Guang Sheng Electronics (Nanchang) Co., Ltd. XAVI Overseas, Suzhou, Directmax, Systemax Guideway Global Had Eri Iou International, and Hoi Yu International CEO/Director of Chicony US, Chicony America Group Inc, Executive Director of Chicony Germany Legal representative and director of Had Eri Iou Electronics Co., Ltd., Genesis Photonics Inc, Alcor Micro, Co. Supervisor of Chicony Electronics (Japan) Co., Ltd. Independent director / Remuneration Committeeman of Compal Communications Co., Ltd Remuneration Committeeman of Elan Microelectronic Co.	-	-	-

April 13, 2013 Unit: Shares

Title	Name	Date Elected	Term	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Shares under Trust with Discretion Reserved Under the Holder and the Spouse		Selected Education and Experiences	Current Positions at Chicony and Other Companies	Have a spouse/relative within two degrees of consanguinity serving as a manager, director, or a supervisor		
					Shares	% (Note)	Shares	% (Note)	Shares	% (Note)	Shares	% (Note)	Shares	% (Note)			Title	Name	Relationship
Director	Roger Lu	9th June 2010	3 years	18th May 2004	1,751,960	0.26%	2,341,502	0.35%	1,382,320	0.20%	-	-	127,800	0.02%	MBA, National ChengChi University Sales supervisor, manager, BU head, assistant vice president, vice president of Chicony Electronics Co., Ltd	Executive vice president, GM of Chicony (Dongguang) Co., Ltd and MaoRui Electronics Legal Representative Director: Hipro Electronics Co., Ltd Quan Sun Co., Ltd. UniKey Electronics Co., Ltd, Newmax Technology Co., Ltd, Chun Chin Power Technology Co., Ltd GM/Director of Chicony (Dongguang) Co., Ltd Director of: Chicony Overseas Inc, US, Czech, Japan, Suzhou, Thailand, Chicony Power Technology Holdings, Chicony Power International Inc. Hipro Overseas Inc. MaoRui Electronics Co., Ltd. Real Young Electronics Co., Ltd Mao-Feng International Inc. Global Faith Inc. Guang Sheng Electronics (Nanchang) Mao Chun Electronics Co., Ltd. Chicony America Group Inc, Supervisor of: CLEVO Co. Ltd. XAVi Technology Co., Ltd. Shun On Electronic Co., Ltd. Chicony(Chong Qing)	-	-	-

April 13, 2013 Unit: Shares

Name	Date Elected	Term	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Shares under Trust with Discretion Reserved Under the Holder and the Spouse		Selected Education and Experiences	Current Positions at Chicony and Other Companies	Title	Name	Relations
				Shares	% (Note)	Shares	% (Note)	Shares	% (Note)	Shares	% (Note)	Shares	% (Note)					
Director	James Wei 9th June 2010	3 years	18th May 2004	964,722	0.14%	1,246,074	0.18%	-	-	-	-	607,100	0.09%	Bachelor of Engineering Science, National Cheng Kung University MBA, Da Yeh University Manager of Production Department, Shilin Electrics Co., Ltd. GM and Vice president of DSC Business Unit, Chicony Electronics, Co., Ltd	Special Assistant of Headquarter and Head of Digital Consuming Device Business Unit Legal Representative Director of: Hipro Electronics Co., Ltd Had Eri Iou Industrial Inc. Newmax Technology Co., Ltd Director of: Chicony (Dongguang) Co., Ltd. Hipro Overseas Inc. MaoRui Electronics Co., Ltd. Real Young Electronics, Co., Ltd. Global Faith Inc. Guang Mao International Inc., Mao Chun Electronics Co., Ltd., Xavi Suzhou, XAVi Oversea, Directmax, and Systemax Supervisor of Chicony (Suzhou) Co., Ltd XAVi Technology Co., Ltd, Chicony Power Technology (Chong Qing), Co., Ltd and Chicony Energy Saving Technology (Shanghai) Co., Ltd. Legal Representative Supervisor of: UniKey Electronics Co., Ltd, Quan Sun Co., Ltd. Chun Chin Power Technology Co., Ltd	Corporate representative Director	Su-Chen Chang	Spouse

April 13, 2013 Unit: Shares

Name	Date Elected	Term	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Shares under Trust with Discretion Reserved Under the Holder and the Spouse		Selected Education and Experiences	Current Positions at Chicony and Other Companies	Relationship		
				Shares	% (Note)	Shares	% (Note)	Shares	% (Note)	Shares	% (Note)	Shares	% (Note)			Title	Name	Relationship
Director	Simon Tsai	3 years	30th May 2001	25,207	-	28,351	-	67,000	0.01%	-	-	-	-	National Taipei University of Technology EMBA, National Cheng Chi University GM, CLEVO, CO.	Vice Chairman and GM of CLEVO Co., Ltd.	-	-	-
Director	Lin, Zhi-jian	3 years	30th May 2001	1,780,415	0.26%	2,002,585	0.30%	-	-	-	-	-	-	Heng Yi High School Chairman, Hong Zi Development Co, Ltd	Chairman, Hong Zi Development Co, Ltd Director, Di Jia Construction and Development Co, Ltd.	-	-	-
Director	Jia-sheng Liu	3 years	30th May 2001	506,786	0.07%	570,025	0.08%	-	-	-	-	-	-	National Taipei University of Technology Director, Kuofong Motors	None	-	-	-

April 13, 2013 Unit: Shares

	Name	Date Elected	Term	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Shares under Trust with Discretion Reserved Under the Holder and the Spouse		Selected Education and Experiences	Current Positions at Chicomony and Other Companies	Title	Name	Relationship
					Shares	% (Note)	Shares	% (Note)	Shares	% (Note)	Shares	% (Note)	Shares	% (Note)					
Supervisor	Jing Yuan Investment Co., Ltd. Legal representative: Chishun Huang	9 th June 2010	3 years	18 th May 2004	8,794,723	1.30%	10,534,918	1.56%	-	-	-	-	-	-	National Taipei College of Business Vice manager, Ya Peng Enterprise	None	-	-	-
Supervisor	Hua Tai Investment Co., Ltd. Legal representative: Su-cheng Chang	9 th June 2010	3 years	18 th May 2004	3,226,647	0.48%	4,111,338	0.61%	-	-	-	-	-	-	Business College Finance Department, Shilin Electric Co., Ltd.	None	Director Special Assistant and Head of DCD	James Wei	Spouse
Supervisor	Dong Ling Investment Co., Ltd. Legal representative: Chihshuang Ku	9 th June 2010	3 years	18 th May 2004	9,035,210	1.34%	10,788,306	1.60%	-	-	-	-	-	-	Tunghai University Trade Specialist, Bliss Electronic Co., Ltd Senior Specialist, Kuei Mao Electronics	None	Head of VIP BU	Allen Hwang	Spouse

Note: The percentage of shareholding is calculated as shares held divided by total outstanding shares.

a. Information of Board Members and Supervisors (2):

Name	Criteria	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Criteria (Note)										Number of Other Public Companies Concurrently Serving as an Independent Director
		An instructor in or a higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the company in a public or a private junior college, college, or university	A judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialists who has passed a national examination and been awarded a certificate in a profession necessary for the business of the company	Have work experience in the area of commerce, law, finance, or accounting, or otherwise necessary for the business of the company	1	2	3	4	5	6	7	8	9	10	
Chairman: Kent Hsu			✓				✓			✓	✓	✓	✓		
Vice Chairman and GM: M.K. Lin			✓			✓				✓	✓	✓	✓	1	
Director: Roger Lu			✓		✓	✓				✓	✓	✓	✓		
Director: James Wei			✓		✓	✓				✓	✓	✓	✓		
Director: Simon Tsai			✓		✓	✓				✓	✓	✓	✓		
Director: Zhih-jian Lin			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		
Director: Jia-sheng Liu			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		
Supervisor: Jing Yuan Investment Co., Ltd. Legal representative: Chin-shun Huang			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		
Supervisor: Hua Tai Investment Co., Ltd. Legal representative: Su-cheng Chang			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		
Supervisor: Dong Ling Investment Co., Ltd. Legal representative: Chi-hsuang Ku			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		

Note: "✓" in the boxes indicate that, during the two years before the elected position or during the term of office, directors and supervisors meet the following criteria:

1. Not an employee hired by Company and its affiliates.
2. Not a director or supervisor of the company or any of its affiliate. It does not apply in cases where the person is an independent director of the company, its parent company or any subsidiary in which the company holds, directly or indirectly, more than 50% of the voting shares.
3. Not a natural person shareholder who holds shares, together with those held by the person's spouse, minority or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding share of the company or rank as top-10 shareholders.
4. Not a spouse, relative within the second-degree relatives, or lineal relative within the fifth degree, of any of the persons specified in the preceding three notes.
5. Not a director, supervisor, or employee of a corporate/institutional shareholder that directly holds 5% or more of the total number of outstanding shares of the company or that holds shares ranking in the top five in holdings.
6. Not a director, supervisor, officer or shareholders who hold 5% or more of the shares of a specified company or institution that has a financial or business relationship with the company.
7. Not as a professional individual nor an owner, partner, director, supervisor, officer or one' spouse of a sole proprietorship, partnership, company, or institution providing commercial, legal, financial, accounting or consultation services to the company or its affiliates.
8. Not having a marital relationship , or a relative within the second degree of kinship to any other director of the company;
9. Not been a person or any conditions defined in Article 30 of the Company Law.
10. Not a governmental, judicial, person or its representative as defined in Article 27 of the Company Law.

b. Directors, Supervisors, Institutional Shareholder Representatives, and the Main Shareholder of Institutional Shareholders

April 13, 2013

Institutional Shareholder Name	The Main Shareholder of the Institutional Shareholder	Percentage of Shareholding (%)
Dong Ling Investment Co., Ltd.	Kent Hsu	50%
	Teh-yi Wu	18.33%
	Yes-men Hsu	10%
	Yue-yuan Hsu	5%
	Feng-chu Lin	5%
	Kun-yuan Hsu	5%
	Yue-eh Hsu	5%
	Weng-hsin Hsu	1.67%
Jing Yuan Investment Co., Ltd.	Dong Ling Investment Co., Ltd.	50%
	Teh-yi Wu	28.33%
	Yue-sen Hsu	5.06%
	Yue-yuan Hsu	5%
	Kun-yuan Hsu	5%
	Feng-chu Lin	3.05%
	Yue-eh Hsu	2.89%
	Weng-hsin Hsu	0.67%
Hua Tai Investment Co., Ltd.	Kun-yuan Hsu	20%
	Feng-chu Lin	20%
	Yue-yuan Hsu	16%
	Fu-long Lin	16%
	Teh-yi Wu	12%
	Ying-tao Hsu-Chen	10%
	Yue-eh Hsu	4%
	Weng-hsin Hsu	2%

c. Directors, Supervisors, Institutional Shareholder Representatives, and the Main Shareholder of Institutional Shareholders April 13, 2013

The Main Shareholder of the Institutional Shareholder	The Main Shareholder	Percentage of Shareholding (%)
Dong Ling Investment Co., Ltd.	Kent Hsu	50%
	Teh-yi Wu	18.33%
	Yue-sen Hsu	10%
	Yue-yuan Hsu	5%
	Feng-chu Lin	5%
	Kun-yuan Hsu	5%
	Yue-eh Hsu	5%
	Weng-hsin Hsu	1.67%

3.2.2 Management Team

April 13, 2013 Unit: Shares

Title	Name	Date Onboard	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Shares under Trust with Discretion Reserved Under the Holder, the Spouse, and the Children Under 18		Selected Education and Experiences	Positions Held Concurrently in Other Companies	Have a spouse/relative, within two degrees of consanguinity serving as a manager, director, or a supervisor		
			Shares	% (Note)	Shares	% (Note)	Shares	% (Note)	Shares	% (Note)			Title	Name	Relationship
Vice Chairman and GM	M.K. Lin	1st May 2003	14,705,251	2.18%	799,649	0.12%	-	-	6,240,000	0.92%	National Taipei University of Technology EMBA, National Cheng Chi University Plant director of Lite-On Technology Corp.	GM of Chicony Electronics Co., Ltd Chairman/legal representative of XAVI Technology Co, Ltd. Chairman/legal representative and GM of UniKey Electronics Co., Ltd Vice chairman/legal representative of Chicony Power Technology Co., Ltd. Vice chairman/legal representative and GM of Hipro Electronics Co., Ltd Chun Chin Power Technology Co., Ltd Quan Sun Co., Ltd. Vice chairman of Chicony (Dongguang) Co. Ltd. Director of Clevo Co., Chicony Oversea Inc. Suzhou, Czech, Thailand, Chong Qing, Mao Feng Electronics, Real Young Electronics Co., Ltd Global Faith Inc. Guang Mao International Inc. MaoKui Electronics Hipro Overseas Inc. Dongguang, Chicony Power Technology Suzhou, Hong Kong, Chong Qing, US, Holdings, International Chicony Energy Saving Technology (Shanghai) Co. Ltd. Dong Guan Chicony Power Trading CO., Ltd. Guang Sheng Electronics (Nanchang) Co., Ltd. XAVI Oversea, Suzhou, Directmax, Systemax Guideway Global Had Eri Lou International, and Hoi Yu International CEO/Director of Chicony US, Chicony America Group Inc. Executive Director of Chicony Germany Legal representative and director of Had Eri Lou Electronics Co., Ltd., Genesis Photonics Inc. Alcor Micro Co. Supervisor of Chicony Electronics (Japan) Co., Ltd. Independent director / Remuneration Committeeman of Compal Communications Co., Ltd. Remuneration Committeeman of Elan Microelectronic Co.	-	-	-

Title	Name	Date Onboard	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Shares under Trust with Discretion Reserved Under the Holder, the Spouse, and the Children Under 18		Selected Education and Experiences	Positions Held Concurrently in Other Companies	Have a spouse/relative within two degrees of consanguinity serving as a manager		
			Shares	% (Note)	Shares	% (Note)	Shares	% (Note)	Shares	% (Note)			Title	Name	Relationship
Executive vice president, GM of Chicony Electronics (Dongguang) Co., Ltd and MaoRui Electronics Co.,Ltd.	Roger Lu	1st May 2003	2,341,502	0.35%	1,382,320	0.20%	-	-	127,800	0.02%	Bachelor and MBA of Business Administration, National ChengChi University, Sales supervisor, manager, associate vice president, vice president of Chicony Electronics Co., Ltd	Executive vice president, GM of Chicony (Dongguang) Co., Ltd and MaoRui Electronics Legal Representative Director: Hipro Electronics Co., Ltd Quan Sun Co., Ltd. UniKey Electronics Co., Ltd, Newmax Technology Co., Ltd, Chun Chin Power Technology Co., Ltd GM/Director of Chicony (Dongguang) Co., Ltd Director of: Chicony Overseas Inc, US, Czech, Japan, Suzhou, Thailand, Chicony Power Technology Holdings, Chicony Power International Inc. Hipro Overseas Inc. MaoRui Electronics Co., Ltd. Real Young Electronics Co., Ltd Mao-Feng International Inc. Global Faith Inc. Guang Sheng Electronics (Nanchang) Mao Chun Electronics Co., Ltd. Chicony America Group Inc, Supervisor of: CLEVO Co. Ltd. XAVi Technology Co., Ltd. Shun On Electronic Co., Ltd. (Chicony/Chong Qing)	-	-	-

April 13, 2013 Unit: Shares

Title	Name	Date Onboard	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Shares under Trust with Discretion Reserved to the Holder, the Spouse, and the Children Under 18		Selected Education and Experiences	Positions Held Concurrently in Other Companies	Title	Name	Relationship
			Shares	% (Note)	Shares	% (Note)	Shares	% (Note)	Shares	% (Note)					
Special Assistant of Headquarter and Head of Digital Consuming Device Business Unit	James Wei	8th March 2006	1,246,074	0.18%	-	-	-	-	607,100	0.09%	Bachelor of Engineering Science, National Cheng Gung University MBA, Da Yeh University Director and Vice Director of Chicony Electronics, Co., Ltd	Special Assistant of Headquarter and Head of Digital Consuming Device Business Unit Legal Representative Director of: Hipro Electronics Co., Ltd Had Eri Iou Industrial Inc. Newmax Technology Co., Ltd Director of: Chicony (Dongguang) Co., Ltd. Hipro Overseas Inc. MaoRui Electronics Co., Ltd. Real Young Electronics, Co., Ltd. Global Faith Inc. Guang Mao International Inc. Mao Chun Electronics Co., Ltd. Xavi Suzhou, XAVI Oversea, Directmax, and Systemax Supervisor of Chicony (Suzhou) Co., Ltd XAVI Technology Co., Ltd, Chicony Power Technology (Chong Qing), Co., Ltd and Chicony Energy Saving Technology (Shanghai) Co., Ltd. Legal Representative Supervisor of: UniKey Electronics Co., Ltd, Quan Sun Co., Ltd. Chun Chin Power Technology Co., Ltd	-	-	-
Chief Strategy Officer	Andrew Lin	16th October 2012									Chicago University MBA Master of FECS, Massachusetts Institute of Technology President of Greater China, Macquarie Capital Chief Financial Officer, Lite-On Technology Corporation	None	-	-	-
Head of IPD Business Unit	Chris Huang	26th October, 2011	1,468,871	0.22%	217,768	0.03%	-	-	107,700	0.02%	EE, Fu Jen University, R&D VP of Chicony Electronics Co., Ltd. GM of Chicony(Chong Qing) Co., Ltd Deputy Head of IPD Business Unit	Chairman of Suzhou Qun Yang Electronics Co.,Ltd	-	-	-

Title	Name	Date Onboard	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Shares under Trust with Discretion Reserved Under the Holder, the Spouse, and the Children Under 18		Selected Education and Experiences	Positions Held Concurrently in Other Companies	Have a spouse/relative within two degrees of consanguinity serving as a manager		
			Shares	% (Note)	Shares	% (Note)	Shares	% (Note)	Shares	% (Note)			Title	Name	Relationship
Head of MKB Business Unit	Hank Liu	1st March 2003	521,642	0.08%	-	-	-	-	102,600	0.02%	Design, National Taipei University of Technology, Executive VP, Sunrex Corp. GM of Chi MeiSpecialty Co., Ltd. Vice President, MKB Business Unit, Chicony Electronics Co., Ltd	Chairman and GM of: MaoRui Electronics Mao Chun Electronics Co., Ltd. Director and GM of Chicony(Chong Qing) Co., Ltd Director of: Chicony Electronics Suzhou, Japan Real Young Electronics Co., Ltd. Suzhou Qun Yang Electronics Co.,Ltd and XAVi Technology Supervisor of Chicony Power Technology Co., Ltd. Legal Representative Director: Shun On Electronic Co. Limited	-	-	-
Head of VIP Business Unit	Allen Huang	1st February 2006	565,033	0.08%	102,149	0.02%	-	-	82,500	0.01%	Bachelor of Mechanical Engineering, National Tsing Hua University, National National Master of Electronics, National Taiwan University of Science and Technology Associate Vice President, Mustek Systems, Inc. Manager, Far Eastern District, Logitech Associate Vice President, DSC Development Department, Chicony Electronics, Co., Ltd	Chairman of Had Eri Iou Industrial Inc.(lega representative) Chairman and GM of: Dong Guan Had Eri Lou Plastics Corporation Director of: Guideway Global Had Eri Iou International Hol Yu International	-	-	-
GM of Chicony America, Inc.	Bruce Chang	17th October 1993	430,168	0.06%	-	-	-	-	83,400	0.01%	Bachelor of Law, National Chung Hsing University, Director/Associate Vice President/Vice President of Sales Department, Chicony	Director/Secretary /CFO of Chicony America Inc. Director and Secretary of Chicony America Group Inc. Director of: Chicony Power Technology America	-	-	-

Title	Name	Date of Onboard	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Shares under Trust with Discretion Reserved Under the Holder, the Spouse, and the Children Under 18		Selected Education and Experiences	Positions Held Concurrently in Other Companies	Have a spouse/relative within two degrees of consanguinity serving as a manager		
			Shares	% (Note)	Shares	% (Note)	Shares	% (Note)	Shares	% (Note)			Title	Name	Relationship
Head of CM Business Unit	Sherman Wei	1st February 2006	550,000	0.08%	-	-	-	-	103,200	0.02%	Bachelor of Engineering Science, National Cheng Gung University, MBA, National Chengchi University, Procurement associate vice president of CLEVO, CO.	Supervisor of Chicony Power Technology Co., Ltd and XAVI Technology Co., Ltd.	-	-	-
Chief Procurement Officer	Ronnie Chen	1st June, 2011	2,289,782	0.34%	-	-	-	-	52,800	0.01%	Commercial Mathematics, National Chiao Tung University, Marketing/Project Dept leader of Liteon Tech., Sales Manager/Procurement Director of Chicony Electronics Co., Ltd. GM of Chicony Thailand, German.	Executive director of Chicony GmbH	-	-	-
Vice President of VIP Business Unit	Daniel Chou	5th July, 2011	266,620	0.04%	-	-	-	-	51,000	0.01%	National Taipei College of Business MBA, California State University Sales Manager, SUPER Inc Sales Manager and Director of Chicony Electronics Co., Ltd. Vice President of CM Business Unit	None	-	-	-
Vice President of CM Business Unit	Rex Li	1st July, 2011	283,761	0.04%	64,273	0.01%	-	-	34,200	0.01%	Shipping & Transportation Management, National Taiwan Ocean University. Sales AYP of Chicony Electronic Co., Ltd.	None	-	-	-

Title	Name	Date Onboard	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Shares under Trust with Discretion Reserved Under the Holder, the Spouse, and the Children Under 18		Selected Education and Experiences	Positions Held Concurrently in Other Companies	Have a spouse/relative within two degrees of consanguinity serving as a manager		
			Shares	% (Note)	Shares	% (Note)	Shares	% (Note)	Shares	% (Note)			Title	Name	Relationship
Vice President, of New Product Development	K.Y. Huang	1st November, 2006	1,030,426	0.15%	799	-	-	-	79,500	0.01%	Commercial Mathematics, Soochow University R&D Manager and Director of IPD Business Unit, Chicony Electronics Co., Ltd.	None	-	-	-
R&D VP of MKB Business Unit	Jensen Tsai	1 st May, 2008	52,706	0.01%	-	-	-	-	81,000	0.01%	MBA, Da-Yeh University R&D AVP of MKB Business Unit, Chicony Electronic Co., Ltd.	None	-	-	-
R&D Vice President of VIP Business Unit	Mandy Tsai	1st April, 2010	284,674	0.04%	-	-	-	-	55,2000	0.01%	EMBA, National Taiwan University Executive Vice President of Agora Innovation Corp.	None	-	-	-
R&D Vice President of IPD Business Unit	Dany Yang	17th May 2010	29,947	-	-	-	-	-	27,300	-	Bachelor of Control Engineering, National Chiao Tung University Vice President of Sunplus Innovation Technology	None	-	-	-
Special Assistant of Chicony headquarter	Maxwell Lill	5th July, 2011	92,735	0.01%	-	-	-	-	37,200	0.01%	EE, Tunghan University Engineering Manager of Clevo Co. Ltd., R&D AVP of CM Business Unit, Chicony Electronic Co., Ltd.	Vice Chairman and GM of Had Eri Lou Industrial Inc. Ltd. Director of Guideway Global, Had-Eri-lou International, Hol Yu International, and Dong Guan Had Eri Lou Plastics Corporation	-	-	-
Associate VP of Finance Department	Molly Lin	1st August, 2005	497,546	0.07%	-	-	-	-	66,900	0.01%	Bachelor of Finance, National Taiwan University Master of Accounting, The George Washington University CPA, Cym Yeh CPA CO., Ltd. Accounting manager and Accounting director of Chicony Electronics Co., Ltd	Supervisor of Had Eri Lou Industrial Inc. Director of Chicony Elec. CEZ s.r.o Legal Representative Director: Saga-Polaris Venture Capital Maxima Ventures II, Inc.	-	-	-

April 13, 2013 Unit: Shares

Title	Name	Date of Onboard	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Shares under Trust with Discretion Reserved Under the Holder, the Spouse, and the Children Under 18		Selected Education and Experiences	Positions Held Concurrently in Other Companies	Have a spouse/relative within two degrees of consanguinity serving as a manager		
			Shares	% (Note)	Shares	% (Note)	Shares	% (Note)	Shares	% (Note)			Title	Name	Relationship
Associate VP of Oversea Management Unit	Swallow Chuang	1st February 2006	879	-	805	-	-	-	36,000	0.01%	Bachelor of Business Administration, Feng Chia University, Director of Oversea Management Unit, Chicony Electronics Co., Ltd.	None	-	-	-
AVP of Quality Control, CM Business Unit	Hans Chan	1st September 1999	81,845	0.01%	-	-	-	-	27,900	-	Bachelor of Physics, Tunghai University Quality Control Manager Phillips Electronics N. Y. Director of Quality Control Office, Motorola Mobility, Inc.	None	-	-	-
Automation AVP of MKB Business Unit	Eric Tseng	1st April 2010	26,587	-	-	-	-	-	11,400	-	Master of Mechanical Engineering, National Taiwan University Manager of Hauzer Asia Technology Corp. Assistant VP of Askey Computer Corporation	None	-	-	-
Associate of Audit Office	Woody Chou	1st January 2010	47,227	0.01%	1,124	-	-	-	900	-	Bachelor and Master of Accounting, National ChengChi University Assistant VP of Audit/Accounting Department, KG Telecom Accounting & Auditing AVP, Financial AVP of XAVI Technology Co., Ltd.	None	-	-	-

Note: The percentage of shareholding is calculated as shares held divided by total outstanding shares.

3.2.3 Remuneration Paid to Directors, Supervisors, General Manager and Vice Presidents
a. Year 2012 Remuneration Paid to Directors

Title	Name	Remuneration						Compensation Earned as Employees of Chicony or of Chicony's Consolidated Entities						(A+B+C+D+E+F+G) as a % of 2012 Net Profit		Compensation Paid to Directors from Non-consolidated Affiliates											
		Base Compensation (A)		Severance Pay and Pensions (B)		Bonus to Directors (C) Note(1)		Allowances(D)		Total Remuneration (A+B+C+D) as a % of 2012 Net Profit		Base Compensation, Bonuses, and Allowances (E) Note(2)		Severance Pay and Pensions (F)			Employee Bonus Sharing (G) Note(1)		Exercisable Employee Stock Options (H)								
		From Chicony	From All Consolidated Entities	From Chicony	From All Consolidated Entities	From Chicony	From All Consolidated Entities	From Chicony	From All Consolidated Entities	From Chicony	From All Consolidated Entities	From Chicony	From All Consolidated Entities	Cash	Stock (Fair Market Value)		From Chicony	From All Consolidated Entities	From Chicony	From All Consolidated Entities							
Chairman	Kent Hsu	3,506,400	3,506,400	88,248	88,248	20,428,679	23,409,806	-	-	0.62%	0.70%	27,466,094	114,265,645	285,662	383,374	-	25,101,075	40,195,675	-	-	2.00%	4.73%	-				
Vice Chairman and President	M.K. Lin																										
Executive vice president, GM of Chicony (Dongguang) Co., Ltd and MaoRui Electronics	Roger Lu																										
Special Assistant of Headquarter and Head of Digital Consuming Device Business Unit	James Wei																										
Director	Zhih- jian Lin																										
Director	Jia- sheng Liu																										
Director	Simon Tsay																										

Note 1: The profit sharing is calculated by 2010 individual director distribution ratio multiplied by proposed 2011 director remuneration; the employee profit sharing is a proposed amount of 2011.

Note 2: Compensation disclosure is accrual-based.

Remuneration Paid to Directors

	Director Names			
	Total Remuneration (A+B+C+D)		Total Compensation(A+B+C+D+E+F+G)	
	From Chicony	From All Consolidated Entities	From Chicony	From All Consolidated Entities
Under \$2,000,000	Zhih-jian Lin, Simon Tsai, Jia-sheng Liu	Zhih-jian Lin, Simon Tsai, Jia-sheng Liu	Zhih-jian Lin, Simon Tsai, Jia-sheng Liu	Zhih-jian Lin, Simon Tsai, Jia-sheng Liu
\$2,000,000 ~ \$4,999,999	M.K. Lin, Roger Lu, James Wei		Roger Lu, James Wei	-
\$5,000,000 ~ \$9,999,999	Kent Hsu	M.K. Lin, Roger Lu, James Wei	Kent Hsu, M.K. Lin	-
\$10,000,000 ~ \$14,999,999				
\$15,000,000 ~ \$29,999,999		Kent Hsu,		Kent Hsu, Roger Lu, James Wei
\$30,000,000 ~ \$49,999,999				M.K. Lin
\$50,000,000 ~ \$99,999,999				
Over \$100,000,000				
Total		7	7	7

Note: New stocks issuing by employee stock bonus is an estimate based on a preliminary bonus of 2011; therefore, this chart does not yet include employee bonus sharing.

b. Year 2012 Remunerations Paid to Supervisors

Title	Name	Remunerations Paid to Supervisors						Compensation from Non-consolidated Affiliates		
		Base Compensation (A)		Bonus to Supervisors (B) (Note)		Fee for Affairs (C)			Total Remuneration (A+B+C) as a % of 2012 Net Profit	
		From Chicony	From All Consolidated Entities	From Chicony	From All Consolidated Entities	From Chicony	From All Consolidated Entities		From Chicony	From All Consolidated Entities
Supervisor	Jin Yuan Investment Co., Ltd. Legal representative: Chin-shun Huang	-	-	3,928,591	3,928,591	-	-	0.10%	0.10%	-
Supervisor	Hua Tai Investment Co., Ltd. Legal representative: Su-cheng Chang									
Supervisor	Dong Ling Investment Co., Ltd. Legal representative: Chi-hsuang Ku									

Note: The profit sharing is calculated by 2011 individual director distribution ratio multiplied by proposed 2012 director remuneration

	Supervisor Names	
	From Chicony	All Consolidated Entities
Under \$2,000,000	-	-
\$2,000,000 ~ \$4,999,999	Jin Yuan Investment Co., Ltd. Legal representative: Chin-shun Huang, Hua Tai Investment Co., Ltd. Legal representative: Su-cheng Chang, Dong Ling Investment Co., Ltd. Legal representative: Chi-hsuang Ku	Jin Yuan Investment Co., Ltd. Legal representative: Chin-shun Huang, Hua Tai Investment Co., Ltd. Legal representative: Su-cheng Chang, Dong Ling Investment Co., Ltd. Legal representative: Chi-hsuang Ku
\$5,000,000 ~ \$9,999,999	-	-
\$10,000,000 ~ \$14,999,999	-	-
\$15,000,000 ~ \$29,999,999	-	-
\$30,000,000 ~ \$49,999,999	-	-
\$50,000,000 ~ \$99,999,999	-	-
Over \$100,000,000	-	-
Total	3	3

c. Year 2012 Remunerations paid to resident and Vice President

Title	Name	Base Compensation(A) Note(2)		Severance Pay and Pension (B)		Bonuses and Allowances (C) Note(2)		Employee bonus sharing(D) Note(1)				Total Remuneration (A+B+C+D) as a % of 2012 Net Profit (%)		Exercisable Employee Stock Options		Compensation Paid from Non-consolidated Affiliates	
		From Chicony	From All Consolidated Entities	From Chicony	From All Consolidated Entities	From Chicony	From All Consolidated Entities	From Chicony	From All Consolidated Entities	Cash	Stock (Fair Market Value)	From Chicony	From All Consolidated Entities	From Chicony	From All Consolidated Entities		
Vice Chairman and GM	M.K. Lin	35,421,266	54,296,992	1,722,502	1,821,214	8,941,715	115,311,086	776,100	68,115,087	776,100	83,209,682	2.99%	6.44%	-	-	-	
Executive Vice President, GM of Chicony (Dongguang) Co., Ltd and MaoRui Electronics	Roger Lu																
Special Assistant of Headquarter and Head of Digital Consuming Device Business Unit	James Wei																
Head of CM Business Unit	Sherman Wei																
Head of MKB Business Unit	Hank Liu																
Head of VIP Business Unit	Allen Huang																
GM of subsidiary	Bruce Chang																
Chief Procurement Officer	Ronnie Chen																
Chief Strategy Officer	Andrew Lin																
Head of IPD Business Unit	Chris Huang																
Vice President	Daniel Chou																
Vice President	Rex Li																
Vice President	KY Huang																
Vice President	Jensen Tsai																
Vice President	Mandy Tsai																
Vice President	Denny Yang																

Note 1: The employee bonus sharing is a proposed amount of 2012.

Note 2: Remuneration disclosure is accrual based.

Note 3: Andrew Lin came on board on Oct 16, 2012.

	President and Vice President Names	
	From Chicony	From All Consolidated Entities
Under \$2,000,000	Rex Li	-
\$2,000,000~\$4,999,999	M.K. Lin, Roger Lu , James Wei, Andrew Lin, Sherman Wei, Hank Liu, Allen Huang, Bruce Chang ,Ronnie Chen, Jensen Tsai, K.Y. Huang, Daniel Chou, Mandy Tsai, Denny Yang, Chris Huang	Sherman Wei, Hank Liu, Ronnie Chen , Allen Huang, Jensen Tsai, K.Y. Huang, Daniel Chou, Rex Li,Mandy Tsai, Denny Yang
\$5,000,000~\$9,999,999		Bruce Chang ,Andrew Lin
\$10,000,000~\$14,999,999	-	-
\$15,000,000~\$29,999,999	-	Roger Lu, James Wei, Chris Huang
\$30,000,000~\$49,999,999	-	M.K. Lin
\$50,000,000~\$99,999,999	-	-
Over \$100,000,000	-	-
Total	16	16

Note: Employee bonus sharing is an estimate based on a preliminary bonus of 2012; therefore, this chart does not yet include employee bonus sharing.

d. Year 2012 Employee Bonus Sharing Granted to Management Team

December 31st, 2012

	Title	Name	Stock (Fair Market Value)	Cash	Total Employee Bonus Sharing	Total Employee Bonus Sharing Paid to Management Team as a % of 2010 Net Profit (%)
Management	Vice Chairman and General Manager	M.K. Lin	77,744,617	1,924,950	79,669,567	2.07%
	Executive vice president, GM of Chicony (Dongguang) Co., Ltd and MaoRui Electronics	Roger Lu				
	Special Assistant of Headquarter and Head of Digital Consuming Device Business Unit	James Wei				
	Head of CM Business Unit	Sherman Wei				
	Head of MKB Business Unit	Hank Liu				
	Head of VIP Business Unit	Allen Huang				
	GM of Chicony America	Bruce Chang				
	Chief Procurement Officer	Ronnie Chen				
	Chief Strategy Officer	Andrew Lin				
	Head of IPD Business Unit	Chris Huang				
	Sales VP of VIP Business Unit	Daniel Chou				
	Sales VP of CM Business Unit	Rex Li				
	Vice President of ATC Unit	K.Y. Huang				
	R&D VP of MKB Business Unit	Jensen Tsai				
	R&D VP of VIP Business Unit	Mandy Tsai				
	R&D VP of IPD Business Unit	Denny Yang				
	Special Assistant of Headquarter	Maxwell Liu				
	AVP of Finance Department	Molly Lin				
	AVP of Oversea Management Unit	Swallow Chuang				
	AVP of Quality Control Center	Hans Chan				
AVP of Automation Center	Eric Tseng					
AVP of Audit Office	Woody Chou					

Note: Profit sharing stock value is proposed based on employee bonus sharing stated in company policy.

3.2.4 Analysis and explanation for Ratio of Remuneration Package ,Paid to Directors, Supervisors, Presidents, and Vice Presidents ,Against Year 2012/2011Net Profit and Correlations among the Remuneration Policies, the Operation Performance and the Future Risks

- a. The policy, standard, and package comprising the remuneration; the correlation between remuneration procedures and operation performance.

(1) Directors and supervisors: the remunerations for directors comprise director/supervisor compensation, salary, bonus, profit sharing, and pensions, which are funded according to applicable law. Remunerations for supervisors are director/supervisor compensation.

A. Director/Supervisor compensation: It would be, in accordance with the Company's Policy Article 18, decided a total remuneration amount for all directors and supervisors by Annual Shareholder's Meeting each year. Referencing the general industry level, the Board will decide and authorize distribution principles for remuneration to each director and supervisor as well as consideration of participation and contribution level. Chairman has full right to decide and distribute.

B. Salary, bonus, and pension: when a director also acts as an employee of the company or its subsidiary and participates in the company operation, the chairman is authorized by the board to decide the compensation, with consideration of industry compensation level and the employee's contribution.

Director will be fully paid as salary when Company receives director / supervisor remuneration from invested subsidiaries if Director is appointed to be a legal representative director or supervisor of these subsidiaries.

Salary, bonus, and pension mentioned above will be proposed to the Board for recognition of such amount before end of April the year after.

(2) General Manager and Vice President: packages paid to the general manager and vice-president currently comprises salary, bonus, employee bonus sharing, and pensions funded according to applicable law.

The chairman, authorized by the Board, determines the amount for GM, Leader of each business unit and vice presidents of each unit, based on individual participation, contribution, position, seniority, experiences, and potential contributions to the company, with considerations to the industry level.

Officer will be fully paid as salary when Company receives director/supervisor remuneration from invested subsidiaries if Director is appointed to be a legal representative director or supervisor of these subsidiaries.

Salary, bonus, and pension mentioned above will be proposed to the Board for recognition of such amount before end of April the year after.

b.2012 net profit decreased by \$312,134 thousands than the amount in 2011. Hence, the remuneration distributed to directors, supervisors, general managers and vice presidents also increases. The remunerations and ratios to the net profit of year 2011 and 2012 are listed as follows:

Unit: NTD 000's

	Total Remunerations				Ratios of Remunerations to Net Profit			
	2012		2011		2012		2011	
	From Chicony	From All Consolidated Entities	From Chicony	From All Consolidated Entities	From Chicony	From All Consolidated Entities	From Chicony	From All Consolidated Entities
Directors	24,129	27,110	34,064	40,999	0.63%	0.71%	0.82%	0.99%
Supervisors	3,949	3,949	7,031	7,031	0.10%	0.10%	0.17%	0.17%
President and Vice President	114,977	255,415	190,710	286,771	2.99%	6.64%	4.59%	6.90%

Note: 2012 profit sharing for directors and supervisors is an estimate based on the actual distributions in 2011. The 2012 employee bonus sharing for general managers and vice president is an estimate based on company policies.

c. Correlation to future risk: The comparative risk is lower since revenue of Company keeps on increasing.

3.3 Corporate Governance Operation

3.3.1 Board of Directors Meeting Status

Four meetings were convened in the fiscal year 2012(A). Directors' attendance was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate in Person (%) [B/A]	Notes
Chairman	Kent Hsu	4	0	100%	
Director	M.K. Lin	4	0	100%	
Director	Roger Lu	3	0	75%	
Director	James Wei	4	0	100%	
Director	Simon Tsai	2	0	50%	
Director	Zhih-jian Lin	1	0	25%	
Director	Jia-sheng Liu	4	0	100%	

Annotations:

1. There were no independent directors as per Securities and Exchange Act Article 14-3, to express a dissenting opinion or qualified opinion, which shall be noted in the minutes of the directors meeting.
2. There were no recusals of Directors due to conflicts of interests in 2012.
3. Measures taken to strengthen the functionality of the Board:
 1. Board Policies were amended on March 15, 2013, to strengthen the functionality of the Board.
 2. In the fiscal year 2012 end up to 31st March, 2013, all board meetings contents, procedures, and principles were implemented in accordance with Board Policies.

3.3.2 Audit Committee operation and Board Participation of Supervisors: no audit committee is applicable and Supervisor's attendance is listed below:

Board Participation of Supervisors

Four meetings were convened in the fiscal year 2011(A). Attendance was as follows:

Title	Name	Actual Attendance (B)	Attendance Rate (%) (B / A)	Notes
Supervisor	Chin-shun Huang Representative of Jing Yuan Investment Co., Ltd.	4	100%	
Supervisor	Su-cheng Chang Representative of Hua Tai Investment Co., Ltd.	4	100%	
Supervisor	Chi-hsuang Ku Representative of Dong Ling Investment Co., Ltd.:	4	100%	

Annotations:

1. Supervisor composition and responsibilities:

(1) Descriptions of communication between supervisors and shareholders (e.g. channels and methods): information is collected by departments of administration, finance, and audit to present to supervisors, who would make independent judgments on the information hereof, and if necessary, they would, directly or indirectly, communicate with employees and shareholders.

(2) Communication among supervisors, internal auditors, and CPA (e.g. communications, methods, and results relating to company finance and sales).

The internal audit department regularly collects auditing reports on finance, sales, production, and human resource in accordance with company policies and presents to supervisors. In cases of abnormalities found, oral presentations are held in addition to written reports. When supervisors need further details or would like to make recommendations regarding to company finance, sales, production, human resource, or internal audit system, the audit department may be commissioned to conduct further audits or to request improvements to each unit.

When the CPAs review the internal auditing process, problems discovered or recommendations are presented to each supervisor, as well as serious abnormalities found in financial reports, if any.

Board is in charge of composing of Business Report, financial statements and Profit Allocation Proposal, and brings them to each Supervisor. Financial statements hereof are assigned to be audited by CPA firm, Price Water House Coopers Taiwan, which is appointed by Board. After auditing is completed, PWC will issue Audit Report and tender Audit Report to Supervisor. Supervisor will scrutinize reports and information received above, and issue Supervisor's Audit Report when they believe these report and information are consistent with facts.

2. There were no written or otherwise recorded resolutions on which a director had a dissenting opinion or qualified opinion.

3.3.3 Taiwan Corporate Governance Implementation as Required by the Taiwan Financial Supervisory Commission:

Item	Implementation Status	Non-Implementation and Its Reasons
<p>1. Shareholding Structure & Shareholder Rights</p> <p>(1) Method of handling shareholder suggestions or complaints</p> <p>(2) The Company's possession of a list of major shareholders and a list of ultimate owners of these major shareholders</p> <p>(3) Risk management mechanism and "firewall" between the Company and its affiliates</p>	<p>(1) For shareholder suggestions or conflict resolutions, the Company has a spokesperson, an associate spokesperson, and a shareholders' affairs office to handle related matters.</p> <p>(2) The shareholders' affairs office is able to obtain a shareholder list from the depository and clearing company via the Company's stock agent, two days after the shareholder meeting and ex-dividend dates. The list is compiled and reported to the upper management.</p> <p>(3) All of the Company's affiliates are independent in production, sales, research and development, human resource, and finance of the Company. The Company only endorses and lends to subsidiaries in which the Company has shareholding of over 50%.</p>	<p>None</p>
<p>2. Composition and Responsibilities of the Board of Directors</p> <p>(1) Independent Directors</p> <p>(2) Regular evaluation of external auditors' independence</p>	<p>(1) No independent directors currently exist.</p> <p>(2) From Q3, 2003, a different CPA is requested from PWC Taiwan every 5 years.</p>	<p>(1) No current regulations require the establishment of independent directors; The Company will act according to any regulatory changes.</p> <p>(2) None</p>
<p>3. Communication channel with stakeholders</p>	<p>Related information is first collected by departments of administration, finance, and general affairs for strategic planning, and then communicated with stakeholders upon approval.</p>	<p>None</p>
<p>4. Information Disclosure</p> <p>(1) Establishment of a corporate website to disclose information regarding the Company's financials, business and corporate governance status</p> <p>(2) Other information disclosure</p>	<p>(1) The Company discloses information on finance, operation, and corporate governance through its website http://www.chicony.com.tw. Any differences from the "Corporate Governance Best-Practice Principles" and reasons are also found on the website.</p> <p>(2) The Company has designated spokespersons and deputy spokespersons, and discloses company financial and operational information to investors via Market Observation Post System, roadshows, and public medias.</p>	<p>(1) None</p> <p>(2) None</p>
<p>5. Operations of the Company's Nomination Committee, Remunerations Committee, or other committees of the Board of Directors</p>	<p>(1) Board approves "Remunerations Committee Organization Chapter" and appoints Mr. Wang, Rei-Tsai, MR.Lin, Ming-Chi and Chang, Chi-Liang as committees. In-charge period is as the same as the 10th directors, from Dec 22, 2011 to June 8th, 2013.</p> <p>(2) The meetings of Remunerations Committee have been held on March 21, August 30 and November 14 in 2012.</p> <p>(3) The committees of Remunerations Committee will be re-appointed in June 2013. The duration will be in consistency with the 11th Board of Directors.</p>	<p>None</p>
<p>6. If the Company has established corporate governance policies based on TSE Corporate Governance Best Practice Principles, please describe any discrepancy between the policies and their implementations.</p>	<p>The Company has not established corporate governance policies.</p>	<p>None</p>
<p>7. Other important information to facilitate better understanding of the Company's corporate governance practices (e.g. employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' training records, the</p>	<p>(1) The Company's top management team adheres to the principles of sustainability, good faith, and profitability with a view to creating long and stable benefits. The Company provides its employees quality benefits and working rights, and aim to create mutual wins for our customers, suppliers and banks.</p> <p>(2) Further education of directors and supervisors: Some directors attended to the</p>	<p>None</p>

Item	Implementation Status	Non-Implementation and Its Reasons
<p>implementation of risk management policies and risk evaluation measure, the implementation of customer relations policies, and purchasing insurance for directors).</p>	<p>external lessons regarding the Corporate Governance, Security and Tax Regulations. The Company also has dedicated personnel to gather related laws and information and compile reports.</p> <p>(3) Risk management policies and risk assessment: none applicable (4) Customer policy implementation: none applicable. (5) Insurances for the Company's directors and supervisors: from August, 2002, the Company maintains D&O Insurance for its directors and supervisors.</p>	
<p>8. If the Company has a corporate governance self-evaluation or has authorized any other professional organization to conduct such an evaluation, the evaluation results, major deficiencies or suggestions, and improvements must be stated.</p>	<p>The Company does not have a corporate governance evaluation, nor has designated any professional organization to conduct such an evaluation.</p>	<p>The Company will act according to any regulatory changes</p>

3.3.4 Operation of Remunerations Committee

a. Information of Members of Remuneration Committee.

Identity (Note)	Criteria		Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience						Criteria (Note)						Number of Other Public Companies Concurrently Serving as a Member of Remuneration Committee	Note		
	An instructor in or a higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the company in a public or a private junior college, college, or university	A judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialists who has passed a national examination and been awarded a certificate in a profession necessary for the business of the company	Have work experience in the area of commerce, law, finance, or accounting, or otherwise necessary for the business of the company	1	2	3	4	5	6	7	8							
Others	Wang, Rei-Tsai	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	-
Others	Lin, Ming-Chi	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	-
Others	Chang, Chi-Liang			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2	-

Note: Please fill in “Directors”, “Independent Directors” or “Others” in the Identity

Note: “✓” in the boxes indicate that, during the two years before the elected position or during the term of office, directors and supervisors meet the following criteria:

1. Not an employee hired by Company and its affiliates.
2. Not a director or supervisor of the company or any of its affiliate. It does not apply in cases where the person is an independent director of the company, its parent company or any subsidiary in which the company holds, directly or indirectly, more than 50% of the voting shares.
3. Not a natural person shareholder who holds shares, together with those held by the person's spouse, minority or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding share of the company or rank as top-10 shareholders.
4. Not a spouse, relative within the second-degree relatives, or lineal relative within the third degree, of any of the persons specified in the preceding three notes.
5. Not a director, supervisor, or employee of a corporate/institutional shareholder that directly holds 5% or more of the total number of outstanding shares of the company or that holds shares ranking in the top five in holdings.
6. Not a director, supervisor, officer or shareholders who hold 5% or more of the shares of a specified company or institution that has a financial or business relationship with the company.
7. Not as a professional individual nor an owner, partner, director, supervisor, officer or one's spouse of a sole proprietorship, partnership, company, or institution providing commercial, legal, financial, accounting or consultation services to the company or its affiliates.
8. Not been a person or any conditions defined in Article 30 of the Company Law.

b. Duties of Remuneration Committee

1. Committee should conduct its well management with diligence and royalty and bring its proposal to Board if any. However, if the proposal is related to Supervisor compensation, these Supervisors compensation should be clearly stated in Company's Article of Incorporation or should be approved with authorization assigned by Annual Meeting of Shareholders to Board.
 - (1.) Periodically review Remunerations Committee Organization Chapter and bring amendment if any.
 - (2.) Set up annual and long term performance targets for Directors, Supervisors and Officers, as well as policies, hierarchy, standards and construction of Remunerations, and periodically review them.
 - (3.) Periodically review target achievement of Directors, Supervisors and Officers. Set up component and amount of remuneration for individual.
2. Committee should follow below principles when conduct its duties.
 - (1) Remuneration should be with government laws and regulations and be attractive enough to outstanding candidates.
 - (2) Performance and remuneration of Director and Supervisor should be referenced to remuneration amount of generally practiced in the industry, individual contribution and seniority time, position loading, job performance, other performance, remuneration of same level colleagues, short term and long term target achievement, and Company operation result, which can be used for evaluation of correlation of individual performance, business achievement and future risk
 - (3) Committee should not lead Directors and Officers to pursuit remuneration by ignoring risk consideration.
 - (4) Distribution Ratio of short term bonus to Directors and high level officers and payment time of flexible compensation should be considered for industry and business characteristics.
 - (5) Committee members cannot participate in discussion of self-remuneration case.
3. Remuneration mentioned in the first two paragraphs includes cash compensation, stock warrant, stock bonus, profit sharing, pensions, severance pay, subsidy and compensation in other tangible format. The remuneration package, paid to Directors, Supervisors and officers, should be as same as information disclosed in the annual report of published company.
4. Remunerations of Directors and Officers of subsidiaries should be proposed by Committee before it is turned to Board for discussion if Remuneration is required to be approved by Board of Parent company according to Classified Authorization.

c. Summary of Operation of Remuneration Committee

1. There are three members in the Remuneration Committee.
2. The duration of current members is from October 22 2011 to June 8 2013. However, if the duration of the 10th board of Directors changes due to re-election, the duration of the member of Remuneration Committee could be adjusted accordingly.
3. Three meetings were convened in the fiscal year 2012. Members' attendance was as follows:

Title	Name	Attendance in Person	By Proxy	Attendance Rate in Person (%)	Notes
Convener	Wang, Rei-Tsai	3	0	100%	
Committee	Lin, Ming-Chi	3	0	100%	
Committee	Chang, Chi-Liang	3	0	100%	
Annotations: None					

3.3.5 Corporate Social Responsibility

Item	Implementation Status	Non-implementation and Its Reasons
<p>1. Implementation of Corporate Governance</p> <p>(1) Corporate social responsibility policy and performance evaluation</p> <p>(2) Dedicated organization for the promotion and execution of corporate social responsibility</p> <p>(3) Regular training and promotion of corporate ethics among employees and the Board of Directors, and integration with the employee performance appraisal system.</p>	<p>1.</p> <p>(1) The Company has implemented corporate social responsibility policies and such policies are communicated to employees and related personnel via billboards, posters, cards, employee conferences, and supplier conferences.</p> <p>(2) The Company joined the Electronics Industry Citizenship Coalition (EICC) in 2010. A Corporate Social Responsibility Department and an Industrial Safety and Health Unit have been established to monitor the environment, employee health, safety, harmful substances in products, and carbon reduction. In 2011, the Company became certified for ISO 14001, for environmental management systems, and OHSAS 18001, for Occupational Health and Safety Assessment Series. An ISO14064 Greenhouse Gases report was obtained upon carbon emission checks.</p> <p>(3) No corporate ethics trainings were conducted for chairman and directors in 2012, but corporate social responsibility training and communications training was conducted for senior management.</p>	<p>None</p> <p>None</p> <p>Corporate ethics education and trainings will be conducted for directors and supervisors in 2013</p>

Item	Implementation Status	Non-implementation and Its Reasons
<p>2. Sustainable Environment Development</p> <p>(1) Commitment to improving resources utilization and the use of renewable materials</p> <p>(2) Environmental management system designed to industry characteristics</p> <p>(3) Dedicated environmental management unit or personnel</p> <p>(4) Company strategy for climate change, energy conservation and greenhouse gas reduction.</p>	<p>(1) Waste from each plant is classified. Dangerous substances, once collected by dedicated departments, are handled by qualified waste management companies. Recyclable wastes are either sold or reused. Recyclable kitchen wastes are processed by certified professionals. The industrial wasted water has been recycled to save the water resource. Other general wastes are managed by local environmental units for better resource utilization, in order to reduce the resulting impact on the environment.</p> <p>(2) Each plant has established and implemented environmental management policy and system in accordance to ISO 14001. A review is conducted by qualified internal personnel each year, while a management evaluation is held by the management level. Then a third party organization is commissioned to appraise, which helps to maintain the environmental management system and realizes corporate social responsibilities in sustainable operation.</p> <p>(3) The management of the Headquarters began to impose Company Environment Management Affairs via the Industrial Safety and Health Unit. Its aim is to continually improve the environmental management system via communication, education, audit, and tracking. Presently, each plant has achieved better performances in reduction, reuse, reproduce, recycle, and substitution use.</p> <p>(4) Each plant continues to focus on climate changes impacted by production and operation activities. In 2012, each plant conducted carbon reduction and improvement projects:</p> <ul style="list-style-type: none"> • Replacement of energy-consuming lighting with LED energy saving illumination devices. • Rearrangement of pipelines for better saving on energy, manpower and expenses. • Replacement of high energy-consumption devices, such as solder pot and ageing chambers, with systems with lower energy • Maximizing the use of compressor to recycle waste heat, and use it toward dormitory shower water. • Enhancement of compressor systems to be energy saving. • Provision of timely maintenance to cooling towers to reduce overflows and save water usage. • Usage of water saving taps and toilets to avoid waste. • Reduction of resource waste via communications and enhance energy-saving awareness. <p>A portion of the Company's plants have passed ISO14064-1 Greenhouse Gas standard and the products are managed with carbon footprint controls. The Company also participates in environment sustainable operation and training and a forum for continued improvements in greenhouse gas emission.</p>	<p>None</p> <p>None</p> <p>None</p> <p>None</p>

Item	Implementation Status	Non-implementation and Its Reasons
<p>3. Promotion of social welfare</p> <p>(1) Compliance with labor regulations, protection of employee rights, and appropriate management measures and procedures</p> <p>(2) Safety and health in working environment</p> <p>(3) Establish the communication mechanism between the Company and the employees, and inform the employees about the significant operation change with reasonable methods</p> <p>(4) Disclosure of consumer rights policy, and official channel for consumer complaints</p> <p>(5) Collaboration with suppliers</p> <p>(6) Participation in community development and charities through commercial activities, donations or volunteers.</p>	<p>3. The Company is fully compliant with labor laws and ensures the legal rights of employee salary, benefits, health, and safety. Different gender, race and religion is all on the equal position. A corporate social responsibility system has been established in accordance to the EICC Code of Practice for improvement.</p> <p>(2) The Company is OHSAS 18001 certified. A testing institution has been commissioned to monitor the level of harmful indoor substances to comply with the regulations.</p> <p>(3) The management illustrates to the all employees about the operation result and outlook on an annual meeting. The communication channel is also set up in the internal website. Regarding the operation decisions, the employees will be informed via meeting, billboards and E-mail.</p> <p>(4) The Company complies with the laws concerning consumer rights and protection, and regards customer satisfaction as one of the most important company policies as well.</p> <p>(5) Working in line with EICC policies, the Company conducts supplier audits, counseling, and distributes self-evaluation form of supplier corporate social responsibility, and supplier corporate social responsibility performance form. Presently most of the main suppliers have completed the self-evaluation reports.</p> <p>(6) The Company actively participates in community development and charity events.</p> <p>Year 2008: RMB\$22 million for Wu-Xun Earthquake. NTD\$2.135 million for NTUT, Tzih-Huai social welfare Foundation, Taiwan Health Foundation and etc.</p> <p>Year 2009 NTD\$50 million for the Taiwan 8th August Flood.</p> <p>NTD\$2.828 million for NTUT, Tzih-Huai social welfare Foundation, Taiwan Health Foundation, Liver Disease Prevention & Treatment Research Foundation and etc.</p> <p>Year 2010 NTD\$2.974 million for Taiwan Health Foundation, Liver Disease Prevention & Treatment Research Foundation and etc.</p> <p>Year 2011 NTD\$10.67 million for Japan Earthquake.</p> <p>NTD\$10.7 million for NTUT, Tzih-Huai social welfare Foundation, Taiwan Health Foundation, Liver Disease Prevention & Treatment Research Foundation, Taiwan Foundation for Geriatric Emergency & Critical Care, Hospice Foundation of Taiwan, Mennonite New Dawn Taiwan.</p> <p>Year 2012 NTD\$8.54 million for NTUT, Tzih-Huai social welfare Foundation, Taiwan Health Foundation, Liver Disease Prevention & Treatment Research Foundation and Taitung Jun-Yi elementary school.</p>	<p>None</p> <p>None</p> <p>None</p> <p>None</p> <p>None</p> <p>None</p> <p>None</p>

Item	Implementation Status	Non-implementation and Its Reasons
<p>4. Enhancement of Information Disclosure</p> <p>(1) Disclosure of corporate social responsibility related information with significance and reliability</p> <p>(2) Published corporate social responsibility report and disclosure of implementation of corporate social responsibility</p>	<p>4.</p> <p>(1) The Company continues to pay attention to the information disclosure of corporate social responsibilities. Related content, policies, and standards are disclosed in employee manuals, as well as on the Company's official website in both Chinese and English in year 2011</p> <p>(2) A corporate social responsibility team has been established since 2010. In 2013, Year 2012 Corporate Social Responsibility Report will be drafted.</p>	<p>None</p> <p>None</p>
<p>5. If the company has established its corporate social responsibility code of practice according to "listed Companies Corporate Social Responsibility Code of Practice", please describe the operational status and differences:</p> <p>In 2012, the Company's Code of Corporation Social Responsibility is stipulated in accordance to both "Listed Companies Corporate Social Responsibility Code of Practice" and "EICC Electronic Industry Code of Conduct". The Codes were listed in the employee manual and the Company's official website. All CSR related items will be disclosure in the annual CSR report and listed on the Company's official website. In sum, the operation and results of the Company's CSR related items are all in accordance with the requirement of the Code of Conduct.</p>		
<p>6. Other important information to facilitate better understanding of the Company's implementation of corporate social responsibility (e.g., environment protection, community participation, social contribution, social services, social welfare, consumers' rights, human rights and safety and health):</p> <p>None</p>		
<p>7. Other information regarding products or "Corporate Social Responsibility Report" which are verified by certification bodies.</p> <p>None</p>		

3.3.6 Measures adopted for honest operation

Item	Implementation Status	Non-implementation and Its Reasons
<p>1. Set up the policies of Honest Operation</p> <p>(1) The commitment for honest operation in the company regulation.</p> <p>(2) The standard process, guide and education for the honest operation.</p> <p>(3) The anti-bribe acts in the company regulation for operation with higher risk involving non-integrity behaviors.</p>	<p>1.</p> <p>(1) The Company has established the Social Responsibility Code according EICC and the honest operation policies have been included with the Code. Chichony Social Responsibility Committee has also been established to carry out the policies. The Board of Directors and the management of the company have been managing the company with honesty and doing business with fairness and transparency. Chichony Social Responsibility Committee, which is formed by the vice chairman and general managers of significant subsidiaries, is not only the highest unit in charge of the promotion of social responsibility, but also reviews and modifies the conduct code periodically to integrate the policies of honest operation into the company.</p> <p>(2) The new employees are required to commit on the ethic items, and the Administration Dept. promotes the codes periodically to the management and the employees.</p> <p>(3) Except for the related laws and regulations, the company also set up the authorization scheme for the employees to follow. The Integrity Commitment is also required to the suppliers to prevent the potential risk.</p>	<p>None</p> <p>None</p> <p>None</p>
<p>2. The implementation of honest operation</p> <p>(1) The prevention terms in the commercial agreement</p> <p>(2) Appointment of the unit to monitor and the supervision by the Board of Directors.</p> <p>(3) Policies to prevent interest conflict</p> <p>(4) The implementation of Internal Audit.</p>	<p>2.</p> <p>(1) The principle of honest operation will be take into consideration when the commercial contracts and agreements since the discussion between the company and the counterparties.</p> <p>(2) Chichony Social Responsibility Committee will be the unit responsible for the promotion and supervision of related affairs. The Board of Directors will also help ensure the implementation of the honest operation.</p> <p>(3) Any director who has the interest conflict is asked to avoid from the discussion and voting on the interest related topics. Should any interest conflict occurs, it will be reported to the General Management Dept. and will be instructed by the direct management.</p> <p>(4) The internal audit is performed periodically and in case of any non-integrity behavior will be reported to the boards.</p>	<p>None</p> <p>None</p> <p>None</p> <p>None</p>
<p>3. The channel for appeal and the punishment.</p>	<p>3. The Administration Dept. has provided the proper channel for appeal and will keep the information confidential. Any violation against the company's regulation will be asked to stop and the punishment will be executed accordingly. Law process will also be taken if necessary.</p>	<p>None</p>

Item	Implementation Status	Non-implementation and Its Reasons
4. Enhancement of Information Disclosure (1) Disclosure of honest operation related information on the website (2) Published honest operation report and disclosure of implementation of honest operation	(1) The Company has set up its website: http://www.chiconv.com.tw , on which the CSR commitment report is disclosed. (2) The company also has set up the spokesman mechanism, and all the information will also be disclosed via various public information channels.	None
5. If the company has established its honest operation code of practice according to “Listed Companies Corporate Honest Operation Code of Practice”, please describe the operational status and differences: The company has not established its honest operation code of practice.		
6. Other important information to facilitate better understanding of the Company’s implementation of honest operation: None		

3.3.7 Enquiries and corporate governance policies and related regulations: no corporate governance policies have been established.

3.3.8 Other information that would facilitate the understanding of the Company’s corporate governance: None.

3.3.9 Execution Status of Internal Control Systems:

a. Statement of Internal Control Systems

Chicony Electronics Company Limited
Statement of Internal Control Systems

Date: March 15, 2013

Based on the findings of a self-assessment, Chicony Electronics Company Limited states the following with regard to its internal control system during the year 2012:

1. The Company is fully aware that establishing, operating, and maintaining an internal control system are the responsibility of its Board of Directors and management. The Company has established such a system aimed at providing reasonable assurance regarding the achievement of objectives in the following categories: effectiveness and efficiency of operations (including profitability, performance, and safeguarding of assets), reliability of financial reporting, and compliance with applicable laws and regulations.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing the three objectives mentioned above. Moreover, the effectiveness of an internal control system may be subject to changes of environment or circumstances. Nevertheless, the Company's internal control system contains self-monitoring mechanisms, and the Company takes corrective actions whenever a deficiency is identified.
3. The Company evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (herein below, the "Regulations"). The criteria adopted by the Regulations identify five components of internal control based on the process of management control: (1) control environment, (2) risk assessment and response, (3) control activities, (4) information and communication, and (5) monitoring. Each component further contains several items. Please refer to the Regulations for details.
4. The Company has evaluated the design and operating effectiveness of its internal control system according to the aforesaid criteria.
5. Based on the findings of the evaluation mentioned in the preceding paragraph, the Company believes that, on December 31, 2012, its internal control system (including its supervision and management of subsidiaries), as well as its internal controls to monitor the achievement of its objectives concerning operational effectiveness and efficiency, reliability of financial reporting, and compliance with applicable laws and regulations, were effective in design and operation, and reasonably assured the achievement of the above-stated objectives.
6. This Statement will be an integral part of the Company's Annual Report for the year 2012 and Prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Law.
7. This Statement has been passed by the Board of Directors in their meeting held on March 15, 2013, with none of the five attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

Chicony Electronics Co., Ltd.

Chairman: Kent Hsu

General Manager: MK Lin

b. CPA Audit report specially applied for Company's internal control: Not applicable.

3.3.10 Any Punishment Incurred for the Company and its Employees Violating Laws, and Any Punishment, Fault and Improvement Occurred for the Company's Employees against the Regulations of Internal Audit System: None in the fiscal year 2012 end up to March 31, 2013.

3.3.11 Major Resolutions of Shareholders' Meeting and Board of Directors' Meeting in the fiscal year 2012 end up to March 31st, 2013

Major Resolutions	
Dates of Shareholders' Meeting and Board of Directors' Meeting	
<p>March 21, 2012 Session 12 10th Annual Board of Directors' Meeting</p>	<ol style="list-style-type: none"> 1. The 2012 General Shareholder Meeting was scheduled at 9am, June 12th, 2012. 2. Approval of the Company's 2011 business report and financial statements (the alone and consolidated). 3. Approval of 2011 earning distribution: the audited after-tax net profit for 2011 was \$4,156,369,050, and the statutory surplus reserve of \$415,636,905 was set aside in accordance to law. Together with undistributed net profit from the previous year, \$2,630,316,868, the total amount available for distribution came to \$6,371,049,013. It is proposed to distribute \$2,577,774,360 in cash dividend, and \$4,000 per one thousand shares. \$225,555,260 was set aside for plowback; and 35.00000054 shares were hereof distributed per each one thousand shares as stock dividend. 4. Approval of the new stock issuance by capital increment from earnings: stock dividends were 22,555,260 shares (NTD\$225,555,260) and 35.00000054 shares were hereof distributed per each one thousand shares as stock dividend. Employees' bonus was \$598,517,143, of which was distributed as\$ 168,517,143 in cash and as\$ 430,000,000in stock shares. The number of shares was calculated by the closing market price of the day prior to Annual Shareholders' Meeting, with considerations given to impacts from cash dividend and stock dividend. 5. Approval of the amendments of Regulations Governing Procedure for Shareholders' Meeting , Regulations Governing Procedure for Board of Directors Meetings ,Company's Articles of Incorporation, Guidelines of Endorsements and Guarantees, Loan Procedures, Asset Acquisition and Disposal Procedures, Financial Derivative Transaction and Handling Procedures and Regulations Governing Election for Director and Supervisor. 6. The Company increased the endorsement/guarantee to its subsidiary –Chicony (Suzhou) Co., Ltd. for USD\$30.8 million, Chicony Electronics CEZ S.R.O, for USD \$8 million, Real Young Elec. Co., Ltd. for USD\$3 million and HOYLU International Co., Ltd. for NTD\$50 million. Set off the cancellation of deduction of endorsement/guarantee, the new net of endorsement/guarantee came to approximately NTD\$2.11 billion. 7. Retroactively recognize the sales of TPK stocks, NTD\$405 million, by Chicony Overseas Inc. 8. Retroactively recognize the compensations paid in year 2011 to Directors, AVPs-and-higher-level Officers and Finance Officer.
<p>June 12, 2012 2012 Annual Shareholders' Meeting</p>	<ol style="list-style-type: none"> 1. Acceptance of the Company's 2011 business report and financial statements (the alone and consolidated). 2. Approval of 2011 earning distribution. The content was identical to Session 12 in 10th Annual Board Meeting, dated on 21st March, 2012. 3. Approval of the amendments of the Company's Articles of Incorporation; the content was identical to Session 12 in 10th Annual Board Meeting, dated on 21st March, 2012. 4. Approval of the new stock issuance by capital increment from earnings: stock dividends were 22,555,526 shares and employees' stock bonus was 8,779,093 shares \$430,000,000, which were calculated on the basis of closing market price \$48.98, day prior to holding of Shareholders' Conference, with considerations given to impacts from cash dividend and stock dividend. A total of 31,334,619 shares were issued and fractional shares of employee bonus were paid by cash \$25 instead. 5. Approval of the amendments of "Rules of Shareholders' meeting", "Guidelines of Endorsements and Guarantees", "Loan Procedures", "Asset Acquisition and Disposal Procedures", "Financial Derivative Transaction and Handling Procedures" and "The Election Procedure of Directors and Supervisors".

Major Resolutions	
Dates of Shareholders' Meeting and Board of Directors' Meeting	
<p>June 12, 2012 Session 13 10th Annual Board of Directors' Meeting</p>	<p>1. July 4, 2012 was scheduled to be the execution day for cash dividends of 2011. When new stock issuance by capital increment from plowback and employees' stock bonus is approved by Financial Supervisory Commission of Executive Yuan, Chairman is authorized to decide the effective date of stock dividends. The cash and stock dividend rates remains the same as 2012 Annual General Shareholders' Meeting dated 12th June, 2012.</p> <p>2. Directors, supervisors, and important employees are insured with liabilities insurance of US\$ 10 million, covering 1 year, starting from July 30 2012 to July 30, 2013.</p> <p>3. Dismantle the non-solicitation restriction on the managers of the company in the invested company of the company.</p> <p>4. The Company provided the endorsement/guarantee to its subsidiary –Chicony Power Technology for NTD\$12.01 million till 31 July 2015, and extended the endorsement/guarantee to Chicony Electronics CEZ S.R.O. for USD \$8 million from 23 May 2012 to 23 July 2012. The total amount of endorsement/guarantee after this meeting came to approximately NTD\$2.12 billion.</p>
<p>August 30, 2012 Session 14 10th Annual Board of Directors' Meeting</p>	<p>1. Approval of the Company's 2012 first half financial statements (the alone and consolidated).</p> <p>2. The Company invested US\$ 3 million in Mao Qun Electronics Co., Ltd through its fully-owned subsidiary, Chicony Overseas Inc. and 60% owned subsidiary, Global Faith Inc.</p> <p>3. The Company increased the endorsement/guarantee to its subsidiary –Chicony (Suzhou) Co., Ltd. for US\$5 million, Had Eri You Industrial Inc. Ltd. for NTD\$30 million, Chicony Electronics GmbH for EUR\$1 million and Chicony (Chongchin) Co., Ltd. for US\$10 million, and cancelled the endorsement/guarantee to HOLYU International Co., Ltd. For NTD\$ 50 million. The period of guarantee was one year, effective from the date of the endorsement/guarantee. The total amount of endorsement/guarantee after this meeting came to approximately NTD \$1.79 billion.</p> <p>4. Approval of the amendments of "Loan Procedures".</p> <p>5. Retroactively recognize the sales of TPK stocks amounting to NTD\$331 million by Chicony Power Technology.</p>
<p>November 14, 2012 Session 15 10th Annual Board of Directors' Meeting</p>	<p>1. Approval for the donation of the land located at Sanchong District, which will be used for park, playground and road, to the New Taipei City Hall. The purpose of this donation is to increase the floor area of new head quarter building, and the total book value of the donated land is around NTD \$368 million.</p> <p>2. Before the IPO of Chicony Power Technology on Gretai Security Market, the company sold its 1.5 million and 1000 shares of Chicony Power Technology to the underwriter and the Securities and Futures Investors Protection Center, respectively. The price was negotiated by the underwriter and Chicony Power Technology.</p> <p>3. The Company increased the loan to its subsidiary –Unikey Electronics CO., Ltd for NTD\$ 1.2 billion, Guan Sheng Investment Co., Ltd for NTD\$ 700 million and Chun Chin Power Technology Co., Ltd for NTD\$ 300 million. The period of loan was one year, effective from the date of the loan. The total amount of loan to subsidiary after this meeting came to NTD \$2.2 billion.</p> <p>4. The Company increased the endorsement/guarantee to its subsidiary, Had Eri You Industrial Inc. Ltd. for NTD\$10 million, and cancelled the endorsement/guarantee to Chicony (Chongchin) Co., Ltd. for US\$5 million. The period of guarantee was one year, effective from the date of the endorsement/guarantee. The total amount of endorsement/guarantee after this meeting came to approximately NTD \$1.55 billion.</p> <p>5. Retroactively recognize the sales of TPK stocks amounting to NTD\$553 million by HIPRO Overseas (BVI) Inc.</p>

Dates of Shareholders' Meeting and Board of Directors' Meeting	Major Resolutions
<p>March 15, 2013 Session 16 10th Annual Board of Directors' Meeting</p>	<ol style="list-style-type: none"> 1. Approval of the Company's budget for the new head quarter building amounting to NTD\$ 2.7 billion. 2. Authorization to the Chairman to sale the company's stock share of Chicony Power Technology within certain quota before the application of IPO and after the approval of IPO in TWSE. 3. The 2013 General Shareholder Meeting was scheduled at 9am, June 11th, 2013. 4. Approval of the Company's 2012 business report and financial statements (the alone and consolidated). 5. Approval of 2012 earning distribution: the audited after-tax net profit for 2012 was NTD\$3,844,235,665, and the statutory surplus reserve of \$384,423,567 and special surplus reserve of \$1,024,085,102 were set aside in accordance to law. Together with undistributed net profit from the previous year, \$3,567,719,393, the total amount available for distribution came to \$6,003,446,389. It is proposed to distribute \$2,770,690,657 in cash dividend, and \$4.1 per share. \$67,577,820 was set aside for plowback; and 10 shares were hereof distributed per each one thousand shares as stock dividend. 6. Approval of the new stock issuance by capital increment from earnings: Stock dividends were 6,757,782 shares (NTD\$67,577,820) and 10 shares were hereof distributed per each one thousand shares as stock dividend. Employees' bonus was \$389,716,319, of which was distributed as\$ 67,716,319 in cash and as\$ 322,000,000 in stock shares. The number of shares was calculated by the closing market price of the day prior to Annual Shareholders' Meeting, with considerations given to impacts from cash dividend and stock dividend. 7. Approval of the amendments of Regulations Governing Procedure for Board of Directors Meetings, Guidelines of Endorsements and Guarantees, Asset Acquisition and Disposal Procedures, Financial Derivative Transaction. 8. The election of 11th session of Directors and Supervisors. Seven directors and three supervisors are required and the duration will be three years from 11th June 2013 to 10th June 2016. 9. Dismantle the non-solicitation restriction on the new directors on the shareholders' meeting. The detail duty list of the new directors in other enterprises will be revealed after the election on the shareholders' meeting. 10. The Company increased the endorsement/guarantee to its subsidiary, Chicony (Chongchin) Co., Ltd. for USD\$ 8 million, and extended the endorsement/guarantee to Chicony (Suzhou) Co., Ltd. for USD\$15.8 million and Chicony Electronics CEZ s.r.o. for USD\$8 million. The period of guarantee was one year, effective from the date of the endorsement/guarantee. The total amount of endorsement/guarantee after this meeting came to approximately NTD \$1.86 billions 11. Retroactively recognize the compensations paid in year 2012 to Directors, AVPs-and-higher-level Officers and Finance Officer. 12. Retroactively recognize the sales of Pharma Engine stocks amounting to NTD\$348 million by the Company.

3.3.12 Directors or Supervisors Who were on Record or had Submitted Written Declaration for Holding a Different Opinion of Major Resolutions Passed in the fiscal year 2012 end up to March 31st, 2013: None.

3.3.13 Summary of Resignation or Dismissal of Personnel Associated with Financial Reporting in the fiscal year 2012 end up to March 31st, 2013: None

3.4 Audit Fees

3.4.1 Audit Fee Brackets:

Audit Fee Information

Accounting Firm	Name of CPA		Audit Period	Remarks
PwC Taiwan	Wang, Huei-Shyang	Lin, Chun-Yaw	1 st January 2012 to 31 st December 2012	

Unit: 000's

Bracket	Item	Audit Fee	Non-audit Fee	Total
1	Under 2,000		V	
2	\$2,000~\$4,000			
3	\$4,000~\$6,000			
4	\$6,000~8,000	V		V
5	\$8,000~10,000			
6	Over \$10,000			

3.4.2 Information Regarding the Company's Independent Auditor

1. No Non-auditing fees paid to the CPA, the accounting firm of the CPA, and its related affiliates accounted for more than 25% of the total of auditing fees.
2. No annual auditing fee increases resulted from change of appointed accounting firms.
3. No auditing fees were reduced by more than 15% than the previous year

3.5 Change of CPA

Changes of CPA due to accounting firm restructuring over the past 2 years until March 31, 2013 are listed as follows:

1. From March 31, 2011, Wang, Huei-Shyang and Michael Lee were changed to Wang, Huei-Shyang and Lin, Chun-Yao.

3.6 Chairman, Directors, or Managers Responsible for Finance or Accounting Employed by the Appointed Accounting Firm or Affiliates in the Past Year: None.

3.7 Increase/Decrease of Shareholding and Net Changes in Shares Pledged Among Chairman, Supervisor, Managers and Shareholders with over 10% Shareholding

Title	Name	Fiscal Year 2012		1 st January to 12 th April, 2013	
		+/- of shareholding	+/- of pledge shares	+/- of shareholding	+/- of pledge shares
Chairman	Kent Hsu (Note 1)	2,665,325	-	-	-
Vice Chairman and General Manager	M.K. Lin (Note 2)	1,962,453	-	-	-
Executive vice president, GM of Chicony (Dongguang) Co., Ltd and MaoRui Electronics	Roger Lu (Note 2)	198,817	-	-	-
Director, Special Assistant of Headquarter, and Head of DCD Business Unit	James Wei (Note 2)	20,072	-	(70,000)	-
Director	Simon Tsai (Note 3)	958	-	-	-
Director	Zhih-jian Lin	67,720	-	-	-
Director	Jia-sheng Liu	19,276	-	-	-
Supervisor	Jing Yuan Investment Co., Ltd. Legal representative: Chin-shun Huang	356,253	-	-	-
Supervisor	Hua Tai Investment Co., Ltd. Legal representative: Su-cheng Chang	139,030	-	-	-
Supervisor	Dong Ling Investment Co., Ltd. Legal representative: Chi-hsuang Ku	364,821	3,000,000	-	-
Head of CM Business Unit	Sherman Wei (Note 2)	15,700	-	-	-
Head of MKB Business Unit	Hank Liu (Note 2)	(168,771)	-	(80,000)	-
Head of VIP Business Unit	Allen Huang (Note 2)	48,485	-	(61,000)	-
General Manager of Chicony America	Bruce Chang (Note 2)	35,340	-	-	-
Chief Procurement Officer	Ronnie Chen (Note 2)	105,584	-	-	-
Chief Strategy Officer	Andrew Lin (Note 3)	-	-	-	-
Head of IPD Business Unit	Chris Huang (Note 2 & 3)	177,499	-	-	-
Vice President of VIP Business Unit	Daniel Chou (Note 2)	57,518	-	(20,000)	-
Vice President of CM Business Unit	Rex Li (Note 2 & 4)	56,201	-	-	-
Vice President of Advanced Technology Center	K.Y. Huang (Note 2)	71,475	-	(40,000)	-
R&D VP of MKB Business Unit	Jensen Tsai (Note 2)	(10,081)	-	(53,000)	-
R&D VP of VIP Business Unit	Mandy Tsai (Note 2)	46,280	-	(20,000)	-
R&D VP of IPD Business Unit	Denny Yang (Note 4)	37,677	-	-	-
Special Assistant of Headquarter	Maxwell Liu (Note 2)	(103,691)	-	(5,000)	-
Associate VP of Finance Department	Molly Lin (Note 2)	(229,253)	-	-	-
Associate VP of Oversea Management Unit	Swallow Chuang (Note 2)	(67,260)	-	(41,000)	-
AVP of Quality Control Center	Hans Chan (Note 2)	36,878	-	(45,000)	-
AVP of Automation Center	Eric Tseng (Note 2)	16,079	-	-	-

Title	Name	Fiscal Year 2012		1 st January to 12 th April, 2013	
		+/- of shareholding	+/- of pledge shares	+/- of shareholding	+/- of pledge shares
Associate Manager of Audit Office	Woody Chou (Note 2)	3,403	-	-	-

Note 1: A major shareholder with over 10% shareholding

Note 2: Shareholding includes trusted shares under reserve by the holder.

Note 3: Andrew Lin came on board on Oct 16, 2012. The changes listed above are between Oct 16, 2012 to April 13, 2013.

Shareholding transfers and pledge shares: the counterparties are none related to the above directors, supervisors, and managers; hence no details are listed.

3.8 Top Ten Shareholders and Relationships

April 13, 2013 Unit: Shares ; %

Name	Shareholding (Note 1)		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Names and Relations of Top 10 Shareholders Who Are of Counterparties Defined in The Statement of Financial Accounting Standard No.6, Spouses, and Relatives Within the Second Degree of Kinship		Remarks
	Shares	% (Note 2)	Shares	% (Note 2)	Shares	% (Note 2)	Names	Relationship	
Kent Hsu	78,817,468	11.66%	3,883,525	0.57%	-	-	CLEVO Co. UniKey Electronics Co., Ltd Epoque Co.,Ltd. Hipro Electronics Co., Ltd Yue-yuan Hsu	Company chairman Legal Representative Director Company chairman Company chairman (Legal Representative Director) Sister	
CLEVO Co., Ltd. Chairman: Kent Hsu	24,473,016	3.62%	-	-	-	-	Kent Hsu M.K. Lin	Company chairman Company Director	
Standard Chartered Customers in Asia managed KGO Asia Financial Accounts	20,958,487	3.10%	-	-	-	-	-	-	
UniKey Electronics Co., Ltd Chairman: M.K. Lin	20,448,309	3.03%	-	-	-	-	Kent Hsu M.K. Lin	Legal Representative Director 100% Owned Subsidiary of Chicony Company Chairman(Legal Representative)	
Epoque Corp. Chairman: Kent Hsu	16,988,198	2.51%	-	-	-	-	Kent Hsu Yue-yuan Hsu	Company Chairman Company Director	
Hipro Electronics Co., Ltd Chairman: Kent Hsu	15,633,877	2.31%	-	-	-	-	Kent Hsu M.K. Lin Yue-yuan Hsu	Company Chairman(Legal Representative) 100% Owned Subsidiary of Chicony Company Vice Chairman (Legal Representative) Company Supervisor	

Name	Shareholding (Note 1)		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Names and Relations of Top 10 Shareholders Who Are of Counterparties Defined in The Statement of Financial Accounting Standard No.6, Spouses, and Relatives Within the Second Degree of Kinship		Remarks
	Shares	% (Note 2)	Shares	% (Note 2)	Shares	% (Note 2)	Names	Relationship	
M.K. Lin	14,705,251	2.18%	799,649	0.12%	-	-	UniKey Electronics Co., Ltd Hipro Electronics Co., Ltd CLEVO Co.	Company Chairman (Legal Representative) Company Vice Chairman (Legal Representative) Legal Representative Director	
Yue-yuan Hsu	13,787,991	2.04%	1,419,047	0.21%	-	-	Kent Hsu Epoque Co., Ltd. Hipro Electronics Co., Ltd	Brother Company Director Legal Supervisor Representative	
J.P. Morgan Saudi Arabia Central Bank Financial Accounts	11,389,650	1.69%	-	-	-	-	-	-	
Standard Chartered-Vanguard Emerging Markets Stock Index Fund Accounts	11,223,149	1.66%	-	-	-	-	-	-	

Note 1: The above excludes shares under trust with discretion reserved under the holder and the spouse

Note 2: The calculation on percentage of shareholding: shares held ÷ 675,778,209 shares

3.9 Investments Made in the Same Outside Enterprise by the Company, its Directors, Supervisors and Directly/indirectly Controlled Affiliates, by Combined Numbers of Shares and Holding Percentage

Date: 31st March 2013 Unit: Shares ; %

Subsidiaries	Company Investment		Direct or Indirect Investment from Directors, Supervisors, and Managers (Note)		Combined Investments	
	Shares	%	Shares	%	Shares	%
Chicony Overseas Inc.	1,000	100.00	-	-	1,000	100.00
Chicony Global Inc.	1,000,000	100.00	-	-	1,000,000	100.00
Chicony Electronics (Thailand) Co., Ltd.	322,427	15.27	1,789,148	84.73	2,111,575	100.00
Chicony Power Technology Co., Ltd.	202,056,177	62.02	44,939,697	13.79	246,995,874	75.81
Hipro Overseas (BVI) Inc.	12,560,000	100.00	-	-	12,560,000	100.00
Hipro Electronics Co., Ltd.	4,660,000	100.00	-	-	4,660,000	100.00
UniKey Electronics Co., Ltd.	15,000,000	100.00	-	-	15,000,000	100.00
XAVi Technology Co., Ltd.	21,297,445	63.86	3,689,268	11.06	24,986,713	74.92
Had Eri Iou Industrial Inc.	15,076,445	50.25	-	-	15,076,445	50.25
Newmax Technology Co.,Ltd	1,721,000	1.99	20,651,489	23.83	22,372,489	25.82

Note: the above shares includes the shares with discretion reserved by the holder under Trust

4. Fund-raising Status

4.1 Capital and Shares

4.1.1 Capitalization

Unit: Share/NT\$

Month / Year	Issue Price (Per share)	Authorized Share Capital		Paid-up Share Capital		Remark					
		Shares	Amount	Shares	Amount	Sources of Capital				Capital Increase by Assets Other than Cash	Other
						Capital Replenishment by Cash	Capital Replenishment by Retained Earnings	Capital Replenishment by Capital Surplus	Total		
Aug/2003	10	300,000,000	3,000,000,000	298,777,000	2,987,770,000	-	492,320,000	-	492,320,000	None	Note 1
Jul/2004	10	500,000,000	5,000,000,000	373,500,000	3,735,000,000	-	747,230,000	-	747,230,000	None	Note 2
Aug/2005	10	500,000,000	5,000,000,000	415,000,000	4,150,000,000	-	415,000,000	-	415,000,000	None	Note 3
Jun/2006	10	500,000,000	5,000,000,000	442,550,000	4,425,500,000	-	275,500,000	-	275,500,000	None	Note 4
Jun/2007	10	600,000,000	6,000,000,000	500,900,000	5,009,000,000	-	583,500,000	-	583,500,000	None	Note 5
Jun/2008	10	600,000,000	6,000,000,000	557,000,000	5,570,000,000	-	561,000,000	-	561,000,000	None	Note 6
Jun/2009	10	700,000,000	7,000,000,000	591,277,832	5,912,778,320	-	34,277,832	-	34,277,832	None	Note 7
Jan/2010	10	700,000,000	7,000,000,000	591,266,950	5,912,669,500	-	(10,882)	-	(10,882)	None	Note 8
Jun/2010	10	700,000,000	7,000,000,000	625,614,398	6,256,143,980	-	34,347,448	-	34,347,448	None	Note 9
Apr/2011	10	700,000,000	7,000,000,000	615,614,398	6,156,143,980	-	(10,000,000)	-	(10,000,000)	None	Note 10
Jun/2011	10	700,000,000	7,000,000,000	644,443,590	6,444,435,900	-	28,829,192	-	28,829,192	None	Note 11
Jun/2012	10	700,000,000	7,000,000,000	675,778,209	6,757,782,090	-	31,334,619	-	31,334,619	None	Note 12

Note 1: Approved by Ministry of Finance, Securities and Futures Commission Statutory Letter dated on 18th June, 2003 Tai Tsai Zhen (I) No. 0920126987

Note 2: Approved by Ministry of Finance, Securities and Futures Commission Statutory Letter dated on 27th May, 2004 Tai Tsai Zhen (I) No.0930123567

Note 3: Approved by Executive Yuan, Financial Supervisory Commission Statutory Letter dated on 21st June, 2005 Gin Guan Zhen (I) No.0940124681

Note 4: Approved by Executive Yuan, Financial Supervisory Commission Statutory Letter dated on 20th June, 2006 Gin Guan Zhen (I) No.0950125028

Note 5: Approved by Executive Yuan, Financial Supervisory Commission Statutory Letter dated on 25th June, 2007 Gin Guan Zhen (I) No.0960031854

Note 6: Approved by Executive Yuan, Financial Supervisory Commission Statutory Letter dated on 24th June, 2008 Gin Guan Zhen (I) No.0970031272

Note 7: Approved by Executive Yuan, Financial Supervisory Commission Statutory Letter dated on 19th June, and 2009 Gin Guan Zhen Fu No.0980030579

Note 8: Treasury Stock Nullification for 10,882 shares; Approved by Ministry of Economic Affairs Statutory Letter dated on 27th January, 2010 Jing Shou Shang Tsi No. 09901019670

Note 9: Approved by Executive Yuan, Financial Supervisory Commission Statutory Letter dated on 21st June, 2010 Gin Guan Zhen Fu No.0990031695,

Note 10: Treasury Stock Nullification for 10,000,000 shares; Approved by Ministry of Economic Affairs Statutory Letter dated on 18^h April, 2011 Jing Shou Shang Tsi No. 10001071940

Note 11: Approved by Executive Yuan, Financial Supervisory Commission Statutory Letter dated on 21st June, 2011 Gin Guan Zhen Fu No.1000028302,

Note 12: Approved by Executive Yuan, Financial Supervisory Commission Statutory Letter dated on 22nd June, 2012 Gin Guan Zhen Fu No.1010027651

As of 13rd April, 2013

Unit: Share

Type of Stock	Authorized Share Capital			Remark
	Shares outstanding	Unissued shares	Total	
Common stock	675,778,209	24,221,791	700,000,000	Listed Company shares

Shelf Registration: None

4.1.2 Composition of Shareholders

As of 13rd April, 2013

Type of Shareholders Quantity	Government Agencies	Financial Institutions	Other Judicial Persons	Foreign Institutions and Natural Persons	Domestic Natural Persons	Total
Number of Shareholders	1	15	142	505	20,730	21,393
Shareholding	114	26,901,183	162,577,075	265,147,326	221,152,511	675,778,209
Holding Percentage (Note)	0.00%	3.98%	24.06%	39.23%	32.73%	100.00%

Note: Holding percentage is computed as shareholding divided by total number of issued common stock of 675,778,209 shares.

4.1.3 Distribution Profile of Share Ownership

Face value at NT\$10 per share

As of 13rd April, 2013

Shareholder Ownership	Number of Shareholders	Shareholding	Holding Percentage
1 to 999	12,559	2,239,178	0.33%
1,000 to 5,000	5,982	11,769,928	1.74%
5,001 to 10,000	1,088	7,474,953	1.11%
10,001 to 15,000	480	5,641,800	0.83%
15,001 to 20,000	211	3,687,123	0.55%
20,001 to 30,000	217	5,192,077	0.77%
30,001 to 40,000	102	3,518,575	0.52%
40,001 to 50,000	96	4,312,733	0.64%
50,001 to 100,000	191	13,420,052	1.99%
100,001 to 200,000	151	21,243,540	3.14%
200,001 to 400,000	117	33,110,843	4.90%
400,001 to 600,000	54	26,234,955	3.88%
600,001 to 800,000	26	17,674,105	2.62%
800,001 to 1,000,000	15	13,297,952	1.97%
1,000,001 or above	104	506,960,395	75.01%
Total	21,393	675,778,209	100.00%

Note: Holding percentage is calculated as shareholding divided by total number of issued common stock of 675,778,209 shares after the Company nullified its treasury stocks followed by capital reduction

4.1.4 Major Shareholders: Shareholders with shareholdings over 5% of total shares outstanding or top 10 holding percentages

As of 14th April, 2013

Major Shareholders	Share	Shareholding (Note 2)	Holding Percentage (Note 1)
Kent Hsu		78,817,468	11.66%
Clevo Co.		24,473,016	3.62%
Standard Chartered-Customers in Asia Managed KGI Asia Financial Accounts		20,958,487	3.10%
Unikey Electronics Co., Ltd.		20,448,309	3.03%
Epoque Co., Ltd.		16,988,198	2.51%
Hipro Electronics (Taiwan) Co., Ltd.		15,633,877	2.31%
M. K. Lin		14,705,251	2.18%
Hsu, Yue-Yuan		13,787,991	2.04%
J.P. Morgan- Saudi Arabia Central Bank Financial Accounts		11,389,650	1.69%
Standard Chartered- Vanguard Emerging Markets Stock Index Fund Accounts		11,223,149	1.66%

Note 1: Holding percentage is calculated as shareholding divided by total number of issued common stock of 675,778,209 shares.

Note2: This table does not include the shares under trust where the decision on executing them is exclusively reserved by the holder.

4.1.5 Market Price per Share, Net Worth, Earnings and Other Relevant Information:

Item		Year	2011	2012	As of 31 st March, 2013
Market Price Per Share	Highest		67.00	69.50	81.90
	Lowest		40.70	49.00	68.00
	Average		53.39	60.15	76.35
Net Worth Per Share	Before Distribution		27.62	26.37	29.54
	After Distribution (Note 5)		22.82	22.05	29.54
Earnings Per Share	Weighted Average Shares		606,547 K shares	635,672 K shares	639,696 K shares
	Earnings Per Share	Before Adjustment	6.85	6.05	1.49
		After Adjustment	6.62	6.05	1.49
Dividends Per Share	Cash Dividends (Note 1)		4.00	4.10	N/A
	Shares Dispensed free of charge (Note 1)	From Retained Earnings	0.3500000054	0.10	N/A
		From Additional Paid-in Capital	NA	N/A	N/A
	Accumulated Unpaid Dividend (Note 6)		0	Note 7	N/A
Return on Investment	Price/Earnings Ratio (Notes 1 & 2)		7.79	9.94	N/A
	Price/Dividend Ratio (Notes 1 & 3)		13.35	14.67	N/A
	Cash Dividend Yield Rate (Notes 1 & 4)		7.49%	6.82%	N/A

Note 1: Figures for Year 2011 were filled in accordance to the status of dividend distribution determined by the resolution of the 2012 General Annual Shareholders' Meeting.

Note 2: Price/Earnings Ratio = Current Year Average Market Price Per Share / Earnings Per Share (Before Adjustment)

Note 3: Price/Dividend Ratio = Current Year Average Market Price Per Share / Cash Dividend Per Share

Note 4: Cash Dividend Yield Rate = Cash Dividend Per Share/ Current Year Average Market Price Per Share

Note 5: Number of shares issued for Employee Stock Bonus of 2012 is computed based on the basis of closing market price prior to the holding of the Annual General Shareholders' Meeting and takes into consideration the impact from cash dividend and stock dividend shares; thus, the above listed figures for net worth per share after distribution and adjusted earnings per share have not yet reflected the number of shares paid out for Employee Stock Bonus Dividends.

Note 6: Issuing conditions for equity securities stipulate that current year dividends unpaid may accumulate to years where there are earnings, and should respectively disclose cumulative unpaid dividends as of the end of the current year.

Note 7: Earnings distributions of 2012, after resolution by Board of Directors to distribute cash dividend per share of NTDS\$ 4.1, estimated cash dividends as NTDS\$ 2,770,690,657. Preceding earnings distribution proposal of 2012 has not yet passed Annual General Shareholders' Meeting resolution.

4.1.6 Dividend Policy of the Company and Status of Dividend Distribution Proposed by Latest Shareholders' Meeting:

1. Dividend policy:

In line with the long-term financial planning of the Company, to achieve sustainable business objectives, future dividend policy is stipulated under the Company's Articles of Incorporation Article no. 19 as follows:

As the Company is in the developing stage of the electronics industry, the dividend policy

should take into account the need for funding of new products and the increasing return on investment by the shareholders as objectives. Thus, at least 90% of annual total earnings available for dividend distribution will be allocated as shareholders' dividends, of which at least 10% shall be cash dividends.

However, if the total amount available for dividend distribution is less than NTD\$ 0.5 per share, then the ratios in the preceding paragraph shall not be subjected to restrictions.

2.Dividend distribution of 2012 proposed by Shareholders' meeting in 2013:

- (1) Cash dividend is distributed as NTD\$ 4.1 per share: NTD\$2,770,690,657 from retained earnings was set aside for cash dividend distribution.
- (2) Stock dividend is 10 shares per one thousand shares: NTD\$ 67,577,820 from retained earnings was set aside to increase capital and to issue new stocks for 6,757,782 shares

4.1.7 Impact to Business Performance and EPS Resulting from Stock Dividend as Proposed by Latest Shareholders' Meeting: Not applicable.

4.1.8. Employee Bonus Sharing and Directors' and Supervisors' Compensation:

1. The Company's Articles of Incorporation Article no. 18 stipulates that "1% of annual financial net earnings (net income after deductions for income tax, 10% contribution to legal reserves, and contribution to special reserves as required by regulation) shall be allocated as compensation for Directors and Supervisors, and 16% as a bonus to employee.
2. The Company adopted the proposal of the 16th session of the 10th Board of Directors' Meeting of 15th March, 2013 to allocate a cash bonus to employees of NTD\$ 67,716,319, a stock bonus to employees of NTD\$ 322,000,000 (with the number of shares allocated in the stock bonus being calculated based on the closing market price day prior to the holding of the Annual General Shareholders' meeting and taking into consideration impacts from cash dividends and stock dividend shares), and compensation to Directors and Supervisors of NTD\$ 24,357,270. The stock bonus to employees of NTD\$ 322,000,000 is 8.38% of the net income after tax of NTD\$ 3,844,235 thousand; and 82.6% of the total employee bonus of 389,716 thousand. The amount of employee bonus and Directors and Supervisors' compensation as proposed by the Board of Directors' meeting totaled NTD\$ 414,073,589, and was identical to the amount estimated in the annual financial report of 2012. It is reckoned that EPS is NTD\$5.97 based on the proposed amount paid to employees' bonus, and remuneration of Director and Supervisor.
3. Company's actual allocation and distribution of Directors and Supervisors' compensation and employees' bonus from earnings of 2011 in 2012 is as follows:
 - (1) Actual distribution of Directors and Supervisors' compensation was NTD\$ 37,407,321 and employees' bonus was NTD\$ 598,517,143, identical to the original amount of distribution approved by the Board of Directors' meeting. The employees' bonus consists of a stock bonus of NTD\$ 430,000,000(equal to new stock 8,779,093 shares), and a cash bonus NTD\$ 168,517,168. The number of shares of employee's stock bonus was 28.02% of that of capital increment from earnings from 2011 earnings. Persons receiving the allotment were employees of the Company and employees of the subsidiaries with in which the Company has a shareholding of more than 50%.
 - (2)The amount of employee bonus and Directors and Supervisors' compensation as proposed by the Board of Directors' meeting totaled NTD\$ 635,924,464, and was identical to the amount estimated in the annual financial report of 2011.

4.1.9 Status of the Company's Treasury Stock:

Reacquisition of common stock: None

- 4.2 Issuance of Corporate Bonds: The Company did not issue any corporate bonds.
- 4.3 Issuance of Preferred Stocks: The Company did not issue any preferred stocks.
- 4.4 Issuance of GDR: The Company did not issue any GDR.
- 4.5 Status of Employee Stock Option Plan: The Company did not adopt any Employee Stock Option Plan.
- 4.6 Status of New Shares with Restricted Employee's Right: The Company did not issue any new shares with restricted employee's right.
- 4.7 Status of New Share Issuance in connection to Mergers or Acquisitions: The Company did not engage in activities of new share issuance in connection to mergers or acquisitions.
- 4.8 Status of financing plans and implementation:
- 4.8.1 As of 31st March, 2013, Status of Previous Respective Issuances including Pending Securities Private Placements or Undisclosed Benefits of Completed Plans for the Most Recent Three Years: None.
 - 4.8.2 According to the Purposes of the Various Plans of the Preceding Paragraph, Comparison of the Outcomes of Their Execution and Originally Projected Benefits: None.

5. Operation Highlights

5.1. Business Activities

5.1.1 Business Scope

1. The Company's major business operations:

- (1) Design, development, manufacturing and trading of desktop keyboards, portable computer keyboards, mouse and input devices for computers, and camera products.
- (2) Design, development, manufacturing and trading of digital cameras, built-in camera modules for notebook computers, camera modules for mobile phones, sport digital camera and other digital image products.
- (3) Agents of domestic and foreign manufacturers for the sale of digital cameras, digital video cameras, projectors, large output devices, traffic logger and other digital products.

2. Product Mix:

2012	Unit: NT\$ 000's	
Products	Amount	Proportion
Computer peripheral products	\$13,203,731	56.57%
Consumer electronic products and other electronic products	9,377,413	40.17%
Other operating income	761,458	3.26%
Total	\$23,342,602	100.00%

3. The Company's current products and services:

- (1) PC Keyboard
- (2) Notebook Keyboard
- (3) 2.4G Individual Multi-finger Control Keyboard Touch Pad
- (4) 2.4G Bluetooth Wireless Keyboard, Mouse
- (5) IC Smart Card, IA and Game Keyboard
- (6) Backlit Game Keyboard
- (7) Low Profile Computer Keyboard
- (8) Wired Optical Mouse and Laser Mouse
- (9) 2.4G Optical Mouse and Laser Mouse
- (10) Wireless Portable Bluetooth iPad, Tablet PC Keyboard, Wireless Portable Bluetooth Mobile Phone Keyboard
- (11) Multimedia Computer Remote Control
- (12) Colorful Keyboard and Mouse
- (13) Portable Scanner with Mouse function
- (14) 2.4G Touch Mouse
- (15) Digital Camera, Computer Camera
- (16) Sport Digital Camera
- (17) IP Camera
- (18) Mobile Phone Camera Module, Notebook Computer Built-in Camera Module, Tablet PC Built-in Camera Module, LCD Monitor Camera Module
- (19) Auto-Focus Camera Module
- (20) Computer Components and Peripheral Products
- (21) 3D Stereoscopic Image Module
- (22) 3D Stereoscopic Glasses
- (23) After-services for the above-mentioned products

4. New products and services planned for development

- (1) Wireless Keyboard, Touch Mouse and Touch Pad dedicated for Windows 8
- (2) Docking Station for Tablet PC
- (3) Back-up battery for combination of Tablet PC, Smart Phone and Bluetooth Keyboard
- (4) Ultra-thin Bluetooth Foldable Keyboard
- (5) Touch Keyboard
- (6) Portable Scanner with Mouse Function
- (7) Ultra-thin Bluetooth Portable Mouse
- (8) 2.4G Solar Keyboard
- (9) Intelligent Network TV Remote Controller
- (10) Low Cost, Low Power Consumption Notebook Keyboard
- (11) Multifunctional Notebook Keyboard Combining Network and Communication Functions
- (12) Antibacterial Medical Notebook Keyboard
- (13) Portable Wireless Bluetooth Keyboard with Functions and Availability for e-reader Connection
- (14) Multifunctional PC Keyboard Combining Network and Communication Functions
- (15) Wi-Fi Wireless Driving Recorder
- (16) Wi-Fi Mini Digital Video Camera for Cell Phone
- (17) Wi-Fi Wireless Baby Monitoring Camera
- (18) Wi-Fi Wireless Security Monitoring Camera
- (19) Wi-Fi Wireless Digital Optical Zoom Video Camera
- (20) Game-Dedicated Video Module
- (21) Technical support and services for the above-mentioned products

5.1.2 Industry Overview

The main products manufactured and sold by the Company are keyboards, computer cameras, digital video cameras, built-in camera modules of notebook computers, mobile phone camera module products, and power supply, which are manufactured and sold by subsidiary company Chicony Power Technology Co., Ltd. All of these products are closely linked with the global economy, and applications and growth of personal computers, IT products, digital home appliances, and mobile phones.

Based on 2013 economy forecasting from the arch institutes, the global GDP is expected to range from 2.4% to 3.6% when the European default crisis cannot be resolved in the foreseeable future, yet the gloomy economic in USA and China, the low GDP growth in emerging markets and the slight global GDP growth. Traditional PC and tablet markets are expected to see gradual growth following the new operation system platform, which will also make tablet become the major stimulation of the demand in PC market in 2013. Besides, sales of consumer products, as mobile phone with camera function and video camera, go up when consumers start to change their consuming habit and it is more mature for Cloud technology application. It is expected that emerging markets are still major target for consuming products. Well management to quickly response market's demand for highly efficient, ultra-thin and durable products will be the important key factor for operation when fierce competition and minor profit has not been avoided in IT industry.

MIC research report predicts that the 2013 global shipments of PCs(excluding tablet) to reach 332.4 million units, 3.2% growth over than 2012. This shipment consists of Desktop shipments of 127.1 million units, 0.9% less than 2012, and NB shipments of 205.3 million units, an increase of 5.9% compared with 2012. The tablet is expected to see a 39.3% growth, up to 170.8 million pcs shipment. It is observed that Tablet will become the strongest product in market in 2013, which is expected to draw more companies to devote into the development of new products, and the diversity and the friendly price will also boost the market demand. As for

the NB, netbook will fade out the market and followed by the new model with low energy-consuming and simplified UI, which will also result in a new wave of exchanging devices. Meanwhile, China, South America, India and other emerging markets will still the major market for the mature DT products.

Following popularity of social network, consumers use application software, such as Facebook, Twitter, to keep in touch with people at any time. Therefore, when it is more and more popular to share pictures and status in time, mobile phone with built-in camera will attract more attention. According to Research Report, 2013 shipment of smart phone will have 30% of sales in growth, reaching to 865 million handsets, 43.9% of the whole mobile phone market. Driven by the promotion of telecommunication companies, new operation system platform and the downward price, the penetration of smart phone in emerging markets, such as China, Russia, India, Indonesia and South America, has speeded up, which also leads to the enormous demand on mobile camera modules. Besides, along with the demand for secured life and the popularity of broadband internet, the global IP camera market has seen a significant growth. It is optimistically predicted to reach the market scale of USD\$ 10 billion by 2016.

In respect of other digital image products, it is advantageous to drive sales of related products, as PC Camera, Digital Video Camera, IP Camera and etc., when Digital Home, Web TV, Multimedia and portable communication are prevailing and consumers gradually change their habits.

5.1.3 Technology and R&D Overview

1. R&D Expenditure for Past Two Years and 1st Quarter of 2013

Unit: NT\$ 000's

Year	2011		2012		1 st Quarter of Year 2013
	The Company	Consolidated	The Company	Consolidated	IFRS Consolidated
Amount	\$ 670,349	\$ 1,599,548	\$ 692,744	\$ 1,622,609	\$ 461,368
Net Sales	\$ 18,035,209	\$ 60,686,046	\$ 23,342,602	\$ 67,509,651	\$ 17,209,440
R&D Expense/Net Sales	3.72%	2.64%	2.97%	2.40%	2.68%

2. R&D accomplishments in 2012

- (1) Ultra-thin Bluetooth Keyboard
- (2) Ultra-thin Desktop Keyboard
- (3) Touch Keyboard
- (4) Ultra-thin Portable Bluetooth Mouse
- (5) Intelligent Network TV Remote Controller
- (6) Ultra-thin Notebook Keyboard
- (7) Tablet PC Keyboard
- (8) Antibacterial Notebook Keyboard
- (9) Portable Scanner with mouse Function
- (10) 2.4G Touch Mouse
- (11) 10X Optical Economic Camera(Horizontal Landscape)
- (12) 1080P Waterproof Sports Video Camera
- (13) 1080P Sports Digital Video Camera
- (14) 4K Sports Digital Video Camera
- (15) 3D Digital Video Camera
- (16) DLNA Wireless Digital Video Camera
- (17) Full Depth-of-Field Digital Video Camera
- (18) IP CAM Network Camera
- (19) Computer Wireless Network USTREAM Camera

- (20) Video Module for Remote Control
- (21) High Resolution Video Module
- (22) GPS Camera Module
- (23) Tablet PC Built-in Camera Module
- (24) Smart Phone Built-in Camera Module
- (25) 3D Shutter Glasses dedicated to Projector

3.Future R&D plans

- (1) Keyboard
 - 2.4G Wireless Joystick
 - 2.4G Gaming Mouse
 - 2.4G High Security Keyboard
 - Multifunctional Display Keyboard
 - Gaming Mouse
 - Portable Scanner with Mouse Function
 - 2.4G Solar Keyboard
 - Multi-finger Touch Pad
 - Intelligent Network TV Remote Controller
 - Bluetooth Foldable Ultra-thin Keyboard
 - 2.4G Keyboard, Mouse, Remote Controller, Headset Microphone Set
 - Ultra-thin Backlit Keyboard Module
 - Wireless Keyboard, Touch Mouse and Touch Pad dedicated for Windows 8
 - Docking Station for Tablet PC
 - Back-up battery for combination of Tablet PC, Smart Phone and Bluetooth Keyboard
- (2) Computer Camera / Digital Video Camera/Cloud Camera
 - 1080P Night Vision IR Network Camera
 - Internet Baby Monitor
 - Clipable Wireless Digital Video Camera
 - Smart Phone APP and Software of Camera Interaction
 - Cloud System Establishment for Camera
 - Camera with Interaction with Smart TV
- (3) Camera Module
 - 8Megapixel Camera Module
 - IP Camera Module
 - 3D Image Camera Module
 - TV Video Module
 - Optical Zoom Auto-Focus Camera Module
 - High-quality Full HD Image Module
 - Video Conferencing Image Module
 - 3D Shutter Glasses for Stereo TV
 - Camera Module Kit of Automobile

5.1.4 Short and Long Term Business Development Plans

a. Short-Term Business Development Plans

- (1)To focus on OEM/ODM businesses – in addition to increasing sales orders for new models and new products lines among existing customers, also aggressively seek new customers and continually grow market share, increasing Company’s sales volume stably.
- (2)To sustainably increase the contribution to sales from high value-added products, and enable stable growth in the Company’s sales volume and profitability.
- (3)To expand business in Mainland China, India, Korea, South America and other emerging markets.
- (4)Aggressively develop peripheral products dedicated for Tablet, Smart TV, and Cloud Computation Application.
- (5)To develop LED lighting and PV inverter (solar energy converter) green energy products

business through the Company's subsidiary company Chicony Power Technology Co., Ltd.

- (6) To continuously consolidate the entire group's marketing, manufacturing, and global logistics resources to maximize efficiency.
- (7) To develop business in "Blue Ocean" product areas.

2. Long-Term Business Development Plans

- (1) To continue recruiting talented personnel to strengthen marketing, R&D, manufacturing, and global logistics capabilities, in order to sustain the overall competitiveness of the Company.
- (2) To aggressively develop Non-PC related electronic peripheral products business.

5.2 Market, Production and Sales Overview

5.2.1 Market Analysis

1. Major Markets for Product Sales

Status of main markets and distribution channels for main products and services:

Main Products	Main Markets	Method of Distribution and Channels
Computer IT Peripheral Products	USA, Europe, Asia	Domestic Sales, Exports, Indirect Exports

2. Market Share

The Company sells a wide range of computer IT peripheral products, mainly consisting of keyboards, computer cameras, digital video cameras, mobile phone camera modules, notebook computer built-in camera modules etc. Based on 2012 annual data provided by the Company and clients, Chicony is the world's largest manufacturer of keyboards, web cameras, notebook cameras, Sport DV and portable keyboards for Tablets.

3. Future Market Demand and Supply and Market Growth

Currently, the major application of the company's primary products is in PC and Tablet area. Those products include keyboards, computer cameras, notebook built-in camera modules, and power supply products by the subsidiary, Chicony Power Technology Co., Ltd. In 2013, the peripherals of DT, NB, Netbook and Tablet applications are estimated to account for 70% of the Company's projected consolidated operating income. Research reports indicate that major PC consumer markets were still at USA, Asia-Pacific and West Europe, the sales volumes for these regions will account for nearly 71% of global shipment volumes. Sales of PC products excluding tablet grows up 3.2%. In terms of market demand by product category, DT has seen an improvement on the efficiency by the All-In-One new models. The new platform launched by AMD and Intel and the recovery demand lead the sales of DT decrease only 0.9%. NB market goes up 5.9% due to the new trend of device replacement, which is resulted from the release of high efficiency and low power processor and the light industrial design and simplified interface by the main brands. As for the Tablet, following the iPad Mini by Apple and the Kindle Fire generation two by Amazon, Microsoft will also launch its own tablet, Surface. In 2013, it is expected that more new model will be published and the demand will be stimulated furthermore, which lead to a 39.3% growth on the Tablet market.

For supplying chain, the number of major manufacturers of each main product category, Keyboards, PC camera, NB built-In Camera module, and PC power supply, is around 2 to 3 only.

The smart phone has increased its ratio toward the whole mobile phone market share year by year. The penetration rate is estimated to exceed 50% in 2014. Also, with popularity of 3G in-time mobile phone, it drives demand of second built-in camera module (Conference Lens). The sales volume of related cell phone camera module is also expected to see a significant growth accordingly. In terms of suppliers, there were two to three leading manufacturers of mobile phone camera modules.

Thought the market share has been continuously squeezed by the smart phone and digital cameras, digital video camera still possesses its strength in terms of image quality. Except for the existing characters of anti-vibration, power efficiency and special storage spec, some new functions, such as built-in GPS, electronic maps, micro-projector and sport-supporting, are also embedded into the new products, which take the DV industry into a deeper and more diversify area. In regards to suppliers of digital video cameras and computer cameras, there were two to three leading manufacturers in Taiwan.

4.The Company's Competitive Niche, Favorable and Adverse Factors Influencing the Future Development of the Company

(1)Competitive Niche and Favorable Factors:

- **Economic Scale**

The Company's various products have all achieved economic scale and a high standing in the industry. By shipment volumes, the Company is the largest global suppliers of keyboards, Web Cam, NB Cam, Sport DV and Portable Keyboards for Tablet; the third-largest global Notebook adapter supplier through its subsidiary company Chicony Power Technology Co., Ltd. Each product category has economic scale and industry competitive niche. For the last five years, the sales revenue compounded growth rate was 9% approximately. It helps the Company to achieve economic scale in production as well as forming an entry barrier by continuous sales growth.
- **Extensive ODM/OEM products manufacturing experience**

With the establishment of Chong Qing plant, and existing Suzhou and Dongguang Plants, Company is now able to meet Customers' needs more and seek for lower manufacturing costs. Company has accumulated 20 years of experience in manufacturing ODM/OEM products, quality control, and global real-time logistics to meet customers' needs, which is valued by our customers.
- **Strong Customer Portfolio**

Main customers of the Company's keyboards, notebook computer built-in camera modules, and power supply units from the subsidiary company Chicony Power Technology Co., Ltd, were all global top ten computer manufacturers and designated assembly factories. The main customers of computer camera products were domestic and international well-known computer and system manufacturers; sales to these customers accounted for approximately more than 70% of the Company's global sales revenue. In addition to stabilizing the Company's operating income and profitability, this also enabled the Company to enhance the level of product research and development.
- **Continuous Launch of High Value-added New Products**

The Company's shipment of keyboards, Web Cam, NB Cam, Sport DV, Portable Keyboards for Tablets and notebook power supply units are ranked among top three in the industry. The Company continues to cooperate with global leading manufacturers, and to develop high value-added products. The Company also maintains stable cooperation and relationships with globally renowned customers for sport DV, mobile phone camera modules, and other digital image products. In addition to meeting customers' needs, the Company would continue to take into account market demand, and remain dedicated to the development of high value-added products. Which not only raise Company's performance and profit, but also set up a barrier by related product technology.
- **Provide Customers One Stop Shopping Services**

The main customers of the Company's keyboards, NB Cam, and power supply units from subsidiary company Chicony Power Technology Co., Ltd are mostly identical. Therefore, the Company can concurrently provide One Stop Shopping service to all of these customers, which not only provide procurement cost savings and efficiency to the customers, but also increase the Company's operating incomes.
- **Complete Global Logistics Support System**

Since 1996, the Company has begun to setup just-in-time delivery warehouses in USA and Europe, to meet the ODM/OEM customers demand. Because of increasing of ODM/OEM customers, Company has gradually increased its

supply warehouses world-wide. Currently, a total of 44 global delivery warehouses have been built to provide complete functionality within the global logistics system and to cooperate with customers to maintain close interdependent relationships.

- Strong Management Team
The management team of the Company consists of professional managers with more than 20 years of relevant experiences in manufacturing, sales, management, research and development, finance, and accounting. On average, they have over 15 years of service with the Company, and with their thorough academic backgrounds and experiences, provide a strong focus on core business and stable management.

(2) Adverse Factors and Countermeasures:

- Declining prices and intense competition in the computer and digital image products industry – competitive pressure leads to further sales prices declining.
- Upward pressure on labor costs and lack of labor in Mainland China.
- International crude oil and raw material prices refuse to fall.
- NT dollar appreciates, along with long-term appreciation pressure on RMB, affecting gross profit.
- Global economy in slow recovery results in weak customer demand.

Countermeasures:

- To develop new technologies, new design capabilities, to seek for alliances from more suppliers, and to integrate the demand for materials within group – to not only reduce the Company's product costs, but also help stabilize suppliers' operating incomes and profitability.
- To develop high value-added product, to raise the sales ratio and to enlarge the market share to maintain the sales volume and profit.
- To develop reasonable manufacturing progress and to increase the proportion of automated production.
- To enhance vertical integration, and to increase the rate of in-house production of major components and parts – to not only stabilize the source of supplies but also increase gross profit margins.
- To continue to expand the scale of operation to achieve economies of scale.
- To introduce excellent employees by cooperating with the academic programs and to reserve the management manpower by the implement of employee assessment and reward mechanism .
- To attempt to enlarge the dollar liability positions of subsidiaries in Mainland China, and to increase foreign exchanges gains, in order to offset the impact of RMB appreciation on gross margins.
- To strengthen the relationships with suppliers, and maintain relationships with at least two to three suppliers for each type of raw materials and components, to pay close attention to suppliers' situations, and to provide timely assistance when needed, to minimize the impact to the Company's production.
- To control inventory stocks strictly, and to reduce accounts receivables balance and capital expenditures on fixed assets, in order to decrease Company's consolidated debt ratio, to save on overall interest costs, and also to increase the cash flow of the Company.

5.2.2 Important Uses and Production Processes of Major Products

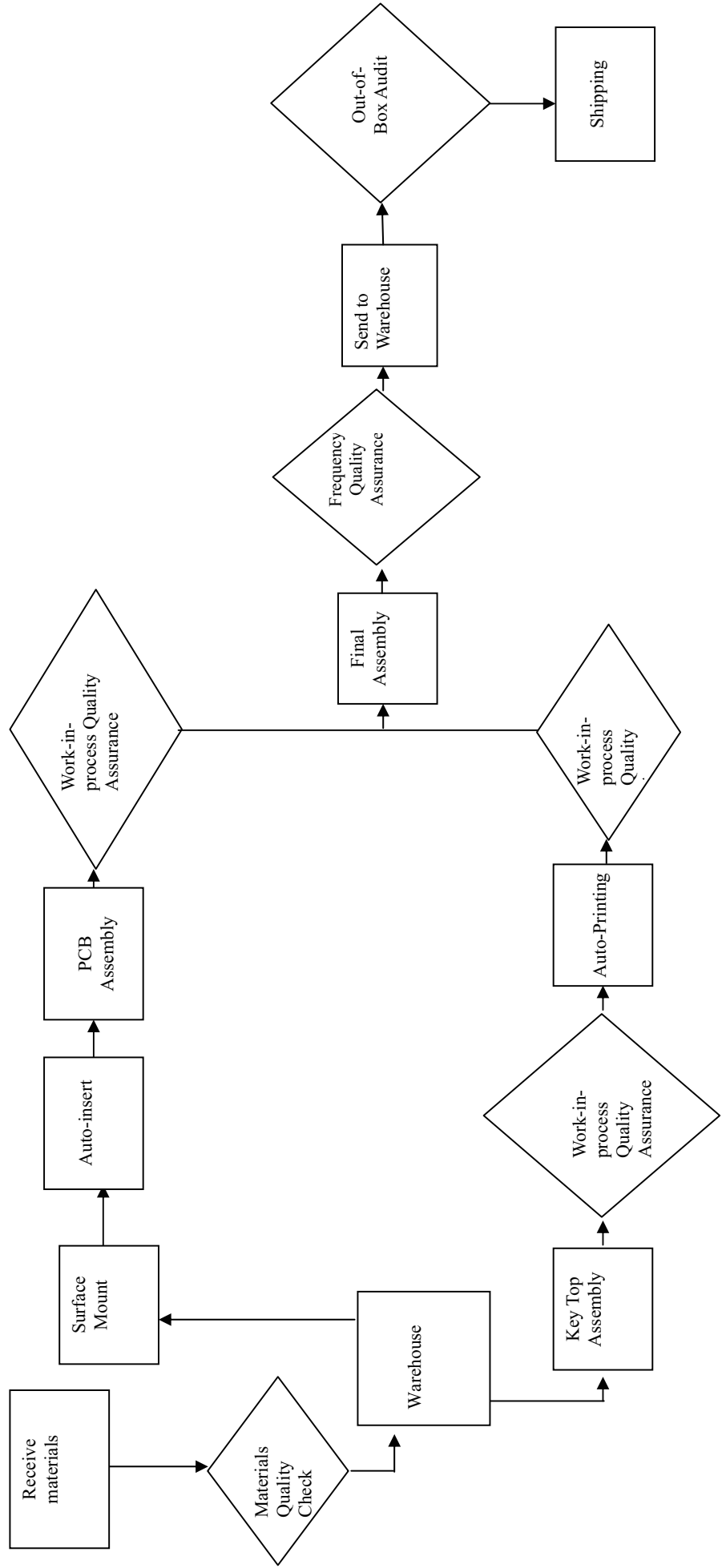
a. Important Uses

(I) Keyboard: A keyboard is a computer input device, essential to personal computers, computer workstations, equipment testing word processors, etc., and an important interface tool for human-computer system communication.

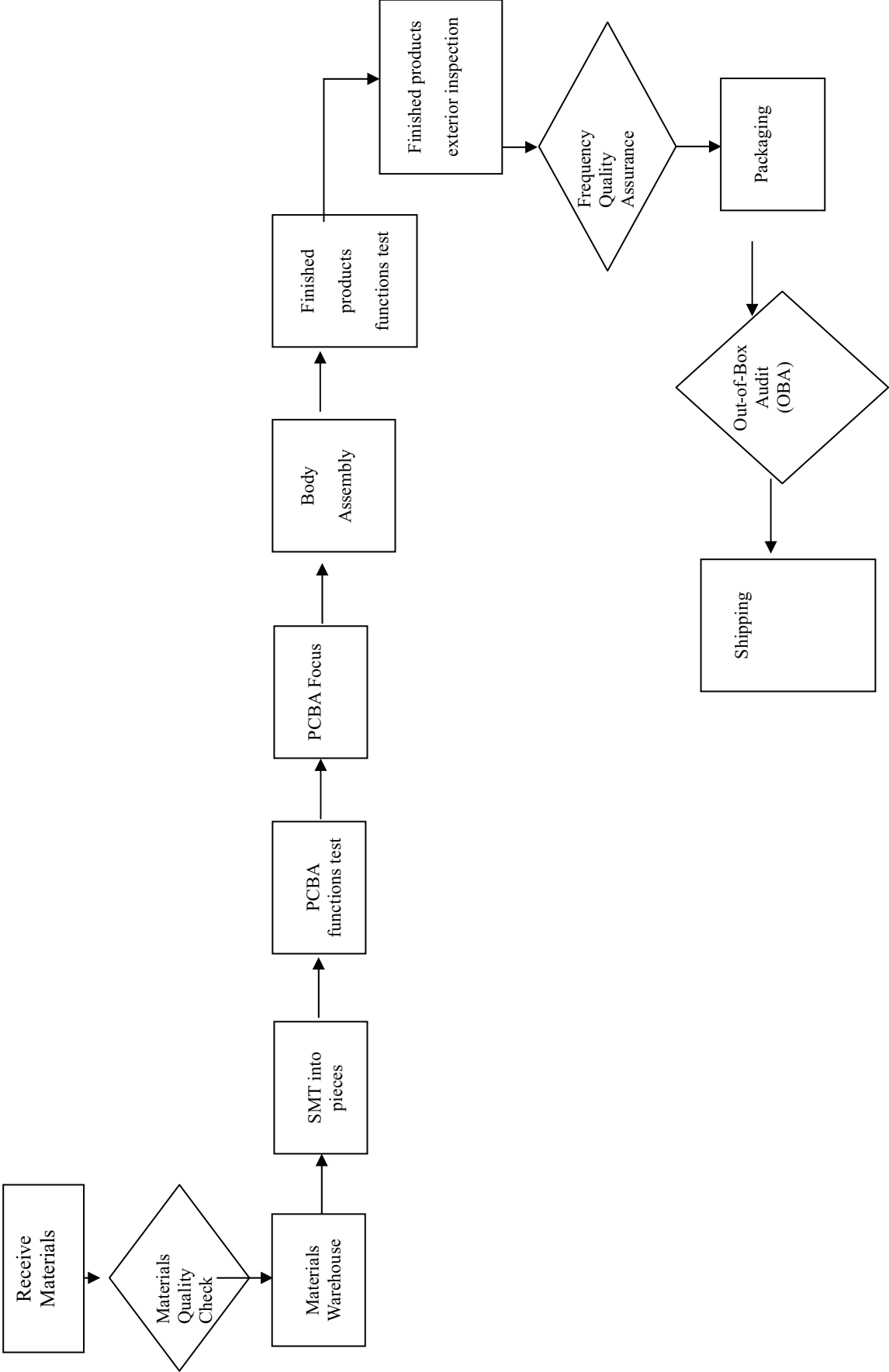
(II) Digital Video Camera, Computer Camera, and Camera Module: For on-site image recording.

b. Production Process:

(I) Keyboard



(II) Digital Video Camera, Computer Camera and Camera Modules:



5.2.3 Status of Key Raw Material Supplies

To achieve the objective of lowering production costs, keyboards, computer cameras, mobile phone camera modules, notebook built-in camera modules, digital video cameras and cloud camera were manufactured by the Company's 100% owned subsidiaries – Chicony Electronics (Dongguan) Co., Ltd, Chicony Electronics (Suzhou) Co., Ltd, Mao Rui Electronics (Dongguan) Co., Ltd and Chicony Electronics (Chong Qing) Co., Ltd. The main raw materials required for the products and procurement price are determined and negotiated by the head office's procurement unit. Purchasing quantities are then ordered by each subsidiary. Sound and stable interdependent relationships have been established with the main suppliers of key raw materials, based on long-term strategic cooperation. Each type of raw materials here is at least provided by two suppliers. Thus, even when there is an imbalance between market supply and demand, all suppliers can supply raw materials to the Company as scheduled, according to ordered quantities and prices. This contributes to the long term development of the Company.

Keyboard

Key Raw Materials	Suppliers
Key top	Mao Rui, Maoqun, LexTar
Membrane	FarWin, Jiangxi Anda, Jaiguanhua Electronics, Wenpher, Goda, SOE, Yingdu
Rubber pad	Fitivision, Bornsun, Zslims
IC	Sinowealth, EST, EMC, Avant-Com, Alltek, HST

Digital Video Camera, Computer Camera and Camera Modules

Key Raw Materials	Suppliers
Sensor	Panasonic, Aptina, OmniVision, Samsung, Pixart, Sony, Seti, Hynix, Himax, WPI
DSP / ASIC	Zoran, Sonix, Ambarella, Vimicro, Realtek, Alcor, WT, Sunplus, Ricoh
LCD	AU Optronics, Giantplus, Wintek, NVD
Lens	Largen, Newmax, Ability Opto-Electronics, Phenix Optics, THEIA, Kantatsu, Optivision
DDR	Samsung, Hynix
Flash	Samsung, Hynix, MXIC, PLASH

5.2.4 Names of the Suppliers (Customers) With Purchases (Sales) Amount Over 10% of the Total Amount and Their Purchases (Sales) Amount Percentages

a. Information of main suppliers

1. The main suppliers of the Company (Net purchases amount reached over 10% for the last two years)

Unit: NT\$ 000's

Item	2011				2012			
	Name	Amount	Percentage of purchases amount over annual purchases amount (%)	Relationship with the issuer	Name	Amount	Percentage of purchases amount over annual purchases amount (%)	Relationship with the issuer
1	Chicony Electronics (Dongguang) Co., Ltd.	7,003,195	46	The Company's indirect wholly owned subsidiary	Chicony Electronics (Dongguang) Co., Ltd.	8,880,158	45	The Company's indirect wholly owned subsidiary
2	Chicony Electronics (Suzhou) Co., Ltd.	3,284,776	21	The Company's indirect wholly owned subsidiary	Chicony Electronics (Suzhou) Co., Ltd.	5,249,561	27	The Company's indirect wholly owned subsidiary
3	Maorui Electronics (Dongguang) Co., Ltd.	2,758,771	18	The Company's indirect wholly owned subsidiary	Maorui Electronics (Dongguang) Co., Ltd.	3,138,631	16	The Company's indirect wholly owned subsidiary
4	Others	2,327,030	15		Others	2,489,292	12	
	Net Purchase Amount	15,373,772	100		Net Purchase Amount	19,554,376	100	

Reasons for changes: Mainly due to incorporation of business needs of the Company to flexibly adjust the purchase amounts from the above-mentioned three indirectly wholly owned subsidiaries in Mainland China

2. The main suppliers of the Consolidated Financial Statements (Net purchases amount reached over 10% for the last two years and the first quarter of current year): None

b. Information of main customers

1. The main customers of the Company (Net sales amount reached above 10% for the last two years)

Unit: NT\$ 000's

Item	2011				2012			
	Name	Amount	Percentage of sales amount over annual sales amount (%)	Relationship with the issuer	Name	Amount	Percentage of sales amount over annual sales amount (%)	Relationship with the issuer
1	Customer B	3,323,448	19	Non-related party	Customer A	3,157,852	14	Non-related party
2	-	-	-		Customer B	3,142,512	14	Non-related party
3					Customer C	2,434,713	11	Non-related party
	Others	14,216,337	81		Others	13,846,067	61	
Note 1	Net Sales Amount	17,539,785	100		Net Sales Amount	22,581,144	100	

Note 1: Other Operating Income is excluded.

Note 2: Reasons for changes:

1. Customer A: The Company started selling product to Customer A since 2012 Q3, which is in line with the market condition. Therefore, the sales amount and ratio toward customer A increased significantly.
2. Customer B: There was no significant change on the sales volume to Customer C, which is in accordance with the normal change of the market demand.
3. Customer C: The Company diversified the products sold to Customer C, which resulted in the increase of sales toward Customer C in 2012, comparing with the sales in 2011.

2. The main customers of the Consolidated Entity (Net sales amount reached above 10% for the last two years and the first quarter of current year)

Item	2011			2012			2013 Q1					
	Name	Amount	Percentage of sales amount over annual sales amount (%)	Relationship with the issuer	Name	Amount	Percentage of sales amount over annual sales amount (%)	Relationship with the issuer	Name	Amount	Percentage of sales amount over annual sales amount (%)	Relationship with the issuer
1	Customer D	8,095,708	13	Non-related party					Customer A	2,945,590	17	Non-related party
	Others	52,496,094	87		Others	67,350,529	100		Others	14,244,703	83	
(Note 1)	Net Sales Amount	60,591,802	100		Net Sales Amount	67,350,529	100		Net Sales Amount	17,190,293	100	

Note 1: Other Operating Income is excluded.

Note 2: Reasons for changes:

1. Customer A: The Company started selling product to Customer A since 2012 Q3, which is in line with the market condition. Therefore, the sales amount and ratio toward customer A increased significantly.
2. Customer D: The sales amount from Customer D is less than 10% in 2012 and first quarter of 2013, and therefore it is not listed alone thereafter.

5.2.5 Production Output and Value

Unit: million units/ NT\$ 000's

Year Production Output and Value	2011					2012				
	Capacity	Output	Output Value	Purchase Volume	Purchase Value	Capacity	Output	Output Value	Purchase Volume	Purchase Value
Main Products										
Computer Peripheral products	-	-	-	42	8,962,091	-	-	-	48	11,208,451
Consumer Electronic s Products and other Electronics Products	-	-	-	20	6,416,572	-	-	-	21	8,323,461
Total	-	-	-	-	15,378,663	-	-	-	-	19,531,912

5.2.6 Sales Output and Value

Unit: million units/ NT\$ 000's

Year Sales Output and Value	2011 (Note 1)				2012 (Note 2)			
	Domestic Sales		Exports		Domestic Sales		Exports	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Main Products								
Computer Peripheral products	-	61,883	41	10,391,161	-	61,767	49	13,141,964
Consumer Electronic s Products and other Electronics Products	2	2,486,070	16	4,600,671	3	2,528,228	18	6,849,185
Others	-	-	-	-	-	-	-	-
Total		2,547,953		14,991,832		2,589,995		19,991,149

Note 1: Annual domestic sales and exports amount in 2011 totaled NT\$ 17,539,785 thousands, excluding other operating income of NT\$ 495,424 thousands.

Note 2: Annual domestic sales and exports amount in 2012 totaled NT\$ 22,581,144 thousands, excluding other operating income of NT\$ 761,458 thousands.

5.3 Percentage of Number of Personnel Engaged, Average Service Years, Average Age and Educational Background Distribution

Number of personnel for the last two years and as at 31st March, 2013

Year		2011	2012	31st March 2013
Number of Personnel	Direct Labor	0	0	0
	Indirect Labor	595	633	637
	Total	595	633	637
Average Age		37.48	34.39	34.20
Average Service Years		6.42	6.84	7.00
Educational Background Distribution Percentage (%)	PhD	0.68	0.48	0.48
	Master	26.19	28.23	29.03
	Bachelor	69.26	67.62	66.82
	High School	3.03	2.71	2.71
	Below High School	0.84	0.96	0.96

5.4 Information on Environmental Expenditures

5.4.1 Losses of the Company caused by environmental pollution in 2012 and as at 31st March, 2013: None

5.4.2 Countermeasures:

The main products and services of the Company are research and development, manufacturing, and sales of computer peripheral equipment, and are therefore non-polluting. Furthermore, the Company has fully implemented the specifications of the EU's Restrictions of Hazardous Substances (RoHS) Directive since July 2006. The Company's overseas manufacturing sites have completed the acquisition and installation of inspection test equipment, ICP, which are capable of examining the composition of materials, relevant personnel training, and have also achieved certification by local government. In addition, monitoring software systems have been introduced to ensure control of related operations.

As of 31st March, 2013, the Company's products have been manufactured using raw materials that are required to comply with international environmental protection standards and customers' requirements.

Additionally, Company always gives high attention the maintenance of the quality of the surrounding environment of manufacturing plants, and promoting health and safety. A dedicated unit has been established to oversee these efforts to maintain a clean environment and safeguard the health of employees. In upholding the entrepreneurial spirit of a social mission, while pursuing business growth, greater emphasis on environmental protection can improve the overall corporate image.

5.4.3 Forecast Future Major Capital Expenditure on Environmental Protection: None.

5.5 Labor Relations

5.5.1 Welfare Measures:

- (1) In addition to welfare measures required by the Labor Standard Act and relevant regulations, the Company also provides employees with extra welfare measures to enable employees to fully devote themselves to their roles. These measures include group insurance (including life insurance, medical insurance, cancer insurance, accident medical insurance, and accident insurance), regular health examination, educational training subsidies, and emergency relief funds.
- (2) An Employees Welfare Committee has been set up in accordance with employee welfare regulations. In addition to ordinary local and oversea trips, community activities, and birthday parties, various subsidies are also provided to employees for emergency relief, injury at work, marriage, death, sickness, and baby born.
- (3) Social activities are regularly held for all employees, which are helpful to allow physical and mental relief and enhance employees' cohesion to Company.
- (4) Various trainings are provided on specialty, management, and languages according to the needs of employees' work.

5.5.2 Pension Scheme:

- (1) The Company recognizes pension expenses every month according to the net pension fund cost provided by the actuarial assessment report, and sets aside 2% of total payroll into a Designated Pension Fund Reserve Account at Bank of Taiwan as a pension fund reserve. Since July, 2005, in line with the implementation of the Labor Pension Act and in

accordance with the provisions of the relevant regulations, the Company has set aside 6% of employees' personal accounts for employees who elected to join the new scheme, as regulated by the Bureau of Labor Insurance Regulatory Commission.

(2) Standards and methods of payment upon pension fund application are handled in accordance with the Labor Standards Act and provisions of the new pension scheme.

5.5.3 Other Important Agreements:

Rights and obligations of employees and employer are regulated and managed in accordance to Employee Working Manual and various provisions of the Personnel Administration rules and regulations of the Company. (The working manual and content of the Personnel Administration rules and regulations of the Company are stipulated in accordance with the Labor Standards Act and relevant rules and regulations; the working manual has been reported to the local competent authority for approval.)

5.5.4 The Company has maintained harmonious relationship with its employees since its founding on 22nd February, 1983, and has hence never suffered loss from labor disputes. In order to sustain these harmonious relations between employees and employer, the various management levels of the Company place high attention on smooth communication channels between employees and employer and a human-oriented management system. Company uphold principles of respect, trust, quality and innovation, and make progress in quality continuously as well as researching and developing new products. Accomplish the Company's operating goals by group unity, and create a better future with each colleague.

5.5.5 Net loss suffered from labor disputes of the Company (including affiliated companies) in the fiscal year 2012 and as at 31st March, 2013 and in the future: None.

5.6. Major Contracts

No.	Nature of Contract	Involved Parties	Start and end dates of Contract	Main Content	Restrictions
1	Sales Contract	International Business Machines Corp. (Lenovo (Singapore)Pte Ltd. Lenovo (Beijing) Limited Lenovo (United States) Inc. Lenovo International)	1 st October, 2003 | 30 days' notice in advance	<ul style="list-style-type: none"> To purchase the Company's products, relevant details are stipulated under relevant contracts and sales orders. The contract between IBM and Lenovo will be transferred along with the relevant contracts as PCD business unit was sold to Lenovo. 	Confidentiality of the content is in accordance to the contract.
2	Procurement Contract	Compal Electronics Inc. and Compal Group	20 th December, 2006 | 90 days' notice in advance	<ul style="list-style-type: none"> To purchase the Company's products, relevant details are stipulated in the main contract and purchase orders. 	Confidentiality of the content is in accordance to the contract.
3	Materials Sales and Purchases Agreement	ASUSTEK Computer Inc.	1 st September, 2007 | Termination by both parties	<ul style="list-style-type: none"> To purchase the Company's products, relevant details are stipulated in the main contract and purchase orders. 	Confidentiality of the content is in accordance to the contract.
4	Materials Sales and Purchases Agreement	Pegatron Corp.	1 st November, 2007 | Termination by both parties	<ul style="list-style-type: none"> To purchase the Company's products, relevant details are stipulated in the main contract and purchase orders. 	Confidentiality of the content is in accordance to the contract.
5	Procurement Contract	Toshiba Corporation Digital Products and Network Company	2010.04.01 | 3 months notification before cancellation	<ul style="list-style-type: none"> To purchase the Company's products, relevant details are stipulated in the main contract and purchase orders. 	Confidentiality of the content is in accordance to the contract.
6	Procurement Contract	A Company	2011.08.18 | 90 days notification before cancellation	<ul style="list-style-type: none"> To purchase the Company's products, relevant details are stipulated in the main contract and purchase orders. 	Confidentiality of the content is in accordance to the contract.
7	Procurement Contract	B Comapny	2011.01.24 | 120 days notification before cancellation	<ul style="list-style-type: none"> To purchase the Company's products, relevant details are stipulated in the main contract and purchase orders. 	Confidentiality of the content is in accordance to the contract.
8	Procurement Contract	C Company	2005.10.16 | 60 days notification before cancellation	<ul style="list-style-type: none"> To purchase the Company's products, relevant details are stipulated in the main contract and purchase orders. 	Confidentiality of the content is in accordance to the contract.

No.	Nature of Contract	Involved Parties	Start and end dates of Contract	Main Content	Restrictions
9	Syndicated Loan Agreement	E. SUN Commercial Bank, Ltd. Land Bank of Taiwan Taiwan Cooperative Bank Hua Nan Commercial Bank Chang Hwa Commercial Bank Fubon Bank Mega International Bank Taiwan Business Bank	Three years period from date of first loan drawn down. (Contract signed on 22 nd July, 2011) (Date of first loan drawn down: Item A – 23 rd August, 2011; Item B – 21 st November, 2011)	Item A: Full loan amount of NTD\$ 3 billion, may split into several times on draw down as non-revolving line; Item B: Full loan amount of NTD\$ 3 billion as revolving line. Item C: Full loan of USD\$96 million as revolving line, but used amount combined with that of item B cannot exceed NTD\$3 billion. Portion of qualified accounts receivables of the Company, from the date of signing the syndicated loan agreement was transferred to the managing bank, and the amount of qualified accounts receivables plus balance in designated bank account should exceed 65% of the credit facility amount of item B.	1. Current Ratio to maintain at 100% (inclusive) or above. 2. Interest Coverage Ratio to maintain at 3 times (inclusive) or above. 3. Maintain a minimum Tangible Net Worth at NTS 11 billion (inclusive) or above. 5. Debt Ratio (Liabilities / Tangible Net Worth). maintain at 250% (inclusive) or below.

6. Financial Highlights

6.1 Condensed Financial Reports for the Past Five Years

6.1.1 Condensed Balance Sheet

6.1.1.1 Consolidated Condensed Balance Sheet – IFRS

Unit: \$000's

Item	Year	Financial Information for the Past Five Year					As of 31.03.2013 (Note 1)
		2008	2009	2010	2011	2012	
Current Assets							32,474,043
Real Estate, Plant and Equipment							10,638,757
Intangible Assets							158,004
Other Assets							3,360,540
Total Assets							46,631,344
Current Liabilities	Before Distribution						20,955,332
	After Distribution						N/A
Long-term Liabilities							4,671,099
Total Liabilities	Before Distribution						25,626,431
	After Distribution						N/A
The Equity Contributed to the Parent Company							18,896,772
Capital Stock							6,757,782
Capital Surplus							1,610,162
Retained Earnings	Before Distribution						11,104,980
	After Distribution						N/A
Other Equity							(264,875)
Treasury Stock							(311,277)
Non-controlled Equity							2,108,141
Total Shareholders' Equities	Before Distribution						21,004,913
	After Distribution						N/A

Note 1: R.O.C. GAAP was adopted in year 2008 to 2012. The figure of first quarter 2013 was reviewed by CPA.

Note 2 Assets has not yet been revaluated in the past five years.

6.1.1.2 Consolidated Condensed Balance Sheet - R.O.C. GAAP

Unit: \$000's

Year		Financial Information for the Past Five Years (Note 1)				
Item		2008	2009	2010	2011	2012
Current Assets		20,006,534	22,800,694	25,471,515	29,119,242	32,409,139
Funds and Investment		1,208,251	1,866,747	2,109,507	3,124,079	2,625,965
Fixed Assets		6,580,722	8,089,207	8,607,219	10,035,679	10,483,476
Intangible Assets		218,972	208,549	223,500	351,250	312,285
Other Assets		189,500	220,243	284,736	236,675	233,599
Total Assets		28,203,979	33,185,440	36,696,477	42,866,925	46,064,464
Current Liabilities	Before Distribution	18,475,969	16,433,240	17,258,777	22,249,888	22,230,700
	After Distribution	19,805,969	18,467,674	19,721,235	24,827,662	(Note 2)
Long-term Liabilities		973,510	3,600,000	4,102,210	2,160,000	4,844,280
All Reserves		21,756	21,756	21,756	21,756	21,756
Other Liabilities		63,096	57,776	57,135	61,730	74,992
Total Liabilities	Before Distribution	19,534,331	20,112,772	21,439,878	24,493,374	27,171,728
	After Distribution	20,864,331	22,147,206	23,902,336	27,071,148	(Note 2)
Capital Stock		5,570,000	5,912,778	6,256,144	6,444,436	6,757,782
Capital Surplus		304,429	547,067	1,189,030	1,255,013	1,728,005
Retained Earnings	Before Distribution	4,139,103	5,874,021	7,199,022	8,677,468	9,718,374
	After Distribution	2,543,103	3,548,954	4,521,099	5,874,139	(Note 2)
Unrealized Gain on Revaluation		31,771	31,771	31,771	31,771	31,771
Unrealized Gain/Loss on Financial Instruments		(466,896)	267,676	755,203	335,796	(813,010)
Cumulative Transaction Adjustments		394,110	230,754	(637,052)	403,717	(242,180)
Treasury Stock		(1,678,520)	(840,421)	(816,568)	(311,277)	(311,277)
Net Loss not Recognized as Pension cost		-	-	(477)	(220)	(665)
Minority Interest		375,651	1,049,022	1,279,526	1,536,847	2,023,936
Total Shareholders' Equities	Before Distribution	8,669,648	13,072,668	15,256,599	18,373,551	18,892,736
	After Distribution	7,073,648	10,747,601	12,578,676	15,570,222	(Note 2)

Note 1: The aforesaid financial data in each fiscal year has been audited by CPA.

Note 2: Earning distribution in fiscal year 2012 not be proposed to and approved by shareholders' meeting resolution yet.

Note 3: Assets has not yet been revaluated in the past five years.

6.1.1.3 Condensed Balance Sheet - R.O.C. GAAP

Unit: \$000's

Item		Financial Information for the Past Five Years (Note 1)				
		2008	2009	2010	2011	2012
Current Assets		5,636,985	7,042,950	7,542,579	8,302,602	10,132,123
Funds and Investment		9,358,574	12,723,690	15,118,483	20,290,076	21,389,110
Fixed Assets		324,306	1,676,522	1,774,608	2,023,403	1,934,068
Intangible Assets		35,139	42,842	39,512	20,701	38,000
Other Assets		61,015	105,116	80,026	56,994	28,042
Total Assets		15,416,019	21,591,120	24,555,208	30,693,776	33,521,343
Current Liabilities	Before Distribution	5,835,781	6,703,726	7,995,409	11,604,672	12,987,601
	After Distribution	7,165,781	8,738,160	10,457,867	14,182,446	(Note2)
Long-term Liabilities		950,848	2,800,000	2,530,000	2,160,000	3,303,000
All Reserves		21,756	21,756	21,756	21,756	21,756
Other Liabilities		313,637	41,992	30,970	70,644	340,186
Total Liabilities	Before Distribution	7,122,022	9,567,474	10,578,135	13,857,072	16,652,543
	After Distribution	8,452,022	11,601,908	13,040,593	16,434,846	(Note2)
Capital Stock		5,570,000	5,912,778	6,256,144	6,444,436	6,757,782
Capital Surplus		304,429	547,067	1,189,030	1,255,013	1,728,005
Retained Earnings	Before Distribution	4,139,103	5,874,021	7,199,022	8,677,468	9,718,374
	After Distribution	2,543,103	3,548,954	4,521,099	5,874,139	(Note2)
Unrealized Gain on Revaluation		31,771	31,771	31,771	31,771	31,771
Unrealized Gain/Loss on Financial Instruments		(466,896)	267,676	755,203	335,796	(813,010)
Cumulative Transaction Adjustments		394,110	230,754	(637,052)	403,717	(242,180)
Treasury Stock		(1,678,520)	(840,421)	(816,568)	(311,277)	(311,277)
Net Loss not Recognized as Pension cost		-	-	(477)	(220)	(665)
Total Shareholders' Equities	Before Distribution	8,293,997	12,023,646	13,977,073	16,836,704	16,868,800
	After Distribution	6,697,997	9,698,579	11,299,150	14,033,375	(Note2)

Note 1: The aforesaid financial data in each fiscal year has been audited by CPA.

Note 2: Earning distribution in fiscal year 2012 not be proposed to and approved by shareholders' meeting resolution yet.

Note 3: Assets has not yet been revaluated in the past five years.

6.1.2 Condensed Statement of Comprehensive Income

6.1.2.1 Condensed Comprehensive Income Statement - IFRS

Unit: \$000's

(Except for EPS noted in NT\$)

Year \ Item	Financial Information for the Past Five Years (Note 1)					
	2008	2009	2010	2011	2012	Q1, 2013
Sales Revenues						17,209,440
Gross Profit						2,579,120
Operating Income(loss)						952,761
Non-operating Income and Losses						305,773
Net Income before Tax						1,258,534
Net Income from Continuing Operations						1,258,534
Income (loss) from Discontinued Operation (Note 2)						-
Net Income						993,442
Other Comprehensive Income(Net Tax)						1,291,932
Total Comprehensive Income						2,285,374
Net Income Contributed to the company						954,472
Net Income Contributed to Non-controlled Equity						38,970
Comprehensive Income Contributed to the Company						2,185,379
Comprehensive Income Contributed to Non-controlled Equity						99,995
Earnings per Share (NT\$)						1.49

Note 1: R.O.C. GAAP was adopted in year 2008 to 2012. The figure of first quarter 2013 was reviewed by CPA.

Note 2: Income (loss) from Discontinued Operation is net of tax amount.

6.1.2.2 Consolidated Condensed Statement of Income – R.O.C. GAAP

Unit: \$000's

(Except for EPS noted in NT\$)

Item \ Year	Financial Information for the Past Five Years (Note 1)				
	2008	2009	2010	2011	2012
Sales Revenues	48,406,047	53,947,908	60,437,316	60,686,046	67,509,651
Gross Profit	8,097,033	9,827,426	8,877,700	8,997,737	10,684,315
Operating Income(loss)	3,146,445	4,035,648	3,145,187	2,138,406	4,018,026
Non-operating Income and Gains	714,914	472,435	1,614,395	3,366,928	1,150,492
Non-operating Expenses and Losses	(596,429)	(352,960)	(337,670)	(378,460)	(244,299)
Income (loss) from Continuing Operations before Income Tax	3,264,930	4,155,123	4,421,912	5,126,874	4,924,219
Income (loss) from Continuing Operations Segments-after Income Tax	2,876,585	3,287,392	3,812,240	4,379,210	4,139,843
Discontinued Operation Income (loss) (Note 3)	-	-	-	-	-
Extraordinary Income (loss) (Note 3)	-	-	-	-	-
Cumulative Effect of the Changes in Accounting Principles (Note 3)	-	-	-	-	-
Income (loss) for Current Period	2,876,585	3,287,392	3,812,240	4,379,210	4,139,843
Earnings per Share (NT\$)	5.52	5.85	6.06	6.62	6.05

Note 1: The aforesaid financial data in each fiscal year has been audited by CPA.

Note 2: Retroactively adjusted for reclassification of earning distribution of profit sharing to employees in stock and shares of capital increase out of earnings for fiscal year 2011 that were paid in fiscal year 2012.

Note 3: Net amount for Discontinued Operation Income (loss), Extraordinary Income (loss) and Cumulative Effect of Changes in Accounting Principles after deducting income tax.

6.1.2.3 Condensed Statement of Income – R.O.C. GAAP

Unit: \$000's

(Except for EPS noted in NT\$)

Item	Year	Financial Information for the Past Five Years (Note 1)				
		2008	2009	2010	2011	2012
Sales Revenues		15,803,354	17,746,288	20,162,012	18,035,209	23,342,602
Gross Profit		2,904,580	3,862,905	3,403,426	2,951,862	3,798,379
Operating Income(loss)		905,737	1,811,941	1,303,862	763,366	1,422,932
Non-operating Income and Gains		2,223,873	1,941,815	2,615,443	3,898,334	2,859,337
Non-operating Expenses and Losses		(131,779)	(78,449)	(69,190)	(259,129)	(109,270)
Income (loss) from Continuing Operations before Income Tax		3,015,831	3,675,307	3,850,115	4,402,571	4,172,549
Income (loss) from Continuing Operations Segments-after Income Tax		2,900,789	3,330,918	3,650,068	4,156,369	3,844,235
Discontinued Operation Income (loss) (Note 3)		-	-	-	-	-
Extraordinary Income (loss) (Note 3)		-	-	-	-	-
Cumulative Effect of the Changes in Accounting Principles (Note 3)		-	-	-	-	-
Income (loss) for Current Period		2,900,789	3,330,918	3,650,068	4,156,369	3,844,235
Earnings per Share (NT\$)		5.52	5.85	6.06	6.62	6.05

Note 1: The aforesaid financial data in each fiscal year has been audited by CPA.

Note 2: Retroactively adjusted for reclassification of earning distribution of profit sharing to employees in stock and shares of capital increase out of earnings for fiscal year 2011 that were paid in fiscal year 2012.

Note 3: Net amount for Discontinued Operation Income (loss), Extraordinary Income (loss) and Cumulative Effect of Changes in Accounting Principles after deducting income tax.

6.1.3 Auditors' Opinions

CPA names and opinions in the past five years

Year	CPA	Audit Opinion
2008	Michael Lee, Wong, Shi-Jung	An Unqualified Opinion with explanatory paragraph
2009	Michael Lee, Wong, Shi-Jung	An Unqualified Opinion with explanatory paragraph
2010	Wang, Huei Shyang, Michael Lee	An Unqualified Opinion with explanatory paragraph
2011	Wang, Huei Shyang, Chun-Yao Lin	An Unqualified Opinion with explanatory paragraph
2012	Wang, Huei Shyang, Chun-Yao Lin	An Unqualified Opinion with explanatory paragraph

Whether to change CPA in the recent five fiscal years:

Due to reorganization in PwC Taiwan, auditors in fiscal year 2008 changed from CPA Wang, Huei Shyang and Wong, Shi-Jung to CPA Michael Lee and Wong, Shi-Jung in the same firm; auditors in fiscal year 2010 changed from CPA Michael Lee and Wong, Shi-Jung to CPA Wang, Huei Shyang and Michael Lee in the same firm; and auditors in fiscal year 2011 changed from CPA Wang, Huei Shyang and Michael Lee to CPA Wang, Huei Shyang and Chun-Yao Lin in the same firm.

6.2 Financial Analysis for the Past Five Years

6.2.1 Consolidated Financial Ratio Analysis – IFRS

Period		Financial Information for the Past Five Years					2013 as of 03.31	
		2008	2009	2010	2011	2012		
Items								
Capital Structure Analysis (%)	Liabilities to Assets Ratio (%)						54.96	
	Long-term Funds to Fixed Assets Ratio (%)						221.53	
Liquidity Analysis (%)	Current Ratio (%)						154.97	
	Quick Ratio (%)						107.62	
	Interest Coverage Ratio (Times)						43.27	
Operating Performance Analysis	Accounts Receivable Turnover Rate (Times)						4.09	
	Accounts Receivable Turnover Days (Days)						89	
	Inventory Turnover Rate (Times)						5.42	
	Sales Turnover Days (Days)						4.15	
	Accounts Payable Turnover Rate (Times)						67	
	Fixed Assets Turnover Rate (Times)						6.58	
	Total Assets Turnover Rate (Times)						1.48	
Profitability Analysis	Return on Total Assets (%)						8.45	
	Return on Equity (%)						21.44	
	Ratio to Capital Stock (%)	Operating Income						56.39
		Net Profit before Tax						74.49
	Net Profit Margin (%)						5.55	
	Earnings per Share (NT\$)						1.49	
Cash Flow	Cash Flow Ratio (%)						-	
	Cash Flow Adequacy Ratio (%)						-	
	Cash Reinvestment Ratio (%)						-	
Leverage	Operating Leverage						4.05	
	Financial Leverage						1.03	

Note 1: R.O.C. GAAP was adopted in year 2008 to 2012. The figure of first quarter 2013 was reviewed by CPA.

Note 2: Calculation formula for each important financial ratio is as shown below:

1. Capital Structure Analysis

(1) Liabilities to Assets ratio = Total Liabilities/Total Assets

(2) Long-term funds to Fixed Assets ratio= (Stockholder's Net Equity + Long-term Liabilities)/ Net Fixed Assets

2. Liquidity Analysis

(1) Current Ratio = Current Assets/Current Liabilities

(2) Quick Ratio = (Current Assets –Inventories-Prepaid Expenses)/ Current Liabilities

(3) Interest Coverage Ratio = Net Profit before Income Tax and Interest Expense/ Interest Expenses

3. Operating Performance Analysis

(1) Account Receivable (including Notes Receivable from operating activities and Accounts Receivable) Turnover Rate =Net Sales/ Average Trade Receivables (including Notes Receivable from operating activities and Accounts Receivable)

(2) Accounts Receivable Turnover Days = 365/Account Receivable Turnover Ratio

(3) Inventory Turnover Rate = Cost of Sales/Average Inventory

(4) Sales Turnover Days = 365/Inventory Turnover Ratio

(5) Account Payable (including Notes Payable from operating activities and Accounts Payable) Turnover Rate = Cost of Sales/ average Trade Payable (including Notes Payable from operating activities and Accounts Payable)

(6) Fixed Assets Turnover Rate = Net Sales/Average Net Fixed Assets

(7) Total Assets Turnover Rate = Net Sales/Average Total Assets

4. Profitability Analysis

(1) Return on Total Assets = [Net Income + Interest Expense * (1- Tax Rate)]/Average Total Assets

(2) Return on Equity = Net Income/Average Net Shareholders' Equity

(3) Net Profit Margin = Net Income /Net Sales

(4) EPS = (Net Income –Preferred Stock Dividend)/Weighted Average Number of Shares outstanding

5. Cash Flow

(1) Cash Flow Ratio = Net Cash Flow from operating activities/Current Liabilities

(2) Cash Flow Adequacy Ratio = Net Cash Flow from operating activities in the past five years/five-year sum of Capital Expenditure; Inventory Additions and Cash Dividend

(3) Cash Reinvestment Ratio = (Net Cash Flow from operating activities – Cash Dividend)/ (Gross Fixed Assets + Long-term Investment + Other Assets + Working Capital)

6. Leverage

(1) Operating Leverage = (Net Sales – Variable Operating Cost and Expense)/Operating Income

(2) Financial Leverage = Operating Income/ (Operating Income –Interest Expense)

Note 3: The calculation formula for EPS incorporate the below analysis factors:

1. The calculation is based on the weighted average outstanding shares but not the year-end shares issued.

2. The outstanding period of right issues or treasury stock transaction must be taken into consideration while calculating weighted average outstanding shares.

3. Prorated retroactive adjustments must be made while calculating past and half year EPS when there are stock dividends. It is not necessary to consider the issuing period of the stock dividends.

4. When nonconvertible preferred stock is cumulative, the preferred dividend is subtracted from net income(or loss), whether the dividend is declared or not, when preferred stock is non-cumulative, preferred dividend is subtracted if there is net income but no adjustment if here is net loss.

Note 4: The calculation formula for cash flow incorporate the below analysis factors:

1. Net Cash Flow from operating activities refers to the cash inflow on the statement of cash flow.

2. Capital Expenditure refers to the cash outflow from capital investment each year.

3. An increase of inventory is only calculated when ending balance is more than beginning balance. If the ending inventory is less than the beginning inventory, this is calculated as zero.

4. Cash Dividends include Cash Dividend in common stock and preferred stock.

5. Gross Fixed Assets is Total Fixed Assets before deducting accumulated depreciation.

Note 5: Each Operating Cost and Operating Expense must be classified into fixed or variable as its nature. If any estimation or subjective judgment is involved, the rationale must be maintained consistently.

6.2.2 Consolidated Financial Ratio Analysis – R.O.C. GAAP

Item		Financial Information for the Past Five Years							Reasons ex-planation	
		Year	2008	2009	2010	2011	2012	Deviation over 20% for 2012 vs. 2011		
Capital Structure Analysis (%)	Liabilities to Assets Ratio (%)		69.26	60.61	58.42	57.14	58.99	3.23		
	Long-term Funds to Fixed Assets Ratio (%)		146.54	206.11	224.91	204.61	226.42	10.66		
Liquidity Analysis (%)	Current Ratio (%)		108.28	138.75	147.59	130.87	145.79	11.39		
	Quick Ratio (%)		74.17	96.62	101.63	94.86	104.22	9.86		
	Interest Coverage Ratio (Times)		11.34	23.00	40.10	32.77	39.48	20.49	1	
Operating Performance Analysis	Accounts Receivable Turnover Rate (Times)		5.10	4.93	5.03	4.53	4.23	-6.76		
	Accounts Receivable Turnover Days (Days)		72.00	74.00	73.00	81.00	86.00	7.25		
	Inventory Turnover Rate (Times)		5.85	5.83	6.10	5.74	5.87	2.20		
	Sales Turnover Days (Days)		62.00	63.00	60.00	64.00	62.00	-2.15		
	Accounts Payable Turnover Rate (Times)		5.55	5.01	4.93	4.85	4.43	-8.61		
	Fixed Assets Turnover Rate (Times)		8.32	7.34	7.23	6.50	6.56	0.99		
	Total Assets Turnover Rate (Times)		1.87	1.75	1.73	1.52	1.51	-0.55		
Profitability Analysis	Return on Total Assets (%)		12.11	11.31	10.72	10.78	8.88	-17.62		
	Return on Equity (%)		34.59	30.64	25.77	24.72	20.63	-16.53		
	Ratio to Capital Stock (%)	Operating Income		56.49	68.25	50.27	33.18	59.46	79.19	2
		Net Profit before Tax		58.62	70.27	70.68	79.56	72.87	-8.41	
	Net Profit Margin (%)		5.99	6.19	6.05	6.86	5.71	-16.79		
	Earnings per Share (NT\$) (Note 3)	Before Retroaction		5.79	6.20	6.27	6.85	6.05	-11.75	
		After Retroaction		5.52	5.85	6.06	6.62	6.05	-8.64	
Cash Flow	Cash Flow Ratio (%)		10.41	45.09	18.82	13.75	27.52	100.19	3	
	Cash Flow Adequacy Ratio (%)		45.01	73.62	79.77	75.84	84.77	11.78		
	Cash Reinvestment Ratio (%)		1.95	29.27	5.52	2.76	11.96	333.71	4	
Leverage	Operating Leverage		3.05	2.74	3.43	5.42	3.50	-35.41	5	
	Financial Leverage		1.11	1.05	1.04	1.08	1.03	-4.51		

Explanation:

Analysis of Deviation over 20% for 2012 vs. 2011:

- Interest coverage ratio increases as a result of decrease of interest expense this year.
- Operation income to capital stock ratio increases as a result of increase of operation income, mainly due to the growth on sales this year.
- Cash flow ration increases as a result of the increase of cash inflow from operation activities this year.
- Cash reinvestment ratio increases, mainly due to increase of cash inflow from operation activities this year.
- Operation leverage decreases, as a result of increase of operation income, mainly due to the growth on sales this year.

Note 1: The aforesaid financial data in the previous five fiscal years have been audited by CPA.

Note 2: EPS each year is calculated using the current weighted average shares outstanding as basis and retroactively adjusted shares increased from reinvestment of earnings and capital surplus for the previous years.

Note 3: Calculation formula for each important financial ratio is as shown below:

1. Capital Structure Analysis

(1) Liabilities to Assets ratio = Total Liabilities/Total Assets

(2) Long-term funds to Fixed Assets ratio= (Stockholder's Net Equity + Long-term Liabilities)/ Net Fixed Assets

2. Liquidity Analysis

(1) Current Ratio = Current Assets/Current Liabilities

(2) Quick Ratio = (Current Assets –Inventories-Prepaid Expenses)/ Current Liabilities

(3) Interest Coverage Ratio = Net Profit before Income Tax and Interest Expense/ Interest Expenses

3. Operating Performance Analysis

(1) Account Receivable (including Notes Receivable from operating activities and Accounts Receivable) Turnover Rate =Net Sales/ Average Trade Receivables (including Notes Receivable from operating activities and Accounts Receivable)

(2) Accounts Receivable Turnover Days = 365/Account Receivable Turnover Ratio

(3) Inventory Turnover Rate = Cost of Sales/Average Inventory

(4) Sales Turnover Days = 365/Inventory Turnover Ratio

(5) Account Payable (including Notes Payable from operating activities and Accounts Payable) Turnover Rate = Cost of Sales/ average Trade Payable (including Notes Payable from operating activities and Accounts Payable)

(6) Fixed Assets Turnover Rate = Net Sales/Average Net Fixed Assets

(7) Total Assets Turnover Rate = Net Sales/Average Total Assets

4. Profitability Analysis

(1) Return on Total Assets = [Net Income + Interest Expense * (1- Tax Rate)]/Average Total Assets

(2) Return on Equity = Net Income/Average Net Shareholders' Equity

(3) Net Profit Margin = Net Income /Net Sales

(4) EPS = (Net Income –Preferred Stock Dividend)/Weighted Average Number of Shares outstanding

5. Cash Flow

(1) Cash Flow Ratio = Net Cash Flow from operating activities/Current Liabilities

(2) Cash Flow Adequacy Ratio = Net Cash Flow from operating activities in the past five years/five-year sum of Capital Expenditure; Inventory Additions and Cash Dividend

(3) Cash Reinvestment Ratio = (Net Cash Flow from operating activities – Cash Dividend)/ (Gross Fixed Assets + Long-term Investment + Other Assets + Working Capital)

6. Leverage

(1) Operating Leverage = (Net Sales – Variable Operating Cost and Expense)/Operating Income

(2) Financial Leverage = Operating Income/ (Operating Income –Interest Expense)

Note 4: The above calculations incorporate the below analysis factors:

1. Calculation formula for EPS:

(1) The calculation is based on the weighted average outstanding shares but not the year-end shares issued.

(2) The outstanding period of right issues or treasury stock transaction must be taken into consideration while calculating weighted average outstanding shares.

(3) Prorated retroactive adjustments must be made while calculating past and half year EPS when there are stock dividends. It is not necessary to consider the issuing period of the stock dividends.

(4) When nonconvertible preferred stock is cumulative, the preferred dividend is subtracted from net income(or loss), whether the dividend is declared or not, when preferred stock is non-cumulative, preferred dividend is subtracted if there is net income but no adjustment if there is net loss..

2. Cash Flow Analysis:

(1) Net Cash Flow from operating activities refers to the cash inflow on the statement of cash flow.

(2) Capital Expenditure refers to the cash outflow from capital investment each year.

(3) An increase of inventory is only calculated when ending balance is more than beginning balance. If the ending inventory is less than the beginning inventory, this is calculated as zero.

(4) Cash Dividends include Cash Dividend in common stock and preferred stock.

(5) Gross Fixed Assets is Total Fixed Assets before deducting accumulated depreciation.

3. Each Operating Cost and Operating Expense must be classified into fixed or variable as its nature. If any estimation or subjective judgment is involved, the rationale must be maintained consistently.

6.2.3 Financial Ratio Analysis – R.O.C. GAAP

Item		Financial Information for the Past Five Years								
		Year	2008	2009	2010	2011	2012	Deviation over 20% for 2012 vs. 2011	Reasons explanation	
Capital Structure Analysis (%)	Liabilities to Assets Ratio (%)		46.20	44.31	43.08	45.15	49.68	10.04		
	Long-term Funds to Fixed Assets Ratio (%)		2,850.65	884.19	930.18	938.85	1,042.97	11.09		
Liquidity Analysis (%)	Current Ratio (%)		96.59	105.06	94.34	71.55	78.01	9.04		
	Quick Ratio (%)		88.83	96.68	84.63	63.54	71.37	12.31		
	Interest Coverage Ratio (Times)		38.52	49.04	58.08	49.11	47.05	-4.19		
Operating Performance Analysis	Accounts Receivable Turnover Rate (Times)		6.70	6.58	5.75	4.60	4.97	8.03		
	Accounts Receivable Turnover Days (Days)		54.00	55.00	63.00	79.00	73.00	-7.43		
	Inventory Turnover Rate (Times)		29.46	27.48	25.05	17.17	20.88	21.62	1	
	Sales Turnover Days (Days)		12.00	13.00	15.00	21.00	17.00	-17.77		
	Accounts Payable Turnover Rate (Times)		5.88	3.82	3.57	3.09	2.86	-7.41		
	Fixed Assets Turnover Rate (Times)		48.01	16.46	11.29	9.24	11.41	23.55	2	
	Total Assets Turnover Rate (Times)		1.12	0.89	0.84	0.63	0.70	10.77		
Profitability Analysis	Return on Total Assets (%)		22.03	18.31	16.06	15.32	12.21	-20.32	3	
	Return on Equity (%)		36.33	32.79	28.08	26.98	22.81	-15.44		
	Ratio to Capital Stock (%)	Operating Income		16.26	30.64	20.84	11.85	21.06	77.76	4
		Net Profit before Tax		54.14	62.16	61.54	68.32	61.74	-9.62	
	Net Profit Margin (%)		19.21	20.22	18.73	23.70	17.02	-28.16	5	
	Earnings per Share (NT\$) (Note 3)	Before Retroaction		5.79	6.20	6.27	6.85	6.05	-11.75	
After Retroaction			5.52	5.85	6.06	6.62	6.05	-8.64		
Cash Flow	Cash Flow Ratio (%)		30.78	47.71	15.38	24.21	33.88	39.95	6	
	Cash Flow Adequacy Ratio (%)		142.41	136.14	113.57	90.44	106.95	18.26		
	Cash Reinvestment Ratio (%)		1.35	12.44	-4.82	1.80	8.83	389.17	7	
Leverage	Operating Leverage		1.84	1.39	1.63	2.03	1.79	-11.50		
	Financial Leverage		1.10	1.04	1.05	1.14	1.07	-6.00		

Note:

Analysis of Deviation over 20% for 2012 vs. 2011:

1. Inventory turnover rate increases, mainly due to the growth on sales and the increase in cost of sales accordingly.
2. Fixed asset turnover rate increases, mainly due to the growth on sales.
3. Total asset turnover rate decreases, mainly due to the increase of total oversea investment this year.
4. Operation income to capital stock ratio increases as a result of the increase of operation income, which is mainly due to the growth on sales this year.
5. Net profit margin decreases as a result of the decrease of investment profit this year.
6. Cash flow ration increases as a result of the increase of cash inflow from operation activities this year.
7. Cash reinvestment ratio increases, mainly due to increase of cash inflow from operation activities this year.

Note 1: The aforesaid financial data in the previous five fiscal years have been audited by CPA.

Note 2: EPS each year is calculated using the current weighted average shares outstanding as basis and retroactively adjusted shares increased from reinvestment of earnings and capital surplus for the previous years.

Note 3: Calculation formula for each important financial ratio is as shown below:

1. Capital Structure Analysis

(1) Liabilities to Assets ratio = Total Liabilities/Total Assets

(2) Long-term funds to Fixed Assets ratio= (Stockholder's Net Equity + Long-term Liabilities)/ Net Fixed Assets

2. Liquidity Analysis

(1) Current Ratio = Current Assets/Current Liabilities

(2) Quick Ratio = (Current Assets –Inventories-Prepaid Expenses)/ Current Liabilities

(3) Interest Coverage Ratio = Net Profit before Income Tax and Interest Expense/ Interest Expenses

3. Operating Performance Analysis

(1) Account Receivable (including Notes Receivable from operating activities and Accounts Receivable) Turnover Rate =Net Sales/ Average Trade Receivables (including Notes Receivable from operating activities and Accounts Receivable)

(2) Accounts Receivable Turnover Days = 365/Account Receivable Turnover Ratio

(3) Inventory Turnover Rate = Cost of Sales/Average Inventory

(4) Sales Turnover Days = 365/Inventory Turnover Ratio

(5) Account Payable (including Notes Payable from operating activities and Accounts Payable) Turnover Rate = Cost of Sales/ average Trade Payable (including Notes Payable from operating activities and Accounts Payable)

(6) Fixed Assets Turnover Rate = Net Sales/Average Net Fixed Assets

(7) Total Assets Turnover Rate = Net Sales/Average Total Assets

4. Profitability Analysis

(1) Return on Total Assets = [Net Income + Interest Expense * (1- Tax Rate)]/Average Total Assets

(2) Return on Equity = Net Income/Average Net Shareholders' Equity

(3) Net Profit Margin = Net Income /Net Sales

(4) EPS = (Net Income –Preferred Stock Dividend)/Weighted Average Number of Shares outstanding

5. Cash Flow

(1) Cash Flow Ratio = Net Cash Flow from operating activities/Current Liabilities

(2) Cash Flow Adequacy Ratio = Net Cash Flow from operating activities in the past five years/five-year sum of Capital Expenditure; Inventory Additions and Cash Dividend

(3) Cash Reinvestment Ratio = (Net Cash Flow from operating activities – Cash Dividend)/ (Gross Fixed Assets + Long-term Investment + Other Assets + Working Capital)

6. Leverage

(1) Operating Leverage = (Net Sales – Variable Operating Cost and Expense)/Operating Income

(2) Financial Leverage = Operating Income/ (Operating Income –Interest Expense)

Note 4: The above calculations incorporate the below analysis factors:

1. Calculation formula for EPS:

(1) The calculation is based on the weighted average outstanding shares but not the year-end shares issued.

(2) The outstanding period of right issues or treasury stock transaction must be taken into consideration while calculating weighted average outstanding shares.

(3) Prorated retroactive adjustments must be made while calculating past and half year EPS when there are stock dividends. It is not necessary to consider the issuing period of the stock dividends.

(4) When nonconvertible preferred stock is cumulative, the preferred dividend is subtracted from net income(or loss), whether the dividend is declared or not, when preferred stock is non-cumulative, preferred dividend is subtracted if there is net income but no adjustment if there is net loss..

2. Cash Flow Analysis:

(1) Net Cash Flow from operating activities refers to the cash inflow on the statement of cash flow.

(2) Capital Expenditure refers to the cash outflow from capital investment each year.

(3) An increase of inventory is only calculated when ending balance is more than beginning balance. If the ending inventory is less than the beginning inventory, this is calculated as zero.

(4) Cash Dividends include Cash Dividend in common stock and preferred stock.

(5) Gross Fixed Assets is Total Fixed Assets before deducting accumulated depreciation.

3. Each Operating Cost and Operating Expense must be classified into fixed or variable as its nature. If any estimation or subjective judgment is involved, the rationale must be maintained consistently.

6.3 Supervisor's Audit Report in the Financial Report for Year 2012

Chicony Electronics Co., Ltd Supervisor's Audit Report

To: Shareholders' Meeting 2013

The Board of Directors of Chicony Electronics Co., Ltd prepared and presented the 2012 business report, financial statements, and the statement of retained earnings. The financial statements were audited by the PwC Taiwan, appointed by Board, and an independent auditor's report was issued by it.

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

Supervisor:

Jing Yuan Investment Co., Ltd. Legal Representative: Huang, Chin Shun

Supervisor:

Hua Tai Investment Co., Ltd. Legal Representative: Chang, Su-Chen

Supervisor:

Dong Ling Investment Co., Ltd. Legal Representative: Ku, Chi-Hsuan

16nd March, 2013

6.4 Consolidated Financial Statements for the Years Ended December 31, 2012 and 2011 and Independent Auditors Report

Report of Independent Accountants

To the Board of Directors and Stockholders of Chicony Electronics Co., Ltd.

We have audited the consolidated balance sheets of Chicony Electronics Co., Ltd. and its subsidiaries as of December 31, 2012 and 2011, and the related consolidated statements of income, of changes in stockholders' equity and of cash flows for the years then ended, expressed in thousands of New Taiwan dollars. Compilation of these financial statements is the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the 2012 and 2011 financial statements of certain wholly-owned consolidated subsidiaries and long-term investments accounted for under the equity method. The total assets of those subsidiaries amounted to NT\$1,386,385 thousand and NT\$1,376,519 thousand, constituting 3.0% and 3.2% of total consolidated assets as of December 31, 2012 and 2011, respectively, and their total revenues were NT\$3,224,244 thousand and NT\$2,862,611 thousand, constituting 4.8% and 4.7% of the total consolidated revenues for the years then ended, respectively. The long-term investments in these investee companies as of December 31, 2012 and 2011 were NT\$1,490,398 thousand and NT\$1,573,869 thousand, respectively, and the related investment (loss) and income recognized for the years then ended were (NT\$36,727) thousand and NT\$18,945 thousand, respectively. These statements were audited by other auditors whose reports thereon were furnished to us and our opinion here in insofar as it relates to the amounts included in the consolidated financial statements and information disclosed in Note 11 relative to these subsidiaries and long-term investments, is based solely on the reports of the other auditors.

We conducted our audits in accordance with the "Rules Governing the Examination of Financial Statements by Certified Public Accountants" and generally accepted auditing standards in the Republic of China. Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of the other auditors, the consolidated financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Chicony Electronics Co., Ltd. and its subsidiaries as of December 31, 2012 and 2011, and the results of their operations and their cash flows for the years then ended in conformity with the “Rules Governing the Preparation of Financial Statements by Securities Issuers” and generally accepted accounting principles in the Republic of China.

Pursuant to the regulations of the Financial Supervisory Commission, Executive Yuan, R.O.C., effective January 1, 2013, Chicony Electronics Co., Ltd. and its subsidiaries expect to adopt International Financial Reporting Standards (“IFRSs”), International Accounting Standards (“IASs”), relevant interpretations and interpretative bulletins, and “Rules Governing the Preparation of Financial Statements by Futures Commission Merchants” in the preparation of its consolidated financial statements. Chicony Electronics Co., Ltd. has disclosed related information in Note 13 – Disclosures relating to the adoption of IFRSs under the requirements of Jin-Guan-Zheng-Shen-Zi Rule No. 0990004943 of the Financial Supervisory Commission, dated February 2, 2010, Jin-Guan-Zheng-Ji-Zi Rule No. 0990014302 of the Financial Supervisory Commission, dated April 13, 2010, and Tai-Ji-Ji-Zi Rule No. 09900039780 of the Taiwan Futures Exchange, dated April 22, 2010. The IFRSs may be subject to changes during the time of transition; therefore, the actual impact of IFRSs adoption on Chicony Electronics Co., Ltd. and its subsidiaries may also change.

PricewaterhouseCoopers, Taiwan

March 15, 2013

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

CHICONY ELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	2012	2011
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4(1))	\$ 1,838,493	\$ 1,324,194
Financial assets at fair value through profit or loss - current (Note 4(2))	34,775	59,266
Available-for-sale financial assets - current (Note 4(3))	3,545,520	4,888,708
Notes receivable, net	92,828	77,970
Accounts receivable, net (Note 4(5))	17,087,720	14,284,864
Accounts receivable, net - related parties (Note 5)	92,173	55,492
Other receivables (Note 4(5))	476,137	414,418
Other financial assets - current (Note 6)	650	1,607
Inventories, net (Note 4(6))	8,541,427	7,398,347
Prepayments	599,891	572,046
Deferred income tax assets - current (Note 4(19))	99,525	42,330
Total current assets	32,409,139	29,119,242
Funds and Investments		
Available-for-sale financial assets - non-current (Note 4(3))	457,109	985,168
Financial assets carried at cost - non-current (Note 4(4))	664,563	550,284
Long-term investments at equity (Note 4(7))	1,490,398	1,573,869
Other financial assets - non-current (Note 6)	13,895	14,758
Total funds and investments	2,625,965	3,124,079
Property, Plant and Equipment, Net (Notes 4(8) and 6)		
Cost		
Land	1,705,048	1,801,535
Buildings	3,501,903	3,182,426
Machinery equipment	4,888,739	4,544,878
Molding equipment	3,599,142	3,195,261
Testing equipment	1,280,285	1,157,253
Transportation equipment	67,372	68,998
Leasehold improvements	29,523	25,079
Other equipment	1,909,272	1,718,146
Revaluation increments	53,526	53,526
Cost and revaluation increments	17,034,810	15,747,102
Less: Accumulated depreciation	(7,244,935)	(6,243,171)
Construction in progress and prepayments for equipment	693,601	531,748
Total property, plant and equipment, net	10,483,476	10,035,679
Intangible Assets		
Computer software cost	58,078	38,814
Goodwill	58,355	61,194
Other intangible assets (Notes 4(9) and 6)	195,852	251,242
Total intangible assets	312,285	351,250
Other Assets		
Refundable deposits (Note 6)	77,561	71,749
Deferred expenses (Note 4(10))	94,037	137,791
Deferred income tax assets - non-current (Note 4(19))	57,343	17,594
Other assets - other	4,658	9,541
Total other assets	233,599	236,675
TOTAL ASSETS	\$ 46,064,464	\$ 42,866,925

(Continued)

CHICONY ELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (CONTINUED)
DECEMBER 31
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	2012	2011
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Short-term loans (Notes 4(11) and 6)	\$ 1,703,897	\$ 4,122,175
Short-term bills (Note 4(12))	-	500,000
Financial liabilities at fair value through profit or loss - current (Note 4(2))	23	1,880
Notes payable	11,933	2,464
Accounts payable	14,036,537	10,258,940
Accounts payable - related parties (Note 5)	680,608	409,513
Income tax payable (Note 4(19))	1,010,363	783,572
Accrued expenses	4,077,459	3,743,666
Other payables (Note 5)	527,112	459,067
Long-term liabilities - current portion (Notes 4(13) and 6)	-	1,834,580
Other current liabilities	182,768	134,031
Total current liabilities	22,230,700	22,249,888
Long-term Liabilities		
Long-term loans (Notes 4(13) and 6)	4,844,280	2,160,000
Reserve		
Land value incremental reserve (Note 4(8))	21,756	21,756
Other Liabilities		
Accrued pension liabilities (Note 4(14))	38,175	38,239
Guarantee deposits received	22,161	8,767
Deferred income tax liabilities - non-current (Note 4(19))	14,656	14,724
Total other liabilities	74,992	61,730
Total liabilities	27,171,728	24,493,374
Stockholders' Equity		
Capital		
Common stock (Note 4(15))	6,757,782	6,444,436
Capital Reserves (Notes 4(16))		
Additional paid-in capital	1,293,444	951,235
Capital reserve from treasury stock	316,718	177,269
Capital reserve from long-term investments	117,843	126,509
Retained Earnings (Note 4(17))		
Legal reserve	2,306,419	1,890,782
Undistributed earnings	7,411,955	6,786,686
Other Adjustments to Stockholders' Equity		
Cumulative translation adjustments	(242,180)	430,717
Net loss not recognized as pension cost	(665)	(220)
Unrealized gain or loss on financial instruments (Note 4(3))	(813,010)	335,796
Unrealized revaluation increment (Note 4(8))	31,771	31,771
Treasury stock (Notes 4(18) and 6)	(311,277)	(311,277)
Minority interest	2,023,936	1,536,847
Total stockholders' equity	18,892,736	18,373,551
Commitments and Contingent Liabilities (Note 7)		
Significant Subsequent Events (Note 9)		
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 46,064,464	\$ 42,866,925

The accompanying notes are an integral part of these consolidated financial statements.
See report of independent accountants dated March 15, 2013.

CHICONY ELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT EARNINGS PER SHARE AMOUNTS)

	2012		2011	
Operating Revenue				
Sales (Note 5)	\$ 68,349,469	\$	61,698,377	
Sales returns	(670,105)	(	846,998)
Sales discounts	(328,835)	(	259,577)
Net Sales	67,350,529		60,591,802	
Other operating revenue	159,122		94,244	
Total Operating Revenue	67,509,651		60,686,046	
Operating Costs (Notes 4(6) and 5)				
Cost of goods sold	(56,825,336)	(	51,688,309)
Gross profit	10,684,315		8,997,737	
Operating Expenses (Notes 4(21) and 5)				
Sales and marketing expenses	(2,378,841)	(	2,513,149)
General and administrative expenses	(2,664,839)	(	2,746,634)
Research and development expenses	(1,622,609)	(	1,599,548)
Total Operating Expenses	(6,666,289)	(	6,859,331)
Operating income	4,018,026		2,138,406	
Non-operating Income and Gains				
Interest income	36,506		46,936	
Investment income recognized under equity method (Note 4(7))	-		18,945	
Dividend income	158,589		95,964	
Gain on disposal of property, plant and equipment	6,052		19,133	
Gain on disposal of investment	751,062		2,662,152	
Foreign exchange gain, net	56,491		-	
Rental income	428		2,032	
Gain on valuation of financial assets (Note 4(2))	27,036		375,074	
Other non-operating income	114,328		146,692	
Total non-operating Income and Gains	1,150,492		3,366,928	
Non-operating Expenses and Losses				
Interest expense	(127,974)	(	161,397)
Investment losses recognized under equity method (Note 4(7))	(36,727)	(-	
Foreign exchange loss, net	( -)	(	171,126)
Impairment loss	(53,239)	(-	
Loss on valuation of financial liabilities (Note 4(2))	( -)	(	1,964)
Other non-operating expenses	(26,359)	(	43,973)
Total non-operating Expenses and Losses	(244,299)	(	378,460)
Income before income tax	4,924,219		5,126,874	
Income tax expense (Note 4(19))	(784,376)	(	747,664)
Consolidated net income	\$ 4,139,843	\$	4,379,210	
Attributable to:				
Equity holders of the Company	\$ 3,844,235	\$	4,156,369	
Minority interest	295,608		222,841	
	\$ 4,139,843	\$	4,379,210	
	Before Tax	After Tax	Before Tax	After Tax
Basic earnings per share (in dollars) (Note 4(20))				
Net income	\$ 7.28	\$ 6.05	\$ 7.81	\$ 6.62
Diluted earnings per share (in dollars)				
Net income	\$ 7.18	\$ 5.97	\$ 7.60	\$ 6.44
Proforma EPS assuming the Company's stocks held by its subsidiaries are not treated as treasury stock:				
Net income	\$ 4,768,060	\$ 3,983,684	\$ 5,038,765	\$ 4,291,101
Basic earnings per share (in dollars)				
Net income	\$ 7.10	\$ 5.93	\$ 7.59	\$ 6.46
Diluted earnings per share (in dollars)				
Net income	\$ 7.01	\$ 5.85	\$ 7.39	\$ 6.30

The accompanying notes are an integral part of these consolidated financial statements.
See report of independent accountants dated March 15, 2013.

CHICONY ELECTRONICS CO. LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Common stock	Capital reserves	Retained Earnings					Treasury stock	Minority interest	Total
			Legal reserve	Undistributed earnings	Unrealized revaluation increments	Unrealized gain or loss on financial instruments	Cumulative translation adjustments				Net loss not recognized as pension cost
Balance at January 1, 2011	\$ 6,256,144	\$ 1,189,030	\$ 1,525,776	\$ 5,673,246	\$ 31,771	\$ 755,203	(\$ 637,052)	(\$ 477)	\$ 1,279,526	\$ 15,256,599
Appropriations of 2010 earnings (Note 1)	-	-	-	(365,006)	-	-	-	-	-	-
Legal reserve	-	-	365,006	(365,006)	-	-	-	-	-	-
Stock dividends	215,465	-	-	(215,465)	-	-	-	-	-	-
Cash dividends	-	-	-	(2,462,458)	-	-	-	-	-	(2,462,458)
Employee bonuses	72,827	319,783	-	-	-	-	-	-	-	392,610
Net income for 2011	-	-	-	4,156,369	-	-	-	-	-	4,156,369
Transfer of long-term equity investment to capital reserve	-	16,759	-	-	-	-	-	257	-	17,016
Unrealized gain on financial instruments	-	-	-	-	(419,407)	-	-	-	-	(419,407)
Cumulative translation adjustment derived from long-term foreign investment	-	-	-	-	-	-	1,040,769	-	-	1,040,769
Cash dividends paid to the subsidiaries	-	134,732	-	-	-	-	-	-	-	134,732
Treasury stock sold by subsidiaries	-	-	-	-	-	-	-	-	-	-
Treasury stock transactions	(100,000)	(405,291)	-	-	-	-	-	-	505,291	-
Minority interest adjustment	-	-	-	-	-	-	-	-	34,480	34,480
Minority interest net income	-	-	-	-	-	-	-	-	222,841	222,841
Balance at December 31, 2011	\$ 6,444,436	\$ 1,255,013	\$ 1,890,782	\$ 6,786,686	\$ 31,771	\$ 335,796	\$ 403,717	(\$ 220)	\$ 1,536,847	\$ 18,373,551

(Continued)

CHICONY ELECTRONICS CO. LTD. AND SUBSIDIARIES
 CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (CONTINUED)
 FOR THE YEARS ENDED DECEMBER 31
 (EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Common stock	Capital reserves	Retained Earnings					Unrealized gain or loss on financial instruments	Cumulative translation adjustments	Net loss not recognized as pension cost	Treasury stock	Minority interest	Total
			Legal reserve	Undistributed earnings	Unrealized revaluation increments	Unrealized gain or loss on financial instruments	Cumulative translation adjustments						
2012													
Balance at January 1, 2012	\$ 6,444,436	\$ 1,255,013	\$ 1,890,782	\$ 6,786,686	\$ 31,771	\$ 335,796	\$ 403,717	\$ 220	(\$ 311,277)	\$ 1,536,847	\$ 18,373,551		
Appropriations of 2011 earnings (Note 2)	-	-	-	-	-	-	-	-	-	-	-		
Legal reserve	-	-	415,637	(415,637)	-	-	-	-	-	-	-		
Stock dividends	225,555	-	(225,555)	-	-	-	-	-	-	-	-		
Cash dividends	-	-	(2,577,774)	-	-	-	-	-	-	-	(2,577,774)		
Employee bonuses	87,791	342,209	-	-	-	-	-	-	-	-	430,000		
Net income for 2012	-	-	-	3,844,235	-	-	-	-	-	-	3,844,235		
Transfer of long-term equity investment to capital reserve	-	(8,666)	-	-	-	-	-	(445)	-	-	(9,111)		
Unrealized gain on financial instruments	-	-	-	-	-	(1,148,806)	-	-	-	-	(1,148,806)		
Cumulative translation adjustment derived from long-term foreign investment	-	-	-	-	-	-	(645,897)	-	-	-	(645,897)		
Cash dividends paid to the subsidiaries	-	139,449	-	-	-	-	-	-	-	-	139,449		
Minority interest adjustment	-	-	-	-	-	-	-	-	-	191,481	191,481		
Minority interest net income	-	-	-	-	-	-	-	-	-	295,608	295,608		
Balance at December 31, 2012	\$ 6,757,782	\$ 1,728,005	\$ 2,306,419	\$ 7,411,955	\$ 31,771	\$ 813,010	(\$ 242,180)	(\$ 665)	(\$ 311,277)	\$ 2,023,936	\$ 18,892,736		

Note 1: Employees' stock bonus of \$32,851 and directors' and supervisors' remuneration of \$525,610 for the year ended December 31, 2010 had been deducted from the statement of income.

Note 2: Employees' stock bonus of \$37,407 and directors' and supervisors' remuneration of \$598,517 for the year ended December 31, 2011 had been deducted from the statement of income.

The accompanying notes are an integral part of these consolidated financial statements.
 See report of independent accountants dated March 15, 2013.

CHICONY ELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	2012	2011
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Consolidated net income	\$ 4,139,843	\$ 4,379,210
Adjustments to reconcile consolidated net income to net cash provided by operating activities		
Depreciation	1,228,759	1,390,979
Amortization	164,662	192,223
Provision for allowance for doubtful accounts	7,296	21,218
Provision for inventory price decline and obsolescence, net	621,854	529,647
Gain on investments	(751,062)	(2,662,152)
Gain on valuation of financial assets	(27,036)	(375,074)
Loss on valuation of financial liabilities	-	1,964
Investment loss (income) recognized under the equity method	36,727	(18,945)
Cash dividends from long-term investments at equity	25,058	76,323
Gain on disposal of property, plant and equipment, net	(6,052)	(19,133)
Impairment loss	53,239	-
Changes in assets and liabilities		
Financial liabilities at fair value through profit or loss - current	49,668	360,577
Notes receivable	(14,858)	(21,032)
Accounts receivable	(2,788,287)	(2,311,988)
Accounts receivable, net - related parties	(36,681)	15,662
Other receivables	(61,719)	45,473
Other financial assets - current	957	871
Inventories	(1,564,934)	(272,654)
Prepayments	(27,845)	(109,214)
Deferred income tax assets	(97,012)	1,257
Notes payable	9,469	(14,514)
Accounts payable	3,777,597	185,565
Accounts payable - related parties	271,095	34,694
Accrued expenses	763,793	1,422,523
Income tax payable	226,791	96,940
Other payables	68,045	79,550
Other current liabilities	48,737	25,922
Accrued pension liabilities	(64)	2,862
Net cash provided by operating activities	6,118,040	3,058,754

(Continued)

CHICONY ELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	2012	2011
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Proceeds from disposal of available-for-sale financial assets	\$ 1,259,195	\$ 974,129
Increase in financial assets carried at cost – non-current	(167,518)	(30,000)
Decrease in financial assets carried at cost–non-current	-	32,119
Increase in long-term investments at equity – non subsidiaries	-	(1,042,345)
Proceeds from disposal of long-term investments at equity	7,687	-
Decrease in other financial assets - non-current	863	72,255
Acquisition of property, plant and equipment	(1,833,146)	(2,804,864)
Proceeds from disposal of property, plant and equipment	69,265	86,558
Acquisition of government subsidies (list as subtraction of “Land”)	95,907	-
Acquisition of government subsidies (list as subtraction of “Other intangible assets”)	147,518	-
Increase in other intangible assets	(193,456)	(174,337)
Increase in deferred expenses	(24,897)	(65,641)
Increase in refundable deposits	(5,812)	(13,135)
Decrease(increase) in other assets - other	4,883	(5,088)
Net cash used in investing activities	(639,511)	(2,970,349)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
(Decrease) Increase in short-term loans	(2,418,278)	1,493,928
(Decrease) increase in short-term bonds payable	(500,000)	500,000
Increase in long-term loans	8,997,359	2,771,440
Repayment of long-term loans	(8,086,570)	(3,179,070)
Increase in guarantee deposits received	13,394	1,665
Payment of cash dividends	(2,438,326)	(2,327,726)
Changes in minority interest	110,806	(25,842)
Net cash used in financing activities	(4,321,615)	(765,605)
Effect of change in foreign exchange rate	(642,615)	1,046,843
Net increase in cash and cash equivalents	514,299	369,643
Cash and cash equivalents at beginning of year	1,324,194	954,551
Cash and cash equivalents at end of year	\$ 1,838,493	\$ 1,324,194
<u>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</u>		
Interest paid	\$ 135,430	\$ 156,719
Income tax paid	\$ 654,551	\$ 649,414
<u>INVESTING AND FINANCING ACTIVITIES NOT AFFECTING CASH FLOW</u>		
Distribution of stock dividends	\$ 225,555	\$ 215,465
Convertible bonds transferred to common stock	\$ -	\$ 505,291

The accompanying notes are an integral part of these consolidated financial statements.
See report of independent accountants dated March 15, 2013.

CHICONY ELECTRONICS CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,
EXCEPT AS OTHERWISE INDICATED)

1. HISTORY AND ORGANIZATION

Chicony Electronics Co., Ltd. (the “Company”) was incorporated in 1983 as a company limited by shares under the provisions of the Company Law of the Republic of China. The Company is engaged in the manufacturing and sales of keyboards and other computer peripheral components.

The Company has been a listed company since 1999. As of December 31, 2012, the Company had approximately 630 employees.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying consolidated financial statements of the Company and its subsidiaries (collectively referred herein as the Group) are prepared in accordance with the “Rules Governing the Preparation of Financial Statements by Securities Issuers” and generally accepted accounting principles in the Republic of China. The Group’s significant accounting policies are summarized below:

1) Basis for preparation of consolidated financial statements

A. All majority-owned subsidiaries and controlled entities are included in the consolidated financial statements. The income (loss) of the subsidiaries is included in the consolidated statement of income effective on the date the Company gains control over the subsidiaries. The income (loss) of the subsidiaries is excluded from the consolidated statement of income effective the date on which the Company loses control over the subsidiaries. Significant inter-company transactions and assets and liabilities arising from inter-company transactions are eliminated. The Company prepares consolidated financial statements on a semi-annual and annual basis.

B. Subsidiaries included in the consolidated financial statements and their changes in 2012

<u>Investor</u>	<u>Subsidiary</u>	<u>Main activities</u>	<u>Ownership (%)</u>		<u>Description</u>
			<u>Dec. 31, 2012</u>	<u>Dec. 31, 2011</u>	
Chicony Electronics Co., Ltd. (CEC)	Chicony Overseas Inc. (COI)	Sales of computer peripherals and management of overseas acquisitions and investments	100%	100%	

<u>Investor</u>	<u>Subsidiary</u>	<u>Main activities</u>	<u>Ownership (%)</u>		<u>Description</u>
			<u>Dec. 31, 2012</u>	<u>Dec. 31, 2011</u>	
Chicony Electronics Co., Ltd. (CEC)	Unikey Electronics Co., Ltd. (UNIKEY)	Manufacturing and sales of computer and computers peripherals	100%	100%	
”	Hipro Overseas (BVI) Inc. (HOI)	Sales of switching power supplies and other electronic parts and management of overseas acquisitions and investments	100%	100%	
”	Hipro Electronics Ltd. (HEC)	Sales of switching power supplies and other electronic parts	100%	100%	
”	XAVi Technology Corp. (XAVi)	Researching, manufacturing and sales of DSL Bridges and Routers	64%	64%	
”	Chicony Electronics (Thailand) Co., Ltd. (CET)	Manufacturing and sales of computer peripherals	100%	100%	
”	Chicony Global Inc. (CGI)	Sales of computer peripherals	100%	100%	
”	Chicony Power Technology Co., Ltd. (CP)	Manufacturing and sales of the plastic goods	62%	68%	
”	Had Eri Iou Industrial Inc. Ltd. (HEI)	Manufacturing and sales of plastic goods	50%	50%	
COI	Chicony America Inc.	Sales of computer peripherals	100%	100%	
”	Chicony Electronics GmbH. (CEG)	”	100%	100%	
”	Chicony Electronics (Dong Guan) Co., Ltd. (CEM2)	Manufacturing and sales of computers and computer peripherals	100%	100%	
”	Mao-Feng International Inc. (Mao-Feng)	Sales of computer peripherals and management of overseas acquisitions and investments	100%	100%	
”	Chicony Electronics (Suzhou) Co., Ltd. (CEM3)	Manufacturing and sales of computers and computer peripherals	100%	100%	
”	Chicony Electronics CEZ s.r.o. (CEZ)	Sales of computer peripherals	100%	100%	

<u>Investor</u>	<u>Subsidiary</u>	<u>Main activities</u>	<u>Ownership (%)</u>		<u>Description</u>
			<u>Dec. 31, 2012</u>	<u>Dec. 31, 2011</u>	
COI	Global Faith Inc. (GFI)	Sales of computer peripherals Management of overseas acquisitions and investments	60%	60%	
"	Suzhou Mao-Qun Electronics Co., Ltd. (Mao-Qun)	Manufacturing of electronic parts, keyboards and plastic products	60%	60%	
"	Suzhou Qun-Yang Electronics Co., Ltd. (Qun-Yang)	Manufacturing and sales of electronic parts, keyboard and plastic products	60%	60%	
"	Chicony Electronics Japan Co., Ltd. (CEJ)	Sales of computer peripherals	100%	100%	
"	Kuang Mao International Inc. (Kuang Mao)	Sales of computer peripherals and management of overseas acquisitions and investments	100%	100%	
"	Chicony America Group Inc. (CAGI)	Internet solution for E-Commerce solution	100%	100%	
"	Chicony Electronics (Chong-Qing) Co., Ltd. (CEM5)	Manufacturing and sales of computer peripherals	100%	100%	
UNIKEY	Mao-Ray Electronics (Dong Guan) Co., Ltd. (Mao-Ray)	Manufacturing of electronic parts, keyboards and plastic products	100%	100%	
"	Real Young Electronics Co., Ltd. (Real Young)	Design and sales of computer peripherals and management of overseas acquisitions and investments	100%	100%	
HEC	Quansun Investment Corp. Ltd.	Investment holdings	100%	100%	
"	Qun-Jing Power Co., Ltd.	Sales of computer peripherals and consumer equipment	100%	100%	

<u>Investor</u>	<u>Subsidiary</u>	<u>Main activities</u>	<u>Ownership (%)</u>		<u>Description</u>
			<u>Dec. 31, 2012</u>	<u>Dec. 31, 2011</u>	
CP	Chicony Power Holdings Inc. (CPH)	Investment holdings	100%	100%	
”	Chicony Power International Inc. (CPI)	Manufacturing and sales of switching power supplies and other electronic parts	100%	100%	
”	Chicony Power Technology Hong Kong Limited (CPHK)	Research and development centre	100%	100%	
”	Chicony Power USA Inc. (CPUS)	Manufacturing and sales of switching power supplies and other electronic parts	100%	100%	
CPHK	Hipro Electronics (Dong Guan) Co., Ltd. (HDG)	Manufacturing and sales of switching power supplies and other electronic parts	100%	100%	
”	Chicony Power Technology (Suzhou) Co., Ltd. (CPSZ)	Manufacturing of switching power supplies and other electronic parts	100%	100%	
”	Quang Sheng Electronics (Nanchang) Co., Ltd. (GSE)	Manufacturing of switching power supplies and other electronic parts	100%	100%	
”	Chicony Power Technology (Chong-Qing) Co., Ltd. (CPCQ)	Manufacturing and sales of electronic parts	100%	100%	
”	Chicony Energy Saving Technology (Shanghai) Co., Ltd.	Sales of LED lighting equipments	100%	100%	
XAVi	Directmax International Ltd.	Management of overseas acquisitions and investments	100%	100%	
”	XAVi Overseas Ltd.	Sales of DSL Bridges and Routers Management of overseas acquisitions and investments	100%	100%	
”	Systemax Development Ltd.	Sales of DSL Bridges and Routers	100%	100%	

<u>Investor</u>	<u>Subsidiary</u>	<u>Main activities</u>	<u>Ownership (%)</u>		<u>Description</u>
			<u>Dec. 31, 2012</u>	<u>Dec. 31, 2011</u>	
XAVi	XAVi Technologies (Suzhou) Co., Ltd.	Manufacturing and sales of DSL Bridges and Routers	100%	100%	
HEI	GUIDWAY GLOBAL LIMITED	Sales of plastic goods and computer parts	100%	100%	
"	HAD ERI IOU INTERNATIONAL Co., LIMITED	Sales of plastic goods	100%	100%	
"	HOLYU INTERNATIONAL Co., Ltd.	Investment	81%	81%	Note A
"	Dong Guan Had Eri Iou Plastics Corporation	Manufacturing and sales of plastic goods and computer parts	81%	81%	"

Note A : Held 57.27% of the voting shares with COI as a whole.

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

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

E. Special operating risks in foreign subsidiaries : None

F. Nature and extent of the restrictions on fund remittance from subsidiaries to the parent company : None

G. Contents of subsidiaries' securities issued by the parent company: See Note 4(18)

H. Information on convertible bonds and common stock issued by subsidiaries :

- a) COI increased its investment in CEM5 by USD 3,500,000, USD 2,000,000 and USD 5,000,000 in January, November and December, 2012, respectively.
- b) CPHK increased its investment in CPCQ by USD 1,250,000 in January 2012.
- c) Mao-Feng received stock dividend USD of 7,200,000 from CEM3 in December 2012.

2) Translation of financial statements of foreign subsidiaries

Assets and liabilities of foreign subsidiaries are translated into New Taiwan dollars using the exchange rates at the balance sheet date. Equity accounts are translated at historical rates except for beginning retained earnings, which are carried forward from prior year's balance. Dividends are translated at the rates prevailing at the date of declaration. Profit and loss accounts are translated at weighted-average rates of the year. The resulting translation differences are included in "cumulative translation adjustments" under stockholders' equity.

3) Foreign currency transactions

A. Transactions denominated in foreign currencies are translated into functional

currency at the spot exchange rates prevailing at the transaction dates. Exchange gains or losses due to the difference between the exchange rate on the transaction date and the exchange rate on the date of actual receipt and payment are recognized in current year's profit or loss.

- B. Receivables, other monetary assets and liabilities denominated in foreign currencies are translated at the spot exchange rates prevailing at the balance sheet date. Exchange gains or losses are recognized in profit or loss.
 - C. When a gain or loss on a non-monetary item is recognized directly in equity, any exchange component of that gain or loss shall be recognized directly in equity. Conversely, when a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss shall be recognized in profit or loss. However, non-monetary items that are measured on a historical cost basis are translated using the exchange rate at the date of the transaction.
- 4) Financial assets and financial liabilities at fair value through profit or loss
- A. Financial assets and financial liabilities at fair value through profit or loss are recognized and derecognized using trade date accounting and are recognized initially at fair value.
 - B. These financial instruments are subsequently remeasured and stated at fair value, and the gain or loss is recognized in profit or loss. The fair value of listed stocks, OTC stocks and convertible bonds is based on latest quoted fair prices of the accounting period.
 - C. When a derivative is an ineffective hedging instrument and non-option derivative, the fair value initially recognized is zero. And when a derivative is an ineffective hedging instrument and option derivative, the fair value initially recognized at trade date.
 - D. Effective July 24, 2008, the Company had listed (TSE and OTC) stocks which were originally recognized as "financial assets at fair value through profit or loss" that were reclassified to "available-for-sale financial assets", based on the amended paragraph 104 of R.O.C. SFAS No. 34. "Financial Instruments: Recognition and Measurement".
- 5) Available-for-sale financial assets
- A. Available-for-sale financial assets are recognized and derecognized using trade date accounting and are recognized initially at its fair value plus transaction costs that is directly attributable to the acquisition of the financial asset.
 - B. The financial assets are remeasured and stated at fair value, and the gain or loss is recognized in equity. The fair value of listed stocks and OTC stocks are based on latest quoted fair prices of the accounting period.
 - C. If there is any objective evidence that the financial asset is impaired, the

cumulative loss that had been recognized directly in equity shall be removed from equity and recognized in profit or loss. Impairment losses recognized previously in profit or loss for an investment in an equity instrument shall not be reversed through profit or loss, and if, subsequently, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss shall be reversed, with the amount of the reversal recognized in profit or loss.

6) Financial assets carried at cost

- A. Investment in unquoted equity instruments is recognized or derecognized using trade date accounting and is recognized initially at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.
- B. If there is any objective evidence that the financial asset is impaired, the impairment loss is recognized in profit or loss. Such impairment loss cannot be reversed.

7) Notes, accounts, and other receivables

- A. Notes receivable and accounts receivable are claims generated from the sale of goods or services. Other receivables are those receivables arising from transactions other than the sale of goods or services. Notes receivable, accounts receivable and other receivables are recognized initially at fair value, and are subsequently measured at amortized cost less impairment using the effective interest method.
- B. The Company recognizes impairment loss on the financial instruments when there is an objective evidence of impairment. The amount of impairment is the book value less the present value of estimated future cash flows, discounted by original effective interest rate. If, subsequently, an event, directly related to impairment, indicates a decrease in impairment, the impairment loss recognized in prior years shall be recovered. The book value of the financial instruments after recovering the impairment shall not exceed the amortized cost that would have been had no impairment been previously recognized.

8) Inventories

The perpetual inventory system is adopted for inventory recognition. Inventories are stated at cost. The cost is determined using the average method. At the end of period, other than allowance for obsolescence, inventories are evaluated at the lower of cost or net realizable value, and the individual item approach is used in the comparison of cost and net realizable value. The calculation of net realizable value should be based on the estimated selling price in the normal course of business, net of estimated costs of completion and estimated selling expenses.

9) Long-term equity investments accounted for under the equity method

- A. Long-term equity investments in which the Group holds more than 20% of the investee company's voting shares or has the ability to exercise significant influence on the investee's operational decisions are accounted for under the equity method. The excess of the initial investment cost over the acquired net asset value of the investee attributable to goodwill is no longer amortized, effective January 1, 2006. Retrospective adjustment of the amount of goodwill amortized in previous years is not required. The excess of acquired net asset value of investee over the initial investment cost is allocated proportionately and applied as a reduction to the book values of identifiable non-current assets, and any remaining amount of such excess after this allocation is credited to extraordinary gains. However, negative goodwill incurred prior to December 31, 2005 is continuously amortized.
- B. Exchange differences arising from translation of the financial statements of overseas investee companies accounted for under the equity method are recorded as "cumulative translation adjustments" under stockholders' equity.

10) Property, plant and equipment

- A. Property, plant and equipment are stated at cost except for certain land which is carried at government indexed appraised value. Acquisition of government subsidies is subtracted from cost. Interests incurred on the loans used to bring the assets to the condition and location necessary for their intended uses are capitalized.
- B. Maintenance and repairs are charged to expense as incurred. Major renewals and improvements are treated as capital expenditure and depreciated accordingly.
- C. Depreciation is provided on a straight-line method based on the service lives prescribed by the Government. The estimated useful lives for the plant and buildings are 7-55 years and for other fixed assets are 1-10 years.
- D. Property, plant and equipment not used in operations are transferred to other assets and are stated at the lower of book value or market price; the depreciation is recorded in non-operating expenses in the current year.

11) Intangible assets

- A. Computer software expenditures are stated at cost and amortized on a straight-line basis over 1 to 8 years. Acquisition of government subsidies is subtracted from cost.
- B. Land use rights are stated at cost and amortized on a straight-line basis over 50 years. Acquisition of government subsidies is subtracted from cost.

12) Deferred charges

Deferred charges, including the cost of patents, are stated at cost and amortized on a straight-line basis over 1 to 15 years.

13) Pension plan and pension cost

Under the defined benefit pension plan, net periodic pension costs are recognized in accordance with the actuarial calculations. Net periodic pension costs include service cost, interest cost, expected return on plan assets, and amortization of unrecognized net transition obligation and gains or losses on plan assets.

14) Income taxes

A) Provision for income tax includes deferred income tax resulting from temporary differences, investment tax credits and loss carryforward. Valuation allowance on deferred tax assets is provided to the extent that it is more likely than not that the tax benefit will not be realized. Over or under provision of prior years' income tax liabilities is included in current year's income tax. When a change in the tax laws is enacted, the deferred tax liability or asset should be recomputed accordingly in the period of change. The difference between the new amount and the original amount, that is, the effect of changes in the deferred tax liability or asset, should be recognized as an adjustment to current income tax expense (benefit).

B) Investment tax credits arising from research and development are recognized in the year the related expenditures are incurred.

C) An additional 10% 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.

15) Treasury stock

A. When a company acquires its outstanding shares as treasury stock, the acquisition cost should be debited to the treasury stock account (a contra account under stockholders' equity) if the shares are purchased.

B. Treasury stocks transferred to employees on or after January 1, 2008 are accounted for in accordance with R.O.C. SFAS No. 39, "Accounting for Share-based Payment".

C. When a company's treasury stock is retired, the treasury stock account should be credited, and the capital surplus - premium on stock account and capital stock account should be debited proportionately according to the share ratio. An excess of the carrying value of treasury stock over the sum of its par value and premium on stock should first be offset against capital surplus from the same class of treasury stock transactions, and the remainder, if any, debited to retained earnings. An excess of the sum of the par value and premium on stock of treasury stock over its carrying value should be

credited to capital surplus from the same class of treasury stock transactions.

- D. The cost of treasury stock is determined by the weighted-average method.
- E. The Company's common stock owned by its subsidiaries is treated as treasury stock.
- F. Cash dividend from the Company which subsidiaries received should be recognized as long-term investment income and adjusted to "additional paid-in capital - treasury stock transactions".

16) Share-based payment – employee compensation plan

For the grant date of the share-based payment agreements set on or after January 1, 2008, the Group shall measure the services received during the vesting period by reference to the fair value of the equity instruments granted and account for those amounts as payroll expenses during the period.

17) Employees' bonuses and directors' and supervisors' remuneration

Effective January 1, 2008, pursuant to EITF 96-052 of the Accounting Research and Development Foundation, R.O.C., dated March 16, 2007, "Accounting for Employees' Bonuses and Directors' and Supervisors' Remuneration", the costs of employees' bonuses and directors' and supervisors' remuneration are accounted for as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and those amounts can be estimated reasonably. However, if the accrued amounts for employees' bonuses and directors' and supervisors' remuneration are significantly different from the actual distributed amounts resolved by the stockholders at their annual stockholders' meeting subsequently, the differences shall be recognized as gain or loss in the following year. In addition, according to EITF 97-127 of the Accounting Research and Development Foundation, R.O.C., dated March 31, 2008, "Criteria for Listed Companies in Calculating the Number of Shares of Employees' Stock Bonus", the Company calculates the number of shares of employees' stock bonus based on the closing price of the Company's common stock at the previous day of the stockholders' meeting held in the year following the financial reporting year, and after taking into account the effects of ex-rights and ex-dividends.

18) Impairment of non-financial assets

The Group recognizes impairment loss when there is indication that the recoverable amount of an asset is less than its carrying amount. The recoverable amount is the higher of the fair value less costs to sell and value in use. The fair value less costs to sell is the amount obtainable from the sale of the asset in an arm's length transaction after deducting any direct incremental disposal costs. The value in use is the present value of estimated future cash flows to be derived from continuing use of the asset and from its disposal at the end of its useful life. When the impairment no longer exists, the impairment loss

recognized in prior years shall be recovered.

The recoverable amount of goodwill, intangible assets with indefinite useful lives and intangible assets which have not yet been available for use shall be evaluated periodically. Impairment loss will be recognized whenever there is indication that the recoverable amount of these assets is less than their respective carrying amount. Impairment loss of goodwill recognized in prior years is not recoverable in the following years.

19) Revenues, costs and expenses

Revenues are recognized when the earning process is substantially completed and they are realized or realizable. Costs and expenses are recognized as incurred.

20) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the amounts of revenues and expenses during the reporting period. Actual results could differ from those assumptions and estimates.

21) 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 realized or consumed, or are intended to be sold within the normal operating cycle;
- b) Assets held mainly for trading purposes;
- c) Assets that are expected to be realized 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 arising from operating activities that are expected to be paid off within the normal operating cycle;
- b) Liabilities arising mainly from trading activities;
- c) Liabilities that are to be paid off 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.

22) 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 is responsible for allocating resources and assessing performance of the operating segments.

In accordance with R.O.C. SFAS No. 41, "Operating Segments", segment information is disclosed in the consolidated financial statements rather than in the separate financial statements of the Company.

3. CHANGES IN ACCOUNTING PRINCIPLES AND ESTIMATES

1) Notes, accounts, and other receivables

Effective January 1, 2011, the Company adopted the amendments of R.O.C. SFAS No. 34, "Financial Instruments Recognition and Measurement". A provision for impairment (bad debts) of notes, accounts, and other receivables is recognized when there is objective evidence that the receivables are impaired. This change in accounting principle had no significant effect on net income and earnings per share for the year ended December 31, 2012.

2) Operating segments

Effective January 1, 2011, the Company adopted the newly issued R.O.C. SFAS No. 41, "Operating Segments" to replace the original R.O.C. SFAS No. 20, "Segment Reporting". In accordance with such standard, the Company restated the segment information for 2010 upon the first adoption of R.O.C. SFAS No. 41. This change in accounting principle had no significant effect on net income and earnings per share for the year ended December 31, 2012.

4. DETAILS OF SIGNIFICANT ACCOUNTS

1) CASH AND CASH EQUIVALENTS

	<u>December 31,</u>	
	<u>2012</u>	<u>2011</u>
Cash on hand	\$ 97,398	\$ 101,545
Time deposits	241,581	469,532
Checking and demand deposits	<u>1,499,514</u>	<u>753,117</u>
	<u>\$ 1,838,493</u>	<u>\$ 1,324,194</u>

2) FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS-CURRENT

	<u>December 31,</u>	
	<u>2012</u>	<u>2011</u>
Financial assets held for trading		
Derivatives:		
Forward exchange contracts	\$ 19,279	\$ 44,016
SWAP	8,133	7,575
Futures contracts	<u>7,363</u>	<u>7,675</u>
	<u>\$ 34,775</u>	<u>\$ 59,266</u>
 Financial liabilities held for trading		
Derivatives:		
Forward exchange contracts	\$ 2	\$ 1,097
SWAP	<u>21</u>	<u>783</u>
	<u>\$ 23</u>	<u>\$ 1,880</u>

A) The Group recognized net gain of \$27,036 and \$373,110 for the years ended December 31, 2012 and 2011, respectively.

B) The trading items and contract information of derivatives are as follows:

	December 31, 2012		
	Contract Amount	Due Date	
	(In thousands)		
Forward exchange contract-DBS Bank (4 items)	USD	35,000	2013.03.13~2013.04.18
Forward exchange contract-Ta Chong Bank (2 items)	USD	4,000	2013.01.14~2013.04.18
Forward exchange contract-Tai Shin Bank (3 items)	USD	6,000	2013.01.07~2013.01.23
Forward exchange contract-Far Eastern Bank (7 items)	USD	60,000	2013.03.13~2013.05.28
Forward exchange contract-Industrial Bank of Taiwan	USD	3,000	2013.01.15
SWAP-Ta Chong Bank (9 items)	USD	16,500	2013.01.14~2013.03.27
SWAP-En Tie Bank (2 items)	USD	2,000	2013.01.14~2013.01.25
SWAP-E. Sun Bank (5 items)	USD	16,400	2013.01.17~2013.03.21
SWAP-Taiwan Cooperative Bank (2 items)	USD	9,600	2013.01.09~2013.01.29
SWAP-Taipei Fubon Bank	USD	3,000	2013.03.22
SWAP-Yuanta Bank	USD	3,000	2013.01.22
SWAP-Taiwan Business Bank	USD	3,000	2013.01.23
SWAP-Far Eastern Bank	USD	5,300	2013.02.19
SWAP-DBS Bank	USD	3,000	2013.02.26
SWAP-Bank SinoPac	USD	3,000	2013.02.26
SWAP-Bank of Taiwan	USD	3,000	2013.02.27
SWAP- China Development Industrial Bank (2 items)	USD	5,500	2013.02.27~2013.03.26
Futures contract-MF Global (3 items)	USD	5,792	2012.01.06

	December 31, 2011		
	Contract Amount	Due Date	
	(In thousands)		
Forward exchange contract-DBS (8 items)	USD	79,000	2012.03.26~2012.11.28
Forward exchange contract-Cooperative Bank	USD	500	2012.01.15
Forward exchange contract-CCB (2 items)	USD	6,500	2012.01.09
Forward exchange contract-Tai Shin Bank	USD	5,000	2012.02.15
Forward exchange contract-CREDIT AGRICOLE Corporate and Investment Bank (3 items)	USD	27,000	2012.01.05~2012.11.29
Forward exchange contract-Far Eastern Bank (13 items)	USD	114,500	2012.01.13~2012.12.28
Forward exchange contract-Ta Chong Bank (2 items)	USD	7,500	2012.02.07~2012.03.19
SWAP-Ta Chong Bank (6 items)	USD	9,600	2012.01.17~2012.01.31
SWAP-E. Sun Bank (2 items)	USD	9,200	2012.01.13~2012.01.31
SWAP-Taiwan Cooperative Bank (3 items)	USD	19,200	2012.01.06~2011.01.18
SWAP-Far Eastern Bank	USD	8,800	2012.01.18
SWAP-Tai Shin Bank	USD	6,500	2012.01.13
SWAP-DBS	USD	7,000	2012.01.20
SWAP-Yuanta Bank	USD	7,000	2012.01.20
SWAP-Taiwan Business Bank	USD	4,000	2012.01.17
SWAP-En Tie Bank (2 items)	USD	2,000	2012.01.17~2012.01.20
Futures contract-MF Global (3 items)	USD	5,792	2012.01.06

The Group entered into forward exchange, SWAP, and futures contracts for hedging the change in foreign exchange rates, but it was not accounted for under hedge accounting because it does not conform to all the conditions indicated in R.O.C. SFAS No. 34.

C) Due to the financial meltdown in 2008, listed (TSE and OTC) stocks amounting to \$1,180,881 have been reclassified from “financial assets at fair value through profit or loss” to “available-for-sale financial assets” on July 24, 2008 in accordance with the amended paragraph 104 of R.O.C. SFAS No. 34, “Financial Instruments: Recognition and Measurement”. The following is the relevant information:

(1) The balance of the above mentioned reclassified assets as of December 31, 2012 and 2011 is as follows:

	December 31, 2012	December 31, 2011
Listed (TSE or OTC) stocks	\$ 696,976	\$ 932,546
Convertible bonds	-	108,723
	<u>\$ 696,976</u>	<u>\$ 1,041,269</u>

(2) The relevant information in fair value change of the reclassified financial assets is as follows:

	<u>For the year ended December 31, 2012</u>	<u>For the year ended December 31, 2011</u>
	Loss recognized in equity	Loss recognized in equity
Listed (TSE or OTC) stocks	(\$ 235,570)	(\$ 377,162)
Convertible bonds	(6)	(10,240)
	<u>(\$ 235,576)</u>	<u>(\$ 387,402)</u>

If the above financial assets were not classified to “available-for-sale financial assets” on July 24, 2008, the Group would have recognized a net gain (loss) as follows:

	<u>Amount</u>
For the period from July 24, 2008 to December 31, 2008	(\$ 248,922)
For the year ended December 31, 2009	379,196
For the year ended December 31, 2010	148,431
For the year ended December 31, 2011	(225,420)
For the year ended December 31, 2012	(235,570)
	<u>(\$ 182,285)</u>

3) AVAILABLE-FOR-SALE FINANCIAL ASSETS

	<u>December 31,</u>	
	<u>2012</u>	<u>2011</u>
Current items:		
Listed stocks	\$ 3,545,395	\$ 3,888,367
Convertible bonds	<u>140,000</u>	<u>463,846</u>
Subtotal	3,685,395	4,352,213
Adjustment of available-for-sale financial assets	(139,875)	536,495
Total	<u>\$ 3,545,520</u>	<u>\$ 4,888,708</u>
Non-current items:		
Listed stocks	\$ 1,282,879	\$ 1,282,883
Adjustment of available-for-sale financial assets	(825,770)	(297,715)
Total	<u>\$ 457,109</u>	<u>\$ 985,168</u>

The above available-for-sale financial assets – non-current were private placements that could not be sold until March, 2013 and February, 2014 in accordance with the R.O.C. Securities Exchange Law. These private placements are remeasured at fair value, adjusted by the effects of restrictions on the sale.

4) FINANCIAL ASSETS CARRIED AT COST – NON-CURRENT

	<u>December 31,</u>	
	<u>2012</u>	<u>2011</u>
OTC stocks – Alcor Micro Corp.	\$ 98,375	\$ 98,375
Listed stocks – ShunOn Electronic Co., Ltd.	187,500	187,500
Unlisted stocks	<u>431,927</u>	<u>264,409</u>
Subtotal	717,802	550,284
Accumulated impairment	<u>(53,239)</u>	<u>-</u>
	<u>\$ 664,563</u>	<u>\$ 550,284</u>

A) For the year ended December 31, 2012, the above listed stocks and OTC stocks were private placements:

1) The OTC stocks - Alcor Micro Corp. could not be sold until October, 2012, in accordance with the R.O.C. Securities Exchange Law.

2) The listed stocks - ShunOn Electronic Co., Ltd. could not be sold until April, 2013, in accordance with the R.O.C. Securities Exchange Law.

B) Other unlisted stocks were measured at cost since there was no open market, moreover, their fair value cannot be measured reliably. As of December 31, 2012, there was an indication that the fair value of Lumitek Corp. was less than its carrying amount; accordingly the Group recognized impairment loss of \$53,239 in 2012.

5) ACCOUNTS RECEIVABLE, NET - THIRD PARTIES

	<u>December 31,</u>	
	<u>2012</u>	<u>2011</u>
Accounts receivable	\$ 17,243,019	\$ 14,454,732
Less: Allowance for doubtful accounts	<u>(155,299)</u>	<u>(169,868)</u>
	<u>\$ 17,087,720</u>	<u>\$ 14,284,864</u>

A. The Company factored its accounts receivable without recourse to various banks. Under the contracts, the banks may retain part of the balance as retention fund. The retention fund less fees and interests would be settled by the banks when balances are collected in full. If the balances are not collected, the retention fund should still be returned by the banks in 90~120 days after the balances are due.

B. As of December 31, 2012 and 2011, the outstanding accounts receivable sold were as follows:

December 31, 2012					
Purchaser of accounts receivable	Accounts receivable sold	Limit	Amount advanced	Interest rate	Amount retained
SMBC	\$ 169,436	\$ 348,480	\$ 169,436	1.09%~1.16%	\$ -
Taishin Bank	95,324	174,240	74,468	1.12%	20,856
Ta Chong Bank	241,887	348,480	216,638	1.16%~1.33%	25,248
	<u>\$ 506,647</u>	<u>\$ 871,200</u>	<u>\$ 460,542</u>		<u>\$ 46,104</u>

December 31, 2011					
Purchaser of accounts receivable	Accounts receivable sold	Limit	Amount advanced	Interest rate	Amount retained
SMBC	\$ 265,372	\$ 363,240	\$ 265,372	1.37%~1.65%	\$ -
Taishin Bank	87,517	181,620	69,621	1.89%~2.05%	17,896
	<u>\$ 352,889</u>	<u>\$ 544,860</u>	<u>\$ 334,993</u>		<u>\$ 17,896</u>

C. As of December 31, 2012 and 2011, the Group had issued promissory notes as guarantee for the sale of accounts receivable. Please see Note 7 (2).

5) INVENTORIES, NET

	December 31,	
	2012	2011
Raw materials and supplies	\$4,515,249	\$3,199,606
Work in process	1,820,133	1,567,598
Finished goods	3,667,052	3,726,506
Less: Allowance for price decline and obsolescence	(1,692,794)	(1,514,588)
	8,309,640	6,979,122
Inventory in transit	231,787	419,225
	<u>\$8,541,427</u>	<u>\$7,398,347</u>

Expenses and losses incurred on inventories for the years ended December 31, 2012 and 2011 were as follows:

	For the years ended December 31,	
	2012	2011
Cost of inventories sold	\$ 56,209,837	\$ 51,176,716
Loss on market price decline	621,854	529,647
Gain on physical inventory	(6,355)	(18,054)
	<u>\$ 56,825,336</u>	<u>\$ 51,688,309</u>

The inventory gain represent income from sale of scraps and wastes, and the gain on physical count.

7) LONG-TERM INVESTMENTS AT EQUITY

A. The breakdown of long-term investments:

<u>Investee company</u>	<u>December 31, 2012</u>		<u>2012</u>
	<u>Amount</u>	<u>Percentage of Ownership</u>	<u>Investment Income (Loss)</u>
Newmax Technology Co., Ltd. (Newmax)	\$ 1,410,569	28.74%	(\$ 50,308)
Sky-Fine Investment Limited (Sky-Fine)	<u>79,829</u>	29.00%	<u>13,581</u>
	<u>\$ 1,490,398</u>		<u>(\$ 36,727)</u>

<u>Investee company</u>	<u>December 31, 2011</u>		<u>2011</u>
	<u>Amount</u>	<u>Percentage of Ownership</u>	<u>Investment Income (Loss)</u>
Newmax Technology Co., Ltd. (Newmax)	\$ 1,504,931	29.20%	\$ 34,313
Sky-Fine Investment Limited (Sky-Fine)	<u>68,938</u>	29.00%	<u>(15,368)</u>
	<u>\$ 1,573,869</u>		<u>\$ 18,945</u>

B. The investment income of these investee companies accounted for under the equity method was audited by other auditors.

8) PROPERTY, PLANT AND EQUIPMENT

	<u>December 31, 2012</u>			<u>Net book value</u>
	<u>Cost</u>	<u>Appraisal increment</u>	<u>Accumulated depreciation</u>	
Land	\$ 1,705,048	\$ 53,526	\$ -	\$ 1,758,574
Plant and buildings	3,501,903	-	(1,108,292)	2,393,611
Machinery equipment	4,888,739	-	(2,046,420)	2,842,319
Tooling equipment	3,599,142	-	(2,079,469)	1,519,673
Test equipment	1,280,285	-	(814,438)	465,847
Transportation equipment	67,372	-	(38,809)	28,563
Leasehold improvements	29,523	-	(19,806)	9,717
Miscellaneous equipment	1,909,272	-	(1,137,701)	771,571
Prepayment for equipment	<u>693,601</u>	<u>-</u>	<u>-</u>	<u>693,601</u>
	<u>\$17,674,885</u>	<u>\$ 53,526</u>	<u>(\$7,244,935)</u>	<u>\$10,483,476</u>

	December 31, 2011			
	Cost	Appraisal increment	Accumulated depreciation	Net book value
Land	\$ 1,801,535	\$ 53,526	\$ -	\$ 1,855,061
Plant and buildings	3,182,426	-	(1,026,986)	2,155,440
Machinery equipment	4,544,878	-	(1,704,402)	2,840,476
Tooling equipment	3,195,261	-	(1,756,766)	1,438,495
Test equipment	1,157,253	-	(735,621)	421,632
Transportation equipment	68,998	-	(40,547)	28,451
Leasehold improvements	25,079	-	(13,878)	11,201
Miscellaneous equipment	1,718,146	-	(964,971)	753,175
Prepayment for equipment	531,748	-	-	531,748
	<u>\$16,225,324</u>	<u>\$ 53,526</u>	<u>(\$6,243,171)</u>	<u>\$10,035,679</u>

A. The revaluation increment of land and the reserve for land incremental tax was \$84,208 and \$36,488, respectively. The net appreciation on revaluation of \$47,720 was transferred to capital reserve as of December 31, 1999. Thereafter, certain amount had been used to cover losses. As of December 31, 2012, the reserve balance was \$31,771.

B. No interest was capitalized in 2012 and 2011.

9) INTANGIBLE ASSETS

	December 31,	
	2012	2011
Land use rights	\$ 239,050	\$ 287,356
Less: accumulated amortization	(43,198)	(36,114)
	<u>\$ 195,852</u>	<u>\$ 251,242</u>

During 2012 and 2011, CEM5 and CPCQ acquired government subsidies totaling \$247,261 which was deducted from the cost of land use rights.

10) DEFERRED CHARGES

	December 31,	
	2012	2011
Trademarks	\$ 28	\$ 84
Patents	9,088	7,031
Others	84,921	130,676
	<u>\$ 94,037</u>	<u>\$ 137,791</u>

11) SHORT-TERM LOANS

	<u>December 31,</u>	
	<u>2012</u>	<u>2011</u>
Secured short-term bank loans	\$ -	\$ 256,589
Unsecured short-term bank loans	<u>1,703,897</u>	<u>3,865,586</u>
	<u>\$ 1,703,897</u>	<u>\$ 4,122,175</u>
Interest rates	<u>1.00%~1.95%</u>	<u>1.22%~1.75%</u>

As of December 31, 2012 and 2011, the Group had issued promissory notes as guarantee for the short-term loans. Please see Notes 6 and 7(2).

12) SHORT-TERM BILLS

	<u>December 31,</u>	
	<u>2012</u>	<u>2011</u>
Commercial papers	\$ -	\$ 500,000
Interest rates	<u>-</u>	<u>1.06%~1.36%</u>

13) LONG-TERM LOANS

<u>Bank</u>	<u>Period</u>	<u>Interest rate</u>	<u>December 31, 2012</u>
E.Sun Bank(Series A)	2011.8~2014.8	1.68%	\$ 1,800,000
E.Sun Bank(Series B)	2012.10~2013.1(Note)	1.67%	1,140,000
E.Sun Bank(Series C)	2012.11~2013.2(Note)	1.23%	363,000
TCB BANK	2012.12~2013.3(Note)	1.33%	1,190,640
First Bank	2012.9~2014.9	1.87%	<u>350,640</u>
			<u>\$ 4,844,280</u>
	<u>Period</u>	<u>Interest rate</u>	<u>December 31, 2011</u>
E.Sun Bank (Series A)	2011.8~2014.8	1.64%	\$ 1,800,000
E.Sun Bank (Series B)	2011.11~2012.2	1.64%	360,000
TCB BANK	2011.11~2012.2	2.64%	423,780
TCB BANK	2011.12~2012.3	2.54%	332,970
TCB BANK	2011.12~2012.3	2.57%	302,700
TCB BANK	2011.10~2012.1	3.11%	90,810
TCB BANK	2011.12~2012.3	2.54%	484,320
TCB BANK	2011.10~2012.1	2.17%	200,000
Less: Current portion			<u>(1,834,580)</u>
			<u>\$ 2,160,000</u>

Note: Revolving credit in three years starting from the first drawdown, each credit period limited from 90 to 180 days.

- A) As of December 31, 2012 and 2011, the Group had issued promissory notes as guarantee for the long-term loans. Please see Notes 6 and 7(2).
- B) A long-term syndicated construction loan facility amounting to \$6,000,000 (Series A: \$3,000,000 can finance in batches but credit revolving; Series B: \$3,000,000, credit revolving; Series C: USD 96,000,000, credit revolving; the amount drawdown by Series B and Series C cumulatively must be below \$3,000,000.) for three years was signed by the Company, with E. Sun Commercial Bank as the lead bank in July, 2011. The loan facility will be used for mid-term operations, and repayments will be in accordance with contract requirements. As of December 31, 2012, \$3,303,000 has been drawdown. The main contents of the contract are as follows:
- a. The Group should maintain financial ratios based on annual consolidated financial statements as follows:
 - i) Current ratio is above 100%,
 - ii) Financial liabilities divided by net tangible assets is under 250%,
 - iii) Time interest earned is above 300%, and
 - iv) Net tangible assets are above \$11,000,000,If the Company does not conform to the contract, the Company should adjust within nine months. If the adjusted financial ratios requirements, there is not breach of contract.
 - b. The Company should use the debts for its intended purpose (not for treasury stock, capital expenditures, cash dividends and investments) and prepare the appropriate books and records for cash disbursements for future examination. Lenders do not take responsibility for supervision.
 - c. If the Company needs additional operating capital, the Company should issue stocks for cash, borrow from stockholders, or other means. If the borrower obtains capital from stockholders, the Company should get the commitment from stockholders that the creditors' rights are subordinated, and the interest rate should not be over the lowest rate mentioned in the contract. The borrower should repay the principal, interests, and all the related expenses before repaying the advances made by the borrower's stockholders.
 - d. Parts of the credit rights of qualified accounts receivable of the Company should be transferred to the lead bank after the contract date. These qualified accounts receivable plus the balance of the special-purpose bank account should be over 65% of the facility of Series B and Series C as a whole.
- C) A long-term syndicated construction loan facility signed by the Company with E. Sun Commercial Bank as the lead bank in January, 2009 had been repaid in August 2011.

- D) A long-term syndicated construction loan facility amounting to \$5,000,000 (can be drawdown in the United States Dollars within 60% of the total credit facility) for a period of three years was signed by CP with Taiwan Cooperative Bank as the lead bank in May 2012. The construction loan is for mid-term operations. As of December 31, 2012, \$1,190,640 has been drawdown and repayments will be in accordance with contract requirements. The main contents of the contract are as follows:
- a. CP annual consolidated financial statement should maintain financial ratios based on as follows:
 - i) Current ratio is above 100%,
 - ii) Financial liabilities divided by net tangible assets after subtracting cash and cash equivalents is under 250%,
 - iii) Time interest earned is above 300%, and
 - iv) Net tangible assets are above \$2,500,000,If CP does not conform to the contract, CP should adjust within nine months. If the adjusted financial ratios meet the requirements, there is not breach of contract.
 - b. The Company should maintain appropriate accounts receivable ratio, which means the total of qualified accounts receivable balance and the compensation accounts balance divided by the remainder of undrawn balance should be above 70%. The remainder of undrawn balance is CP's expected drawdown amounts plus the remainder of undrawn amounts. If the ratio cannot be maintained appropriately, CP should choose any of the following actions to make the accounts receivable ratio complied with the contract within seven days after the managing bank's notification:
 - i) Provide other qualified accounts receivable which was certified by the managing bank, or,
 - ii) Repay the loan immaturely, or,
 - iii) Deposit in compensation accounts.
 - c. As part of the contract, the commitment fee should be calculated every three months, which begins six months after CP drawdown the credit for the first time. During the commitment fee calculation period, if the average drawdown amounts are less than 60% of the total loan facility, the commitment fee should be calculated quarterly, using the difference of actual drawdown amounts and 60% of the total loan facility, multiplied by 0.15%, the annual fee rate, and then pay the managing bank every three months.
 - d. The Group should maintain voting power over CP above 51% and also have control power over CP's operations. However, for the compilation of rules governing the listed companies, the highest voting ratio and seats

should follow “Taiwan Stock Exchange Corporation Rules Governing Review of Securities Listings” and “GreTai Securities Market Rules Governing the Review of Securities for Trading on the GTSM”.

E) A long-term syndicated construction loan facility amounting to \$3,500,000 (credit revolving) for a period of three years was signed by CP, with Taiwan Cooperative Bank as the lead bank in October 2009. The loan facility is for mid-term operations. The main contents of the contract are as follows:

a. CP should maintain financial ratios based on semi-annual and annual consolidated financial statement as follows:

- i) Current ratio is above 100%,
- ii) Financial liabilities which divided by net tangible assets after subtracting cash and cash equivalents is under 270%,
- iii) Time interest earned is above 300%, and
- iv) Net tangible assets are above \$2,000,000,

b. The Company should maintain appropriate accounts receivable ratio, which means the total of qualified accounts receivable balance and the compensation accounts balance divided by the remainder of undrawn balance should be above 85%. The remainder of undrawn balance is CP’s expected drawdown amounts plus the remainder of undrawn amounts. If the ratio cannot be maintained appropriately, CP should choose any of the following actions to comply with the contract within seven days after the managing bank’s notification:

- i) Provide other qualified accounts receivable which was certified by the managing bank, or,
- ii) Repay the loan immaturity, or,
- iii) Deposit in compensation accounts.

c. As part of the contract, the commitment fee should be calculated every three months, which begins six months after CP drawsdowns the credit for the first time. During the commitment fee calculation period, if the average drawdown amounts are less than 60% of the total loan facility, the commitment fee should be calculated quarterly, using the difference of actual drawdown amounts and 60% of the total loan facility, multiplied by 0.15%, the annual fee rate, and then pay the managing bank every three months.

d. The Group should maintain voting power over CP above 51% and also have control power over CP’s operations. However, for the compilation of rules governing the listed companies, the highest voting ratio and seats should follow “Taiwan Stock Exchange Corporation Rules Governing

Review of Securities Listings” and “GreTai Securities Market Rules Governing the Review of Securities for Trading on the GTSM”.

e. CP has repaid all the amounts mentioned above in May 2012.

14) RESERVE FOR PENSION

A. The Company and its Taiwan subsidiaries have their own non-contributory and funded defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees hired before July 1, 2005. The Company contributes monthly an amount equal to 2% of the employees’ monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. The fund balance with the Bank of Taiwan was \$220,150 and \$218,885 as of December 31, 2012 and 2011, respectively.

B. The Company used December 31, 2012 and 2011 as the measurement date for the pension actuary valuation and the related information are as follows:

	<u>2012</u>	<u>2011</u>
Discount rate	1.75%~1.88%	1.90%~2.00%
Expected fund return rate	1.75%~1.88%	1.90%~2.00%
Expected salary increase rate	2.00%~3.00%	2.00%~3.00%

C. Reconciliation of funded status:

	<u>December 31,</u>	
	<u>2012</u>	<u>2011</u>
Benefit obligations:		
Vested benefit obligation	(\$ 102,515)	(\$ 72,375)
Non-vested benefit obligation	(128,214)	(137,627)
Accumulated benefit obligation	(230,729)	(210,002)
Additional benefits based on future salaries	(60,801)	(65,901)
Projected benefit obligation	(291,530)	(275,903)
Fair value of plan assets	<u>220,150</u>	<u>218,885</u>
Funded status	(71,380)	(57,018)
Unrecognized net transition obligation	161	732
Unrecognized gain	<u>33,044</u>	<u>18,047</u>
Accrued pension liabilities	<u>(\$ 38,175)</u>	<u>(\$ 38,239)</u>

D. Pension cost consisted of the following:

	<u>2012</u>	<u>2011</u>
Service cost	\$ 5,446	\$ 5,371
Interest cost	5,502	5,082
Expected return on pension assets	(4,414)	(4,273)
Amortization of unrecognized net transition obligation	572	1,381
Amortization of unrecognized pension gain	(306)	(375)
Gain or loss from curtailment or settlement	(<u>1,569</u>)	<u>1,186</u>
Net periodic pension cost	<u>\$ 5,231</u>	<u>\$ 8,372</u>

- E. Effective July 1, 2005, the Company and its Taiwan subsidiaries established their own funded defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”). Employees have the option to be covered under the New Plan. Under the New Plan, the Company and its Taiwan 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 portable upon termination of employment. The pension costs under the defined contribution pension plan for the years ended December 31, 2012 and 2011 amounted to \$55,252 and \$45,989, respectively.
- F. UNIKEY and the overseas subsidiaries of the Company have a funded defined contribution plan. The pension costs under the defined contribution pension plan for the years ended December 31, 2012 and 2011 amounted to \$5,221 and \$7,349, respectively.
- G. The Company’s subsidiaries in Mainland China have a funded defined contribution plan. Monthly contributions are based on the employees’ monthly salaries and wages to an independent fund administered by the government in accordance with the pension regulations in the People’s Republic of China (PRC). The pension costs under the defined contribution pension plan for the years ended December 31, 2012 and 2011 amounted to \$335,437 and \$338,417, respectively.

15) COMMON STOCK

- A. The authorized common stock was amended to \$8,000,000, with a par value of \$10 (in dollars) per share, and the amendment had been approved on July 26, 2011. As of December 31, 2012 and 2011, the paid-in capital was \$6,757,782 and \$6,444,436, respectively and the outstanding common stock was 675,778 and 644,444 thousand shares, respectively.
- B. The stockholders at their meeting on June 12, 2012 had approved to issue common stock dividends amounting to \$225,555 and employees’ stock bonus amounting to \$430,000 at a price of \$54.7 (in dollars) based on the

previous closing price of \$48.98 (in dollars) at the day of the stockholders' meeting on June 11, 2012, issuing 8,779 thousand shares. A total of 31,334 thousand shares had been issued and, the company has obtained a letter of approval from the appropriate authorities. The issued date was set on July 4, 2012, and the Company had completed the related registration on July 26, 2012.

16) CAPITAL RESERVE

Pursuant to the R.O.C. Company Law, capital reserve 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 reserve to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. Capital reserve should not be used to cover accumulated deficit unless the legal reserve is insufficient.

17) RETAINED EARNINGS

A. Legal reserve

The Company Law requires the Company to set aside 10% of its annual net income as legal reserve (less prior years' losses, if any) before it declares any part of such net profits as dividends and/or bonuses, until the legal reserve equals the total paid-in capital. This reserve shall be used exclusively to cover losses or issue new stocks or cash to shareholders in proportion to their share ownership, provided that the balance of the legal reserve exceeds 25% of the Company's paid-in capital.

B. Special reserve

Under the R.O.C. SFC regulations, in addition to legal reserve and prior to distribution of earnings, the Company should set aside a special reserve in an amount equal to the net change in the reduction of the stockholders' equity as of the prior year from its annual net income and undistributed earnings of prior years, resulting from adjustments such as cumulative foreign currency translation adjustment and unrealized loss on long-term investment. Such special reserve is not available for dividend distribution. In the subsequent year(s), if the year-end balances of the cumulative foreign currency translation adjustment and unrealized loss on long-term investment no longer result in a reduction in stockholders' equity, the special reserve previously set aside will then be available for distribution as decided in the annual stockholders' meeting.

C. Undistributed earnings

(1) According to the Company's Articles of Incorporation, the Company's net income (less income tax and prior years' losses, if any) is appropriated in the following order:

- a) 10% for legal reserve, until the legal reserve equals the total capital stock balance;
- b) special reserve in accordance with Article 41 of the R.O.C. Securities Exchange Act and the related R.O.C. SFC regulations;
- c) 1% as directors' and supervisors' remuneration; and
- d) 16% as employees' bonus;

The Board of Directors should present the distribution of the remaining earnings for the approval of the shareholders at the shareholders' meeting.

(2) The Taiwan imputation tax system requires that any undistributed current earnings, on tax basis, of a company derived on or after January 1, 1998 be subject to an additional 10% corporate income tax if the earnings are not distributed before a specific time. This 10% additional tax on undistributed earnings paid by the Company can be used as tax credit by the shareholders, including foreign shareholders, against the withholding tax on dividends. In addition, the domestic shareholders can claim a proportionate share in the Company's corporate income tax as tax credit against its individual income tax liability effective 1998. The information on these undistributed earnings and tax credits are as follows:

	<u>December 31,</u>	
	<u>2012</u>	<u>2011</u>
Undistributed retained earnings before 1998	\$ 17,867	\$ 17,867
Undistributed retained earnings in and after 1998		
- Undistributed earnings subject to the 10% additional tax	3,549,853	2,612,450
- Undistributed earnings not subject to the 10% additional tax	<u>3,844,235</u>	<u>4,156,369</u>
	<u>\$7,411,955</u>	<u>\$6,786,686</u>

(3) Tax credit

As of December 31, 2012, the imputation tax credit account balance was \$399,161 and the estimated creditable tax ratio was 12.87%.

(4) The actual creditable tax ratio of distributed earnings in 2011 was 6.94% for cash dividends and 6.93% for stock dividends.

D. Subsequent events: The appropriations of 2012 earnings had been proposed at the Board of Directors' meeting on March 15, 2013, and is awaiting the

approval of the shareholders during the shareholders' meeting. Details are summarized below:

	<u>2012</u>	
	<u>Amount</u>	<u>Dividends per share (in dollars)</u>
Legal reserve	\$ 384,424	
Special reserve	1,024,085	
Stock dividends	67,578	\$ 0.10
Cash dividends	2,770,691	4.10
Directors' and supervisors' remuneration	24,357	
Employees' stock bonus	322,000	
Employees' cash bonus	<u>67,716</u>	
Total	<u>\$4,660,851</u>	

E. The appropriations of 2011 and 2010 earnings had been approved at the shareholders' meeting on June 12, 2012 and June 10, 2011, respectively, and the details are summarized below:

	<u>2011</u>		<u>2010</u>	
	<u>Amount</u>	<u>Dividends per share (in dollars)</u>	<u>Amount</u>	<u>Dividends per share (in dollars)</u>
Legal reserve	\$ 415,637		\$ 365,006	
Stock dividends	225,555	\$ 0.35	215,465	\$ 0.35
Cash dividends	2,577,774	4.00	2,462,458	4.00
Directors' and supervisors' remuneration	37,407		32,851	
Employees' stock bonus	430,000		392,610	
Employees' cash bonus	<u>168,517</u>		<u>133,000</u>	
Total	<u>\$3,854,890</u>		<u>\$3,601,390</u>	

There were no differences between the actual appropriations of 2011 and 2010 earnings with the amounts proposed by the Board of Directors.

F. For the years ended December 31, 2012 and 2011, the Company estimated employees' stock bonus and directors' and supervisors' remuneration as follows:

	<u>2012</u>	<u>2011</u>
Employees' stock bonus	\$ 389,716	\$ 598,517
Directors' and supervisors' remuneration	<u>24,357</u>	<u>37,407</u>
Total	<u>\$ 414,073</u>	<u>\$ 635,924</u>

The above estimates were based on net income after tax, legal reserve and special reserve for 2012 and 2011, in accordance with the Company's Articles of Incorporation (1% as directors' and supervisors' remuneration, and 16% as employees' bonus) and was recorded as operating expenses and in 2012 and 2011.

G. A total of 8,779 thousand shares at \$48.98 (in dollars) per share were issued as employees' stock bonus for the above mentioned 2011 earnings appropriation. The employees' stock bonus and directors' and supervisors' remuneration recognized in the 2011 financial statements were \$598,517 and \$37,407, respectively. There was no difference between the amount as resolved at the shareholders' meeting and the amount recognized in the financial statements.

H. The information regarding the Board of Directors' approval of earnings distribution will be posted in the Market Observation Post System of the Taiwan Stock Exchange website when it is available.

18) TREASURY STOCK

	<u>For the year ended December 31, 2011</u>			
	Beginning			Ending
	Shares (in			Shares (in
<u>Purpose of reacquisition</u>	<u>thousands)</u>	<u>Additions</u>	<u>Disposals</u>	<u>thousands)</u>
To be reissued to employees	<u>10,000</u>	<u>-</u>	<u>(10,000)</u>	<u>-</u>

A. According to the R.O.C. Securities and Exchange Law, treasury stocks shall not exceed 10% of the total shares of common stocks issued by the Company. The cost of outstanding treasury stocks should not exceed the total of retained earnings, paid-in capital in excess of par value and realized capital reserve. As of December 31, 2012 and 2011, the amount of treasury stock the Company bought back was \$0.

B. According to the R.O.C. Securities and Exchange Law, treasury stocks shall not be pledged and cannot exercise the stockholders' right until reissued.

C. Pursuant to the R.O.C. Securities and Exchange Law, the treasury stocks should be transferred within three years from the date of purchase. The shares not transferred within the three-year period shall be deemed as not issued by the Company, and the amendment registration shall be processed:

On April 7, 2011, the Board of Directors approved to cancel 10,000,000

shares of treasury stocks that had not been transferred by the end of 2010. The amendment registration had been approved by the relevant Authority on April 18, 2011.

- D. Effective January 1, 2002, in accordance with R.O.C. SFAS No. 30, “Accounting for Treasury Stock”, the Company’s common stock owned by its subsidiaries are treated as treasury stock. A summary of the Company’s common stock owned by its subsidiaries as of December 31, 2012 and 2011 follows:

<u>For the year ended December 31, 2012</u>								
	<u>Beginning balance</u>		<u>Stock dividend</u>		<u>Disposal</u>		<u>Ending balance</u>	
	Cost						Market	
<u>Subsidiary</u>	<u>Shares (in thousands)</u>	<u>value/share (in dollars)</u>	<u>Shares (in thousands)</u>	<u>Share</u>	<u>Selling price/share</u>	<u>Shares (in thousands)</u>	<u>value/share (in dollars)</u>	
UNIKEY	19,757	\$ 10.42	691	-	\$ -	20,448	\$ 67.10	
HEC	15,105	6.98	529	-	-	15,634	67.10	

<u>For the year ended December 31, 2011</u>								
	<u>Beginning balance</u>		<u>Stock dividend</u>		<u>Disposal</u>		<u>Ending balance</u>	
	Cost						Market	
<u>Subsidiary</u>	<u>Shares (in thousands)</u>	<u>value/share (in dollars)</u>	<u>Shares (in thousands)</u>	<u>Share</u>	<u>price/shares</u>	<u>Shares (in thousands)</u>	<u>value/share (in dollars)</u>	
UNIKEY	19,089	\$ 10.78	668	-	\$ -	19,757	\$ 49.65	
HEC	14,594	7.23	511	-	-	15,105	49.65	

- E. As of December 31, 2012 and 2011, the total cost of the Company’s shares held by its subsidiaries was as follows:

<u>Subsidiary</u>	<u>December 31,</u>	
	<u>2012</u>	<u>2011</u>
UNIKEY	\$205,795	\$205,795
HEC	105,482	105,482
	<u>\$311,277</u>	<u>\$311,277</u>

19) INCOME TAX

Income tax expense and income tax payable are reconciled as follows:

	<u>2012</u>	<u>2011</u>
Income tax payable	\$1,010,363	\$ 783,572
Adjustment of income tax payable	(472,820)	(333,836)
Over provision of prior year's income tax	1,695	(1,310)
Prepaid tax	<u>342,150</u>	<u>297,981</u>
Current income tax expense	881,388	746,407
Net change in deferred income tax	<u>(97,012)</u>	<u>1,257</u>
Income tax expense	<u>\$ 784,376</u>	<u>\$ 747,664</u>

A. Pursuant to the R.O.C. Income Tax Act, the 10% tax on unappropriated earnings were \$93,740 and \$61,410 for the years ended December 31, 2012 and 2011, respectively.

B. Deferred income tax assets and liabilities:

	<u>December 31,</u>	
	<u>2012</u>	<u>2011</u>
Deferred income tax assets	<u>\$255,204</u>	<u>\$194,827</u>
Valuation allowance for deferred income tax assets	<u>\$ 96,735</u>	<u>\$133,898</u>
Deferred income tax liabilities	<u>\$ 16,257</u>	<u>\$ 15,729</u>

C. Deferred income tax assets (liabilities) consist of the following:

	<u>December 31,</u>			
	<u>2012</u>		<u>2011</u>	
<u>Current deferred income tax assets</u>	<u>Amount</u>	<u>Tax effect</u>	<u>Amount</u>	<u>Tax effect</u>
Unrealized exchange loss	\$122,212	\$ 20,776	\$223,881	\$ 38,060
Unrealized intercompany profit	10,565	1,796	18,429	3,133
Provision for inventory price decline and obsolescence	157,330	28,368	114,877	20,120
Allowance for doubtful accounts in excess of tax limit	95,955	16,540	180,201	18,608
Unrealized gain on disposal of fixed assets	-	-	533	94
Unrealized accrued expense	333,983	56,870	129,682	22,046
Others	50,555	9,742	51,006	10,591
Unrealized gain on financial assets	(9,418)	(1,601)	(5,912)	(1,005)
Valuation allowance on deferred income tax assets		<u>(32,966)</u>		<u>(69,317)</u>
		<u>\$ 99,525</u>		<u>\$ 42,330</u>

	December 31,			
	2012		2011	
	Amount	Tax effect	Amount	Tax effect
<u>Current deferred income tax assets</u>				
<u>Non-current deferred income tax assets</u>				
Unrealized gain on disposal of fixed assets	\$ 8,700	\$ 1,479	\$ 13,788	\$ 2,344
Unfunded pension expense	39,728	6,754	41,275	7,017
Long-term investment loss	212,988	36,208	220,235	37,440
Tax benefit resulting from operating loss carryforwards	47,029	7,948	105,451	17,926
Unrealized compensation revenue	274,714	41,206	-	-
Others	58,422	11,332	67,858	13,331
Investment tax credits		16,185		4,117
Valuation allowance on deferred income tax assets		(63,769)		(64,581)
		<u>\$ 57,343</u>		<u>\$ 17,594</u>
<u>Non-current deferred income tax liabilities</u>				
Long-term investment gain etc.	(\$ 71,792)	(\$ 12,205)	(\$ 71,792)	(\$ 12,205)
Temporary differences of fixed assets for tax and financial purposes	(12,590)	(2,451)	(12,590)	(2,519)
		<u>(\$ 14,656)</u>		<u>(\$ 14,724)</u>

D. Subsequent event: The Company and CP's income tax returns for the years through 2010 have been assessed and approved by the R.O.C Tax Authority. However, both the Company and CP do not agree with ascertain on part of the assesment; therefore, both the Company and CP have filed an administrative appeal in March, 2013.

E. As of December 31, 2012, the subsidiaries' balance of tax benefits resulting from operating loss carryforwards amounted to \$47,029 with the final year tax credits due in 2020.

20) EARNINGS PER SHARE

	For the year ended December 31, 2012				
	Amount		Weighted-average outstanding shares (in thousands)	Earnings per share	
	Income before income tax	Net income		Income before income tax	Net income
Basic earnings per share:					(in dollars)
Net income	\$ 4,628,611	\$3,844,235	635,672	\$ 7.28	\$ 6.05
Dilutive effect of common stock equivalents					
Employee bonus	-	-	8,752		
Diluted earnings per share:					
Net income plus dilutive effect of common stock equivalents	\$ 4,628,611	\$3,844,235	644,424	\$ 7.18	\$ 5.97

	For the year ended December 31, 2011				
	Amount		Weighted-average outstanding shares (in thousands)	Earnings per share	
	Income before income tax	Net income		Income before income tax	Net income
Basic earnings per share:					(in dollars)
Net income	\$ 4,904,033	\$4,156,369	627,882	\$ 7.81	\$ 6.62
Dilutive effect of common stock equivalents					
Employee bonus	-	-	17,699		
Diluted earnings per share:					
Net income plus dilutive effect of common stock equivalents	\$ 4,904,033	\$4,156,369	645,581	\$ 7.60	\$ 6.44

The above weighted-average outstanding shares of common stock in 2012 and 2011 have been adjusted according to the earnings distribution approved by the Board of Directors and stockholders.

Effective January 1, 2008, as employees' bonus could be distributed in the form of stock, the diluted EPS computation shall include those estimated shares that would increase from employees' stock bonus issuance in the weighted-average number of common shares outstanding during the reporting year, which take into account the dilutive effects of stock bonus on potential common shares; whereas, basic EPS shall be calculated based on the weighted-average number of common shares outstanding during the reporting year that include the shares of employees' stock bonus for the appropriation of prior year earnings, which have already been resolved at the shareholders' meeting held in the reporting year. Since capitalization of employees' bonus no longer belongs to distribution of stock dividends (or retained earnings and capital reserve capitalized), the calculation of basic EPS and diluted EPS for all periods presented shall not be adjusted retroactively.

21) PERSONNEL EXPENSES, DEPRECIATION AND AMORTIZATION

	For the years ended December 31,					
	2012			2011		
	<u>Operating cost</u>	<u>Operating expense</u>	<u>Total</u>	<u>Operating cost</u>	<u>Operating expense</u>	<u>Total</u>
Personnel Expenses						
Salaries and wages	\$ 5,290,076	\$2,396,296	\$7,686,372	\$ 4,724,478	\$2,521,335	\$7,245,813
Insurance	94,351	115,806	210,157	60,014	129,408	189,422
Pension	163,370	237,771	401,141	128,883	271,244	400,127
Others	70,559	89,170	159,729	74,164	73,762	147,926
Depreciation	840,872	387,887	1,228,759	982,860	408,119	1,390,979
Amortization	36,791	127,871	164,662	44,255	147,968	192,223

5. RELATED PARTY TRANSACTIONS

1) Relationship with major related parties

<u>Names of related parties</u>	<u>Relationship with the Company</u>
Clevo Co. (Clevo)	Same Chairman
Newmax Technology Inc. (Newmax)	Investee company accounted for under the equity method
ShunOn Electronics Co. (ShunOn)	Corporate director
LumenMax Optoelectronics Co., Ltd.	CP appointed as corporate director
Jim Yu Electronics (Wu Juang) Co., Ltd. (Jim Yu)	Investee company accounted for under the equity method of GFI
Sky Fine Investment Limited (SkyFine)	Investee company accounted for under the equity method of Kuang Mao International Inc.
Farwin Electronics Co., Ltd. (Farwin)	Investee company accounted for under the equity method of Sky-Fine
Kai Bo Computer (Kunshan) Co., Ltd. (Kai Bo Kunshan)	Investee company accounted for under the equity method of Clevo
Buynow Group (Buynow Xuhui Branch)	Investee company accounted for under the equity method of Clevo
Beijing Kai-Ye Electronics Technology Ltd. (Beijing Kai-Ye)	Investee company accounted for under the equity method of Clevo
Buynow Group (Buynow Changchun Branch)	Investee company accounted for under the equity method of Clevo
Chicony Square Group (Chicony Square Wuhan)	Investee company accounted for under the equity method of Clevo
Chicony Square Group (Chicony Square Chengdu)	Investee company accounted for under the equity method of Clevo
Buynow Group (Buynow Guangzhou Branch)	Investee company accounted for under the equity method of Clevo
Buynow Group (Buynow Haerbin Branch)	Investee company accounted for under the equity method of Clevo
Buynow Group (Buynow Fujien Branch)	Investee company accounted for under the equity method of Clevo
Mao-Kuei Lin	The Company's vice president and general manager
Kuo-Hua Tseng	CP's manager
Wei-Hao Cheng	CP's manager
Ju-Fang Wu	CP's manager
Chung-Nan Tsai	CP's manager
Wen-Chuan Kuo	CP's manager
Wei-Ming Hu	CP's manager
Hsueh-Yi Chen	CP's manager
Hsi-Lung Yang	XAVi's manager

2) Significant related party transactions and balances

A. Sales

	<u>For the years ended December 31,</u>			
	<u>2012</u>		<u>2011</u>	
	<u>Amount</u>	<u>% of net sales</u>	<u>Amount</u>	<u>% of net sales</u>
Kai Bo Kunshan	\$ 101,983	-	\$ 68,652	-
Jim Yu	23,986	-	63,150	-
Chicony Square Wuhan	14,742	-	-	-
Chicony Square Chengdu	10,170	-	-	-
Buynow Changchun Branch	4,857	-	-	-
Buynow Guangzhou Branch	4,735	-	-	-
Beijing Kai-Ye	3,853	-	-	-
Buynow Xuhui Branch	237	-	2,850	-
Others	<u>27,817</u>	<u>-</u>	<u>1,841</u>	<u>-</u>
	<u>\$ 192,380</u>	<u>-</u>	<u>\$ 136,493</u>	<u>-</u>

The terms of the sales to related parties were the same as those to third parties. In general, the collection periods ranged from 60 to 90 days.

B. Accounts receivable

	<u>December 31,</u>			
	<u>2012</u>		<u>2011</u>	
	<u>Amount</u>	<u>% of total notes and accounts receivable</u>	<u>Amount</u>	<u>% of total notes and accounts receivable</u>
Kai Bo Kunshan	\$ 44,410	-	\$ 29,990	-
Chicony Square Chengdu	11,793	-	-	-
Chicony Square Wuhan	8,292	-	-	-
Buynow Haerbin Branch	5,666	-	-	-
Buynow Guangzhou Branch	4,974	-	-	-
Jim Yu	2,304	-	24,363	-
Others	<u>14,734</u>	<u>-</u>	<u>1,139</u>	<u>-</u>
	<u>\$ 92,173</u>	<u>-</u>	<u>\$ 55,492</u>	<u>-</u>

C. Purchases

	For the years ended December 31,			
	2012		2011	
	Amount	% of net purchases	Amount	% of net purchases
ShunOn	\$ 881,152	2	\$ 700,408	1
Jim Yu	517,781	1	614,414	1
Newmax	669,191	1	527,360	1
Farwin	512,746	1	363,243	1
	<u>\$2,580,870</u>	<u>5</u>	<u>\$2,205,497</u>	<u>4</u>

All purchases were made in the normal course of business.

D. Accounts payable

	December 31,			
	2012		2011	
	Amount	% of total accounts payable	Amount	% of total accounts payable
Jim Yu	\$266,316	2	\$216,993	2
Farwin	201,383	1	92,067	1
Newmax	119,177	1	74,166	1
ShunOn	90,522	-	25,140	-
Skahhex	3,210	-	1,147	-
	<u>\$680,608</u>	<u>5</u>	<u>\$409,513</u>	<u>4</u>

E) Service charges

ShunOn, Clevo and SkyFine charged the Company \$25,258 and \$50,563 in 2012 and 2011, respectively, for offering technical support related to product promotion and sales.

F) Other payables

As of December 31, 2012 and 2011, other payables owed to related parties because of collections and payments are as follows:

	December 31,	
	2012	2011
Jim Yu	\$ 3,138	\$ 8,942
Others	333	886
	<u>\$ 3,471</u>	<u>\$ 9,808</u>

G) Asset transactions

The Company's subsidiary, HEC, sold stocks of CP and the details are as follows:

<u>Parties involved</u>	<u>Marketable Security</u>	<u>2012</u>		
		<u>Number of Shares (in thousands)</u>	<u>Disposal Price</u>	<u>Disposal Gain</u>
Mao-Kuei Lin and other 8 managers	CP	7,825	<u>\$123,635</u>	<u>\$ 9,955</u>

H) Salaries / rewards information of key management, such as directors, supervisors, general manager, vice general manager, etc.

	<u>For the years ended December 31,</u>	
	<u>2012</u>	<u>2011</u>
Salaries	\$ 57,892	\$ 53,819
Bonuses	109,078	78,215
Earnings appropriation	<u>111,920</u>	<u>214,905</u>
Total	<u>\$ 278,890</u>	<u>\$ 346,939</u>

- a) Salaries include regular wages, special responsibility allowances, pensions, severance pay, etc.
- b) Bonuses include various bonuses and rewards.
- c) Service executive fees include travel allowances, special expenditures, various allowances, dorms and vehicles benefits, etc.
- d) Earnings appropriation include directors' and supervisors' remuneration and employee bonuses (the earnings appropriation for 2011 was adjusted based on actual information).
- e) The appropriations of 2012 earnings had been proposed at the Board of Directors' meeting on March 15, 2013, and is awaiting the approval of the shareholders at the shareholders' meeting.
- f) The relevant information above was disclosed in the Company's annual report.

6. PLEDGED ASSETS

(1) The following assets were pledged to secure loans and other credit facilities:

<u>Assets</u>	<u>December 31,</u>		<u>Purpose</u>
	<u>2012</u>	<u>2011</u>	
Pledged bank deposit (shown as other financial assets-noncurrent)	\$ 13,895	\$ 14,758	Guarantee for tariff
Time deposits (shown as other financial assets-current)	650	1,607	Guarantee for tariff and social insurance
Land, plant and equipment and land use rights (shown as other intangible assets)	2,656	-	Guarantee for short-term and long-term loans
Refundable deposits	<u>77,561</u>	<u>71,749</u>	Guarantee for rental
	<u>\$ 94,762</u>	<u>\$ 88,114</u>	

(2) As of December 31, 2012, UNIKEY and HEC have pledged the Company's common stock (shown as "treasury stock") amounting to 10,000,000 and 12,600,000 shares, respectively, as pledge for loans.

7. COMMITMENTS AND CONTINGENT LIABILITIES

As of December 31, 2012, the Group had the following significant contingent liabilities and commitments:

- 1) The Group had unused letters of credit for purchases of raw materials amounting to approximately \$45,576.
- 2) For bank loans, financing forward exchange contracts, bill purchased and accounts receivable factoring purposes, the Group provided standby promissory notes totaling \$41,631,504 as security.
- 3) The subsidiaries, XAVi, CP, UNIKEY, Mao-Ray, DongGuan Had Eri Iou Plastic Corporation, CAI, CEG, CPSZ, GSE, CPHK and CPUS had leasing commitments, which are summarized below:

	<u>Amount</u>
First Year	\$ 97,124
Second Year	69,064
Third Year	67,667
Fourth Year	67,605
Fifth Year and Thereafter	<u>405,775</u>
Total	<u>\$ 707,235</u>

- 4) Mao-Ray and Dong Guan Had Eri Iou Plastic Corporation have aggregate minimum commitments under the agreements with local government for the lease of land from 1998 to 2042. The related leasing and management fee each year is \$30,716.
- 5) At the Company's Board of Directors' meeting in November 2012, the Company's Board of Directors had approved to donate land and plan roads to the New Taipei City Government, to increase the floor area ratio of the new built headquarter buildings. The New Taipei City Government had approved, and the Company had completed related registration in January 2013.
- 6) At the Company's Board of Directors' meeting on March 15, 2013, the Company's Board of Directors had approved the headquarter buildings construction budget proposal, totaling \$2,700,000. The related construction will be conducted in accordance with the overall construction schedule.
- 7) Comarco, Inc. (abbreviated as Comarco) had ordered 90W NB Adapter from CP. As of March 2010. Comarco still has an outstanding liability to CP in the amount of USD 1,153 thousand; Accordingly, CP filed an indictment against Comarco in Orange County Superior Court in April 2011 to request Comarco to pay the outstanding balance, however, Comarco filed a counterclaim against CP in May 2011, and claimed that Comarco had recalled its products because the adapters CP had provided were defective, and therefore Comarco requested compensation of USD 4,900 thousand from CP for the losses. The case is ongoing for over a year since filing, and it is currently under evidence gathering and investigative process.

The possibility to settle the case in the near future is remote, because the claims held by both parties was too different. According to Comarco's counterclaim, if the court rules in favor of Comarco, CP will have to pay USD 4,900 thousand, attorney fees, and all the lawsuit related expenses. However, according to CP's claim, CP had informed Comarco about the risk that might be caused by the design of other parts. Besides, based on the contract signed by both parties, Comarco had to ensure CP from the losses caused by change of specifications and designs, so CP had no reserves about the potential loss. However, CP had fully reserved for the remaining accounts receivable from Comarco, amounting USD 1,159 thousand.

- 8) In January 2012, Dell Products (Manufacturing) Limited (abbreviated as Dell) had filed an indictment in Ireland Supreme Court to charge CP as co-defendant. In the case, the original plaintiff (Thomas McDonagh & Sons) had claimed that Dell's customer, which is ICI Dulux Paint Limited (abbreviated as ICI,) had produced paint mixing machines (which contained Dell's brand-name desktop computers and also Dell desktop power adapters produced by CP) that had caused the fire in its factory and caused the related losses. Therefore, the original plaintiff (Thomas McDonagh & Sons) had requested compensation of EUR 1,273,125.7 from its defendant. During the lawsuit process, ICI had made Dell as co-defendant, and Dell therefore also had made CP as co-defendant. The case has currently not yet entered into evidence gathering and investigative process. However, CP had covered the products with product liability insurance, so the insurance company will be responsible for the further lawsuit settlement and agreement.

If the agreement can be reached before the case is settled by the court, CP will

be responsible for the compensation based on the agreement reached. If the agreement can not be reached, the compensation will depend on Ireland Supreme Court's settlement. If Ireland Supreme Court decides that the fire was caused by CP's products, there will be a strong possibility that CP have to compensate the plaintiff with the related losses. However, because the product liability insurance can cover the compensation amount, CP had no reserves for the potential losses.

8. MAJOR CATASTROPHE

None.

9. SUBSEQUENT EVENTS

- 1) Please see Note 4 (17) D. for the details on appropriation of the 2011 earnings.
- 2) Please see Note 4 (19) E. for the details on administrative appeal of the 2012 income tax assesment.
- 3) Please see Notes 7 (5) and (6) for the details of increase in floor area ratio event, and the new built headquarters budget proposal event.

10. OTHERS

- 1) Fair value of financial instruments:

	<u>December 31, 2012</u>		
	<u>Book value</u>	<u>Fair value</u>	
		<u>Quotation in an active market</u>	<u>Estimated using a valuation technique</u>
<u>Non-derivative financial instruments</u>			
Assets			
Financial assets with book value equal to fair value	\$19,679,457	\$ -	\$19,679,457
Available-for-sale financial assets	4,002,629	4,002,629	-
Financial assets carried at cost	695,208	-	-
Liabilities			
Financial liabilities with book value equal to fair value	21,059,707	-	21,059,707
Long-term loans	4,844,280	-	4,844,280
<u>Derivative financial instruments</u>			
Assets			
Forward exchange contracts	19,279	19,279	-
SWAP	8,133	8,133	-
Futures contracts	7,363	7,363	-
Liabilities			
Forward exchange contracts	2	2	-
SWAP	21	21	-

	December 31, 2011		
	<u>Book value</u>	<u>Fair value</u>	
		<u>Quotation in an active market</u>	<u>Estimated using a valuation technique</u>
<u>Non-derivative financial instruments</u>			
Assets			
Financial assets with book value equal to fair value	\$16,245,052	\$ -	\$16,245,052
Available-for-sale financial assets	5,873,876	5,873,876	-
Financial assets carried at cost	550,284	-	-
Liabilities			
Financial liabilities with book value equal to fair value	19,004,592	-	19,004,592
Long-term loans	3,994,580	-	3,994,580
<u>Derivative financial instruments</u>			
Assets			
Forward exchange contracts	44,016	44,016	-
SWAP	7,575	7,575	-
Liabilities			
Forward exchange contracts	7,675	7,675	-
SWAP	1,097 783	1,097 783	- -

The methods and assumptions used to estimate the fair values of the above financial instruments are summarized below:

- A. For short-term instruments, the fair values were determined based on their carrying values because of their short maturities. This method was applied to cash and cash equivalents, notes receivable, accounts receivable, other receivables, other financial assets, short-term loans, notes payable, accounts payable, accrued expenses and other payables.
- B. The fair value of the investments in bonds without active markets are based on their call value.
- C. Available-for-sale financial instruments are regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the market for a financial instrument is not active, an entity establishes fair value by using a valuation technique. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing model.
- D. The fair value of long-term loans is estimated using discounted future cash

flows with a discount rate based on the interest rates of long-term loans agreement with similar conditions.

- E. For forward exchange contracts, the fair values were based on prices quoted in an active market provided by financial institutions.
- F. Financial instruments that have balance sheet credit risk: (Amount expressed in thousands)

<u>Subsidiaries</u>	<u>Guarantee Amount</u>	
	<u>December 31,</u>	
	<u>2012</u>	<u>2011</u>
	<u>Contract value</u>	<u>Contract value</u>
	(in thousands)	(in thousands)
Guarantees for certain subsidiaries	EUR 5,154	EUR 1,000
"	USD 33,800	USD 26,800
"	\$ 52,010	\$ 30,000

The Company provided guarantees to its subsidiaries for certain loans. The Company does not obtain collaterals for these guarantees due to their familiarity with the subsidiaries' credit standing. If the subsidiaries do not fulfill the obligation in accordance with the agreements, the maximum loss the Company would incur is equal to the amount of the loans to the subsidiaries.

- 2) For available-for-sale financial assets, during the years ended December 31, 2012 and 2011, the amount of loss recognized directly in equity was \$1,148,806 and \$419,407 in debit, respectively.

3) Procedure of financial risk control and hedge

The Group's risk control and hedging strategy is influenced by its international operations and investment and financing decisions. The Group communicates this strategy to every department which it believes is subject to implement this risk management system. The internal audit department then monitors and coordinates these activities to ensure internal control and to measure the market, credit and operation risk effectively.

4) Material financial risk information

A. Market risk

The Group's business involves some non-functional currencies which may be affected by exchange rate fluctuations. These major foreign currency denominated assets and liabilities are disclosed as follows:

(Foreign Currency: Functional currency)	December 31,					
	2012			2011		
	(in thousands)			(in thousands)		
Financial Assets	Currency	Value	Rate	Currency	Value	Rate
<u>Monetary items</u>						
USD:TWD	USD	422,170	29.04	USD	302,305	30.27
USD:RMB	USD	70,073	6.2896	USD	92,754	6.3009
Financial Liabilities						
<u>Monetary items</u>						
USD:TWD	USD	103,780	29.04	USD	86,797	30.27
USD:RMB	USD	255,065	6.2896	USD	270,198	6.3009

B. Accounts receivable

a) Market risk

The Company's major import and export transactions are conducted in United States dollars (USD). The change in fair value will be caused by foreign exchange rate fluctuations. (Please see Note 10 (4) A.) However, the amounts and periods of the Group's accounts receivable and accounts payable are equivalent, so the market risk could be offset. No material market risks are expected.

b) Credit risk

The Company has lower significant concentrations of credit risk. It has policies in place to ensure that wholesale sales of products are made to customers with an appropriate credit history. No material credit risks are expected.

c) Liquidity risk

The accounts receivable are due in one year. The liquidity risk exposure is low.

d) Cash flow risk

The accounts receivable are due in one year. The cash flow risk exposure is low.

C. Financial instrument assets (financial assets at fair value through profit or loss, available-for-sale financial assets and financial assets carried at cost)

a) Market risk:

The Company has pre-set a "stop loss" amount to limit its market risk on forward contracts, which would be affected by foreign exchange risk. The value of financial assets with cost valuation cannot be measured reliably and would not be affected by foreign exchange risk.

b) Credit risk

The Company has lower concentrations of credit risk, due to investments in company and financial bonds, whose credit ratings are high.

c) Liquidity risk

(i) The Company invests in securities (list as “Financial assets at fair value through profit or loss” and “ Available-for-sale financial assets - current”), which are traded in active markets and can be readily converted into certain amount of cash approximate to their fair values.

(ii) The Company is exposed to a higher liquidity risk since investment securities have no active market (list as “Financial assets carried at cost”) and private placements could not be sold within three years in accordance with the R.O.C. Securities Exchange Law (list as “ Available-for-sale financial assets - non current”).

d) Cash flow risk

No significant interest rate related risks are expected because the Company does not undertake, such as interest rate swaps.

D. Financial instrument liabilities

a) Market risk

The Company’s financial liability instruments have fixed interest rates, so it has market risk.

b) Credit risk

The Company has no credit risk for financial liability instruments.

c) Liquidity risk

As the Company has adequate operating capital, no significant liquidity risk is expected.

d) Cash flow risk of interest

Because the Company’s financial liability instruments have fixed rates, it has no cash flow risk due to interest rate change.

E. Accounts payable

a) Market risk

The Company’s accounts payable are due in one year. No material market risks are expected. Please see Note 10 (4) A.

b) Credit risk

The Company’s accounts payable are due in one year. No material credit risk is expected.

c) Liquidity risk

The Company’s accounts payable are due in one year. The liquidity risk exposure is low. Because the Groups working capital can support its capital needs.

d) Cash flow risk

The Company’s accounts receivable are due in one year. The cash flow risk exposure is low.

F. Loans

a) Market risk

Partial of The Company 's long-term loan are conducted in USD. The change of fair value will be caused by foreign exchange rate (please see Note 10 (4) A.). The Company's short-term loans are due in one year, which the marker risk exposure is low. The Company borrows long-term loans, with fixed interest rate. The fair value of loans would be changed due to exchange in market interest rate, but the effects are expected insignificant.

b) Credit risk

No material credit risk is expected.

c) Liquidity risk

The Company has sufficient cash to meet operational needs at all times so that the Company does not breach borrowing limits or covenants .

d) Cash flow risk

The Company's loans are at fixed interest rate. The cash flow risk exposure is low.

11. OTHER DISCLOSURES REQUIRED BY THE SECURITIES AND FUTURES BUREAU

I. Related information of significant transactions for the year ended December 31, 2012

1) Financing activities to any company or person: (In thousands of New Taiwan dollars)

Number	Creditor	Borrower	General ledger account	Maximum balance	Ending balance	Outstanding balance at December 31, 2012	Interest rates	Nature	Purpose for loan	The amount of sales (purchases) during the year	Collateral and its value	Bad debt allowance provided	The credit limit for the respective borrowers	Ceiling on total loan granted
				(Note 3)	(Note 4)			(Note 2)					(Note 1)	(Note 1)
0	The Company	UNIKEY	Other receivables	\$1,200,000	\$1,200,000	\$ 952,000	1.35%-1.56%	b	Working capital	\$ -	\$ -	\$ -	\$5,060,640	\$ 6,747,520
0	The Company	Quansun	Other receivables	700,000	700,000	549,000	1.35%-1.50%	b	Working capital	-	-	-	5,060,640	6,747,520
0	The Company	Qun-Jing	Other receivables	600,000	300,000	71,000	1.35%-1.54%	b	Working capital	-	-	-	5,060,640	6,747,520

Note 1: In accordance with the financing procedures of the Company, total financing amount should not exceed 40% of the Company's stockholders' equity and

- a. the total financing amount to any individual party should not exceed 30% of the Company's stockholders' equity and the amount of sales/purchases during the year for the purpose of business.
- b. the total financing amount to any individual party should not exceed 30% of the Company's stockholders' equity for the purpose of loan.
- c. the financing period should not exceed one year.

Note 2: The nature of financing activities is as follows:

- a. have business dealings
- b. have the need of short-term financing

Note 3: The maximum balance is the maximum outstanding balance during the year ended December 31, 2012.

Note 4: The ending balance had been approved at the Board of Directors' meeting.

2) Guarantee information: (In thousands)

Number	Name	Name of parties guaranteed	Relationship with the Company (Note 1)	Ceiling of guarantee for such party	Maximum guarantee balance	Outstanding guarantee amount at December 31, 2012	Amount of collateral placed	Ratio of accumulated guarantee	Maximum aggregating total (Note 2)
0	The Company	HEI	a	\$ 4,217,200	\$ 40,000	\$ 40,000	\$ -	0.24%	\$ 8,434,400
0	"	CEG	a	4,217,200	EUR 1,000	EUR 1,000	-	0.23%	8,434,400
0	"	Real Young	a	4,217,200	USD 3,000	USD 3,000	-	0.52%	8,434,400
0	"	CEZ	a	4,217,200	USD 8,000	EUR 4,154	-	0.95%	8,434,400
0	"	CEM3	a	4,217,200	USD 20,800	USD 20,800	-	3.58%	8,434,400
0	"	CEM5	a	4,217,200	USD 10,000	USD 10,000	-	1.72%	8,434,400
0	"	CP	a	4,217,200	12,010	12,010	-	0.07%	8,434,400
								<u>7.30%</u>	

Note 1: The relationships of parties guaranteed are as follows:

- the Company is the subsidiary of the party
- the Company have business dealings with the party
- the party is the subsidiary of the Company
- Subsidiaries which the Company has shares exceeding 90% directly or indirectly
- the party which have the Company's shares exceeding 50% directly or indirectly

Note 2: In accordance with the guarantee procedure of the Company, the total guarantee amount is limited to 50% of the Company's paid-in capital. The Company's guarantee to each entity is limited to 50% of the total guarantee amount.

- the total guarantee amount, except the above mentioned restriction, to any individual party should not exceed the amount of sales/purchases during the year for the purpose of business.
- the total guarantee amount is limited to the Company's stockholders' equity when the Company takes guarantee procedure to the entity whose stockholders' equity is lower than 50% of its paid-in capital.

3) The details of marketable securities held at December 31, 2012:

		December 31, 2012							
The Company or the subsidiaries	Type of marketable securities	Name of marketable securities	Relationship of the issuers with the Company	General ledger accounts	Shares	Book value	Percentage	Market value	Note
The Company	Common stock	Clevo Co.	Same chairman	Available-for-sale financial assets	28,508,776	\$ 1,279,738	4.47%	\$ 1,020,614	-
The Company	Common stock	Clevo Co	"	"	4,557,832	145,851	0.71%	145,851	--
The Company	Common stock	ShunOn Electronic Co.	Corporate director	"	604,812	14,156	0.58%	6,622	-
The Company	Common stock	PharmaEngine, Inc.	-	"	1,729,000	296,840	1.88%	304,304	-
The Company	Private equity	Genesis Photonics Inc.	-	"	18,568,443	859,750	6.38%	312,136	-
				Less: Allowance for decline in market value		(806,808)			-
						<u>\$ 1,789,527</u>			
The Company	Common stock	ShunOn Electronic Co.	Corporate director	Investments carried at cost	15,000,000	\$ 187,500	14.30%	\$ -	-
The Company	Common stock	Maxima Ventures I, Inc.	-	"	13,125	131	2.35%	-	-
The Company	Common stock	Maxima Ventures I I, Inc	-	"	3,000,000	30,000	8.21%	-	-
The Company	Common stock	Saga-Polaris Venture Capital Corp.	-	"	900,000	9,000	4.29%	-	-
The Company	Common stock	Alcor Micro Corp.	-	"	2,500,000	98,375	3.03%	-	-
The Company	Common stock	Orise Technology Co., Ltd.	-	"	93,000	-	0.40%	-	-
The Company	Common Stock	Taiwan Cultural and Creative Co., Ltd.	-	"	1,600,000	16,000	5.78%	-	-
The Company	Common Stock	LumenMax Optoelectronics Co., Ltd.	CP appointed as corporate director	"	1,500,000	22,500	3.73%	-	-
The Company	Preferred Stock	MagiCapital Venture Capital Co., Ltd	-	"	10,000,000	100,000	9.14%	-	-
				Less: Accumulated impairment		(17,740)			
						<u>\$ 445,766</u>			
The Company	Common stock	COI	Wholly-owned subsidiary	Investee company accounted for under the equity method	1,000	\$ 12,372,117	100%	\$ 12,303,788	-
The Company	Common stock	HOI	"	"	12,560,000	2,641,196	100%	2,641,196	-
The Company	Common stock	UNIKEY	"	"	15,000,000	134,191	100%	1,302,870	-
The Company	Common stock	HEC	"	"	4,660,000	(131,297)	100%	812,254	-
The Company	Common stock	HEI	"	"	15,076,445	173,854	50.25%	158,162	-
The Company	Common stock	XAVi	"	"	21,297,445	278,235	63.86%	278,235	-
The Company	Common stock	CGI	"	"	1,000,000	2,002,505	100%	2,240,236	-
The Company	Common Stock	CP	"	"	202,056,177	2,875,515	62.02%	2,878,981	-
The Company	Common Stock	CET	Investee company co-owned by the Company and COI	"	322,427	193	15.27%	990	-
The Company	Common Stock	Newmax Technology Co., Ltd.	Investee company co-owned by the Company and UNIKEY	"	1,950,000	287,593	2.25%	116,610	-
			Less: common stock of the Company held by subsidiaries			(311,277)			
						<u>\$20,322,825</u>			

4) Marketable securities acquired or sold during 2012 exceeding \$100,000 or 20% of paid-in capital:

Investor Company	Marketable securities	General ledger account	Counterparty (Note 1)	Relationship with the Company (Note 1)	Balance as at January 1, 2012		Addition		Disposal		Balance as at December 31,		
					Number of Shares (in thousands)	Amount (Note 2)	Number of Shares (in thousands) (Note 3)	Amount	Number of Shares (in thousands)	Amount	Number of Shares (in thousands)	Amount	
The Company	Coretronic Corporation	Available-for-sale financial assets - current	-	-	\$ -	10,037	\$268,072	10,037	\$ 268,119	\$ 47	-	\$ -	
"	Omni Vision Technologies Inc	"	-	-	-	507	212,638	507	240,126	212,638	27,488	-	
"	PharmaEngine, Inc.	"	-	-	-	2,569	396,383	840	147,671	99,543	48,128	296,840	
"	Everlight Co., The third unsecured convertible bonds	"	-	-	1,107	111,175	-	1,107	110,699	111,175	(476)	-	
"	Everlight Co., The fourth unsecured convertible bonds	"	-	-	1,500	154,981	-	1,500	156,794	154,981	1,813	-	
"	Clevo Co.	"	-	-	24,248	1,126,281	8,819	299,308	-	-	-	33,067	1,425,589
"	MagiCapital Venture Capital Co., Ltd.	Investments carried at cost	-	-	-	10,000	100,000	-	-	-	-	10,000	100,000

Note 1: Applicable only when acquired or sold Long-term investments.

Note 2: Based on book value, without considering the allowance.

Note 3: Includes the stock dividends from investee.

The Company or investee company	Name of counterparty	Relationship with the Company	Type of transactions	Conditions of transactions		Terms of transactions		Accounts receivable / (payable)	
				Amount	Percentage of sales/ (purchases)	Payment terms	Unit price	Balance	% of total accounts receivable/ (payable)
The Company	CEM2	Wholly-owned subsidiary of COI	Purchases	\$ 8,880,158	45%	30-60 days	(Note 1)	(\$ 7,427,853)	86%
The Company	CEM3	Wholly-owned subsidiary of Mao-Feng	Purchases	5,249,561	27%	30-60 days	(Note 1)	(668,646)	8%
The Company	Mao-Ray	Wholly-owned subsidiary of Real Young	Purchases	3,138,631	16%	30-60 days	(Note 1)	(261,393)	3%

Note 1: All purchases were made in the normal course of business.

Note 2: The terms of sales to related parties were the same as those to third parties.

8) Receivables from related parties exceeding \$100,000 or 20% of capital:

The Company or investee company	Name of counterparties	Relationship with the Company	Balance of receivables from related parties at December 31, 2012	Turnover rate	Overdue receivable		Subsequent collection	Allowance for bad debts
					Amount	Action adopted for overdue accounts		
<u>Accounts receivable</u>								
The Company	CEM3	Wholly - owned subsidiary of Mao-Feng	\$ 435,083	-	-	\$ -	-	\$ -
<u>Other receivables</u>								
The Company	UNIQUE	Subsidiary	\$ 953,747	-	-	-	-	-
The Company	Quansun	Wholly - owned subsidiary of HEC	550,525	-	-	-	-	-

9) Derivative financial instruments undertaken during the year ended December 31, 2012: None

II. Related information of the investee companies:

1). Related information of the investee companies is as follows:

Name of investor	Name	Address	Main business	Original cost		Stock (shares)	Investment details of the Company		Net income/ (loss) of the investee	Investment income accounted for under the equity method
				Ending balance	Beginning balance		Percentage of ownership (direct and indirect)	Book value		
The Company	COI	BVI	(1) Sales of computer peripherals (2) Management of overseas acquisitions and investments	\$ 265,326	\$ 265,326	1,000	100%	\$ 12,372,117	\$ 683,861	\$ 683,861
	CET	Thailand	Manufacturing and sales of computer peripherals	33,920	33,920	322,427	15.27%	193	-	-
	UNIKEY	Fu Rd., Saung Taipei County, Taiwan	Manufacturing and sales of computers and computer peripherals	150,000	150,000	15,000,000	100%	(71,604)	32,854	(46,962)
	HEI	Taipei County, Taiwan R.O.C.	Manufacturing and sales of plastic goods	212,139	212,139	15,076,455	50.25%	173,854	(22,432)	(12,031)
	HOI	BVI	(1) Sales of switching power supplies and other electronic parts (2) Management of overseas acquisitions and investments	412,003	412,003	12,560,000	100%	2,641,196	498,902	498,902
	HEC	Taipei City, Taiwan R.O.C.	Sales of switching power supplies and other electronic parts	2,330	2,330	4,660,000	100%	(236,779)	2,107	(58,314)
	XAVi	Taipei County, Taiwan R.O.C.	Researching, manufacturing and sales of DSL Bridges and Routers	197,303	199,313	21,297,445	63.86%	278,235	51,253	38,586
	CGI	BVI	(1) Sales of computer peripherals (2) Management of overseas acquisitions and investments	33,027	33,027	1,000,000	100%	2,002,505	715,736	731,881
	CP	Taipei County, Taiwan R.O.C.	Manufacturing and sales of computer peripherals	1,504,745	1,517,397	202,056,177	62.02%	2,875,515	912,573	582,692
	Newmax	Taichung county, Taiwan R.O.C.	Manufacturing and sales of lenses	297,755	297,755	1,950,000	2.25%	287,593	(173,966)	(3,914)
<u>\$ 20,322,825</u>										

Name of investor	Name	Address	Main business	Original cost		Investment details of the Company			Net income/ (loss) of the investee	Investment income accounted for under the equity method
				Ending balance	Beginning balance	Stock (shares)	Percentage of ownership (direct and indirect)	Book value		
UNIKEY	Real Young	BVI	(1) Sales of computer peripherals (2) Management of overseas acquisitions and investments	\$ 41,490	\$ 41,490	1,275,000	13.95%	\$ 42,928	(\$ 39,971)	\$ -
	Newmax	Taichung County, Taiwan R.O.C.	Manufacturing and sales of lenses	436,002	\$ 438,182	17,999,489	20.77%	447,682	(173,966)	-
COI	CAI	U.S.A.	Sales of computer peripherals	US\$ 3,250	US\$ 3,250	3,250,000	100%	75,356	855	-
	CEG	Germany	Sales of computer peripherals	US\$ 1,584	US\$ 1,584	3,000	100%	26,660	(3,660)	-
	CEM2	Dong Guan, PRC	Manufacturing and sales of computers and computer peripherals	US\$ 9,760	US\$ 9,760	-	100%	2,004,047	252,109	-
	CAGI	U.S.A.	Internet solution for E-Commerce solution	US\$ 3,105	US\$ 3,105	12,400,000	100%	(893)	(46)	-
	Mao-Feng	BVI	(1) Sales of computer peripherals (2) Management of overseas acquisitions and investments	US\$ 2,294	US\$ 2,294	2,294,000	100%	5,586,263	199,752	-
	CET	Thailand	Manufacturing and sales of computers and computer peripherals	US\$ 7,823	US\$ 7,823	1,789,141	85%	31,245	-	-
	KUM	Samoa	(1) Sales of computer peripherals (2) Management of overseas acquisitions and investments	US\$ 2,271	US\$ 2,271	2,284,142	100%	(108,735)	10,840	-
	CEZ	Czech Republic	Sales of computer peripherals	US\$ 7	US\$ 7	-	100%	136,668	76,131	-

Name of investor	Name	Address	Main business	Original cost		Investment details of the Company			Net income/ (loss) of the investee	Investment income accounted for under the equity method
				Ending balance	Beginning balance	Stock (shares)	Percentage of ownership (direct and indirect)	Book value		
				US\$	US\$	2,310,000	60%	(\$ 86,877)		
COI	Global Faith Inc.	Cayman Islands	(1) Sales of computer peripherals (2) Management of overseas acquisitions and investments	US\$ 2,392	US\$ 2,392	2,310,000	60%	(\$ 86,877)	\$ -	
	Real Young	BVI	(1) sales of computer peripherals (2) Management of overseas acquisitions and investments	US\$ 8,072	US\$ 8,072	7,864,780	86.05%	272,864	(39,971)	
	CEJ	Japan	(1) Sales of computer peripherals (2) Management of overseas acquisitions and investments	US\$ 95	US\$ 95	-	100%	5,673	576	
	HOLYU International Co., Ltd.	Samoa	Investment	US\$ 2,424	US\$ 2,424	2,423,921	16.72%	63,639	(38,168)	
	CEM5	Chong-Qing, PRC	Manufacturing and sales of computer peripherals	US\$ 15,000	US\$ 4,500	-	100%	401,834	(17,786)	
CP	CPH	BVI	Manufacturing and sales of switching power supplies and other electronics parts	US\$ 10,000	US\$ 10,000	10,000,000	100%	1,162,173	467,541	
	Newmax	Taichung County, Taiwan R.O.C.	Manufacturing and sales of lenses	\$ 294,451	\$ 299,521	2,049,000	2.36%	283,976	(173,966)	
CPH	CPI	Cayman	Investment	US\$ 10,000	US\$ 10,000	10,000,000	100%	1,162,882	466,529	
	CPUS	U.S.A.	Manufacturing and sales of switching power supplies and other electronic parts	US\$ 317	US\$ 317	50,000,000	100%	(15,369)	(3,288)	
	CPHK	Hong Kong, PRC	Research & Development Center	HKD 85,800	HKD 85,800	46,800,000	100%	994,816	217,734	

Name of investor	Name	Address	Main business	Original cost		Investment details of the Company			Net income/ (loss) of the investee	Investment income accounted for under the equity method
				Ending balance	Beginning balance	Stock (shares)	Percentage of ownership (direct and indirect)	Book value		
CPHK	Quang Sheng (Nanchang) HDG	Nanchang PRC	Manufacturing of electronic parts	US\$ 4,000	US\$ 4,000	-	100%	\$ 185,621	\$ 5,887	\$ -
		Dong Guan, PRC	Manufacturing and sales of switching power supplies and other electronic parts	US\$ 20,230	US\$ 20,230	-	100%	848,029	55,291	-
	CPSZ	Suzhou, PRC	Manufacturing of electronic parts	US\$ 3,320	US\$ 3,320	-	100%	660,542	192,179	-
	CPCQ	Chong-Qing, PRC	Manufacturing of electronic parts	US\$ 10,000	US\$ 8,750	-	100%	273,060	(29,685)	-
CPSZ	Chicony Energy Saving Technology (Shanghai) Co., Ltd.	Shanghai, PRC	Sales of LED lighting equipments	RMB 10,000	RMB 10,000	-	100%	40,689	(4,641)	-
Real Young	Mao-Ray	Dong Guan, PRC	Manufacturing of electronic parts, keyboard and plastic products	US\$ 8,445	US\$ 8,445	-	100%	557,645	12,667	-
GFI	Mao-Qun	Suzhou, PRC	Manufacturing of electronic parts, keyboard and plastic products	US\$ 3,850	US\$ 3,850	-	100%	(125,646)	(85,622)	-
MQ	Qun-Yang	Suzhou, PRC	Manufacturing of electronic parts, keyboard and plastic products	RMB 1,000	RMB 1,000	-	100%	4,582	(50)	-
KUM	Sky-Fine	Samoa	Sales of computer peripherals	US\$ 2,493	US\$ 2,493	310,423	29%	79,829	13,581	-
Sky Fine	Farwin	Suzhou, PRC	Manufacturing of printed circuit parts and sensor parts.	US\$ 3,000	US\$ 3,000	-	100%	114,589	53,203	-
Mao-Feng	CEM3	Suzhou, PRC	Manufacturing and sales of computer peripherals	US\$ 9,929	US\$ 9,929	-	100%	5,755,193	491,988	-

Name of investor	Name	Address	Main business	Original cost		Investment details of the Company			Net income/ (loss) of the investee	Investment income accounted for under the equity method
				Ending balance	Beginning balance	Stock (shares)	Percentage of ownership (direct and indirect)	Book value		
HEC	Quansun	Taipei City 100, Taiwan R.O.C.	Investment	\$ 80,000	\$ 80,000	8,000,000	100%	(\$ 30,916)	(\$ 28,465)	-
	Qun Jing	Taipei City 100, Taiwan R.O.C.	Manufacturing and sales of computer peripherals	\$ 1,000	\$ 1,000	100,000	100%	(70,339)	(71,841)	-
	CP	Taipei City 100, Taiwan R.O.C.	Manufacturing and sales of computer peripherals	\$ -	\$ 81,000	-	-	-	910,859	-
	Newmax	Taichung county, Taiwan R.O.C.	Manufacturing and sales of lenses	\$ 127,694	\$ 127,694	873,000	1.01%	123,152	(173,966)	-
Quansun	Newmax	Taichung county, Taiwan R.O.C.	Manufacturing and sales of lenses	\$ 278,504	\$ 278,504	2,036,000	2.35%	268,166	(173,966)	-
XAVi	Directmax	B.V.I	Management of overseas acquisitions and investments	\$ 91,803	\$ 91,803	2,750,000	100%	(112,078)	7,253	-
Directmax Overseas	XAVi	B.V.I	(1)Sales of DSL Bridges and Routers (2)Management of overseas acquisitions and investments	US\$ 2,500	US\$ 2,500	2,500,000	100%	(36,584)	330	-
	Systemax	B.V.I.	Sales of DSL Bridges and Routers	US\$ 250	US\$ 250	250,000	100%	(75,494)	6,923	-
XAVi Overseas	XAVi Suzhou	Suzhou PRC	Manufacturing and sales of DSL Bridges and Routers	US\$ 2,500	US\$ 2,500	-	100%	(33,749)	330	-
HEI	Guideway HAD ERI IOU	B.V.I Kwun Rong, HK	Sale of plastic goods	\$ 1,746	\$ 1,746	50,000	100%	226,627	(12,203)	-
	INTERNATI ONAL CO., LIMITED		Sale of plastic goods	\$ 45	\$ 45	10,000	100%	92,241	(4,343)	-
	HOLYU International Co., Ltd.	Samoa	Investment	\$ 187,421	\$ 187,421	6,497,308	44.81%	82,761	(38,168)	-

Name of investor	Name	Address	Main business	Original cost		Investment details of the Company			Net income/ (loss) of the investee (\$ 38,168)	Investment income accounted for under the equity method
				Ending balance	Beginning balance	Stock (shares)	Percentage of ownership (direct and indirect)	Book value		
Guideway International Co., Ltd.	HOLYU Samoa		Investment	US\$ 3,603	US\$ 3,603	3,602,500	24.84%	\$ 45,878	-	
Haderiou HK	HOLYU Samoa		Investment	US\$ 1,603	US\$ 1,603	1,602,500	11.05%	20,409	-	
HOLYU International Co., Ltd.	Dong Guan Had Eri Iou Plastics Corporation	Dong Guan PRC.	Manufacturing and sales of plastic goods	US\$ 12,069	US\$ 12,069	-	100%	233,687	-	

2) Related information of major transaction of the investee companies directly or indirectly held by the Company

A. Financing activities to any company or person:

Number	Name	Name of the borrower	General ledger	Maximum balance during the year	Ending balance end of year	Outstanding balance at December 31, 2012	Interest rates	Nature of finance	Annual amount of sales to (purchases from) the borrower	Reason for lending purpose	Bad debt allowance provided	Collateral and its value	Credit limit for the respective Borrower	Ceiling for total amount
1	COI	CEC	Receivable from related party	\$ 2,623,050 (US \$ 85,000)	\$ 2,032,800 (US \$ 70,000)	\$ 1,960,200 (US \$ 67,500)	1.35%~1.50%	b	\$ -	Operation	\$ -	-	US\$ 169,474	US\$169,474
1	COI	CGI	"	1,499,500 (US \$ 50,000)	1,452,000 (US \$ 50,000)	1,030,920 (US \$ 35,500)	1.35%~1.50%	b	-	"	-	-	\$ 5,060,640	\$ 6,747,520
1	COI	CEM3	"	269,910 (US \$ 9,000)	261,360 (US \$ 9,000)	261,360 (US \$ 9,000)	1.50%	b	-	"	-	-	\$ 5,060,640	\$ 6,747,520
1	COI	CET	"	58,450 (US \$ 2,000)	29,040 (US \$ 1,000)	11,906 (US \$ 396)	1.35%~1.54%	b	-	"	-	-	US\$ 169,474	US\$169,474
1	COI	KUM	"	179,940 (US\$ 6,000)	174,240 (US \$ 6,000)	174,240 (US \$ 6,000)	1.35%	b	-	"	-	-	\$ 5,060,640	\$ 6,747,520
1	COI	HEC	"	701,400 (US \$ 24,000)	319,440 (US \$ 11,000)	136,488 (US \$ 4,700)	1.50%	b	-	"	-	-	US\$ 169,474	US\$169,474
1	COI	CEM5	"	449,850 (US \$ 15,000)	435,600 (US \$ 15,000)	145,200 (US \$ 5,000)	1.50%	b	-	"	-	-	\$ 5,060,640	\$ 6,747,520
1	COI	Real Young	"	119,960 (US \$ 4,000)	116,160 (US \$ 4,000)	116,160 (US \$ 4,000)	1.50%	b	-	"	-	-	\$ 5,060,640	\$ 6,747,520
2	Mao-Feng	CEM3	"	333,960 (US \$ 15,000)	333,960 (US \$ 11,500)	174,240 (US \$ 6,000)	1.20%	b	-	"	-	-	\$ 5,060,640	\$ 6,747,520
2	Mao-Feng	CGI	"	43,560 (US \$ 1,500)	43,560 (US \$ 1,500)	43,560 (US \$ 1,500)	1.50%	b	-	"	-	-	\$ 5,060,640	\$ 6,747,520
3	CEM3	Mao-Qun	"	395,463 (RMB85,000)	185,260 (RMB40,000)	180,629 (RMB39,000)	7.00%	b	-	"	-	-	RMB497,007	RMB497,007
3	CEM3	CEM5	"	234,025 (US \$ 50,000)	231,575 (US \$ 50,000)	-	-	b	-	"	-	-	\$ 5,060,640	\$ 6,747,520
4	Guideway	HEI	"	29,990 (US \$ 1,000)	29,040 (US \$ 1,000)	29,040 (US \$ 1,000)	-	b	-	"	-	-	US\$ 3,137	US\$ 3,137
4	Guideway	Haderiou DG	"	63,608 (US \$ 2,150)	43,560 (US \$ 1,500)	43,560 (US \$ 1,500)	-	b	-	"	-	-	US\$ 3,137	US\$ 3,137
5	Haderiou HK	HEI	"	21,863 (US \$ 729)	21,170 (US \$ 729)	21,170 (US \$ 729)	-	b	-	"	-	-	US\$ 1,189	US\$ 1,189

Number	Name		Name of the borrower	General ledger	Maximum balance during the year	Ending balance end of year	Outstanding balance at December 31, 2012	Interest rates	Nature of finance	Annual amount of sales to (purchases from) the borrower	Reason for lending	Bad debt allowance provided	Collateral and its value	Credit limit for the respective Borrower	Ceiling for total amount
	Haderiou HK	Haderiou DG													
5			Haderiou DG		\$ 10,355 (US\$ 350)	\$ 8,712 (US\$ 300)	\$ 8,712 (US\$ 300)	-	b	\$ -	Operation purpose	-	-	US\$ 1,189	US\$ 1,189
6	CP	CPHK			1,219,680 (US\$ 42,000)	-	-	1.68%~2.18%	b	-	"	-	-	\$ 1,856,808	\$ 1,856,808
6	CP	CPUS			174,240 (US\$ 6,000)	174,240 (US\$ 6,000)	166,980 (US\$ 5,750)	1.50%	a	221,855	"	-	-	\$ 1,856,808	\$ 1,856,808
7	HEC	Quansun			160,000	140,000	94,000	1.35%~1.50%	b	-	"	-	-	\$ 324,902	\$ 324,902
8	HOI	CGI			1,655,850 (US\$ 57,000)	1,655,280 (US\$ 57,000)	1,039,632 (US\$ 35,800)	1.35%~1.50%	b	-	"	-	-	\$ 5,060,640	\$ 6,747,520
8	HOI	Real Young			92,969 (US\$ 3,100)	90,024 (US\$ 3,100)	87,120 (US\$ 3,000)	1.35%~1.50%	b	-	"	-	-	\$ 5,060,640	\$ 6,747,520
8	HOI	HEC			726,250 (US\$ 25,000)	726,250 (US\$ 25,000)	612,744 (US\$ 21,000)	1.35%	b	-	"	-	-	US\$ 36,380	US\$ 36,380
9	XAVi	Systemax			119,680 (US\$ 4,000)	58,080 (US\$ 2,000)	29,040 (US\$ 1,000)	1.20%	b	-	"	-	-	\$ 174,278	\$ 174,278
10	CGI	Real Young			119,960 (US\$ 4,000)	116,160 (US\$ 4,000)	-	1.35%	b	-	"	-	-	\$ 5,060,640	\$ 6,747,520
10	CGI	CEM3			149,950 (US\$ 5,000)	145,200 (US\$ 5,000)	-	-	b	-	"	-	-	\$ 5,060,640	\$ 6,747,520
11	CEM2	CEM5			140,835 (RMB30,000)	138,945 (RMB30,000)	50,947 (RMB 11,000)	1.31%	b	-	"	-	-	\$ 5,060,640	\$ 6,747,520
12	HOLYU International Co., Ltd.	HEI			35,988 (US\$ 1,200)	35,848 (US\$ 1,200)	19,137 (US\$ 659)	-	b	-	"	-	-	US\$ 2,544	US \$ 2,544
13	HDG	CPCQ			231,531 (RMB50,000)	289,932 (RMB62,600)	92,613 (RMB 20,000)	1.68%	b	-	"	-	-	RMB 73,254	RMB 73,254
14	CPSZ	CPCQ			231,531 (RMB50,000)	231,575 (RMB50,000)	115,766 (RMB 25,000)	1.68%~1.84%	b	-	"	-	-	RMB 57,058	RMB 57,058

Note 1: In accordance with the financing procedures of the subsidiary, 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 loan.
- 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.
- c. the individual financing amount should not exceed 30% of the Company's stockholders' equity and the total financing amount should not exceed 40% of the Company's stockholders' equity for the purpose of loan between the subsidiaries the Company has 100% shares directly or indirectly
- d. except for the financing period should not exceed one year.

Note 2:

- a. have the need of short-term financing
- b. have business dealings

B. Guarantee information:

<u>Number</u>	<u>Name</u>	<u>Name of parties being guaranteed</u>	<u>Relationship with the Company</u>	<u>Limit of guarantee of such party</u>	<u>Maximum outstanding guarantee amount</u>	<u>Outstanding guarantee amount at December 31, 2012</u>	<u>Amount of guarantee with collateral placed</u>	<u>Ratio of accumulated guarantee</u>	<u>Maximum aggregating total</u>
1	CP	CPI	c (Note 1)	\$ 1,819,672	\$ 149,950 (US\$ 5,000)	\$ 145,200 (US\$ 5,000)	\$ -	3.13%	\$ 2,274,590
1	CP	CPHK	c	\$ 1,819,672	1,054,800 (US\$ 36,000)	1,045,440 (US\$ 36,000)	\$ -	22.52%	2,274,590
1	CP	CPCQ	c	\$ 1,819,672	145,200 (US\$ 5,000)	\$ 145,200 (US\$ 5,000)	\$ -	3.13%	2,274,590
									28.78%

Note 1: The relationships of parties guaranteed are as follow:

- a. the Company is the subsidiary of the party
- b. the Company have business dealings with the party
- c. the party is the subsidiary of the Company
- d. Subsidiaries which the Company has shares exceeding 90% directly or indirectly
- e. the party which have the Company's shares exceeding 50% directly or indirectly

Note 2: In accordance with the guarantee procedures of the subsidiary, CP, the total guarantee amount is limited to 49% of the subsidiary's paid-in capital. CP's guarantee to each entity is limited to 50% of the total guarantee amount.

The total guarantee amount of the Company and its subsidiaries should not exceed 50% of the Company's paid-in capital, and the individual guarantee amount should not exceed 50% of the total guarantee amount. Other restrictions are as follows:

- a. guarantee for business dealings should not exceed the actual sales and purchase amount between the parties.
- b. guarantee between the subsidiaries where the Company has shares exceeding 90% directly or indirectly should not exceed 10% of the Company's paid-in capital, except the subsidiaries that the Company has shares exceeding 100% directly or indirectly.
- c. the total guarantee amount is limited to the Company's stockholders' equity when the Company or its subsidiary take guarantee procedures to the entity whose stockholders' equity is lower than 50% of its paid-in capital.

C. The details of marketable securities held on December 31, 2012:

							December 31, 2012		
Name	Type of marketable securities	Name of marketable securities	Relationship of the issuers with the subsidiaries	General ledger accounts	Shares	Book value	Percentage	Market value	Note
HEI	Common Stock	FCS	None	Available-for-sale financial assets (non-current)	62,944	\$ 755	-	\$ 755	-
CP	Private equity	Genesis Photonics Inc.	"	"	8,699,899	144,218	2.99%	144,218	-
CP	Common Stock	Everlight Co.,	"	Available-for-sale financial assets (current)	300,000	11,430	0.07%	11,430	-
CP	Bonds	Unity Opto Technology Co., Ltd.	"	"	1,400,000	140,000	-	140,000	-
		The third unsecured convertible bonds							
CP	Common Stock	Clevo. Co	Same Chairman	"	4,538,000	162,460	0.71%	162,460	-
HEC	Common Stock	Clevo. Co	"	"	11,370,823	407,075	1.78%	407,075	-
HEC	Common Stock	CEC	The Company	"	15,633,877	1,049,033	2.31%	1,049,033	Note A
UNIKEY	Common Stock	CEC	"	"	20,448,309	1,372,082	3.03%	1,372,082	Note B
UNIKEY	Common Stock	ShunOn Electronic Co.	Corporate director	"	3,628,878	39,736	3.46%	39,736	-
UNIKEY	Common Stock	Clevo. Co	Same Chairman	"	8,353,000	299,037	1.31%	299,037	-
Quansun	Common Stock	Clevo. Co	"	"	3,807,000	136,291	0.60%	136,291	-
HOI	Common Stock	TPK Holding Co., Ltd.	None	"	1,700,000	872,100	0.52%	872,100	-
Quansun	Common Stock	Hungkuan	"	Investments carried at cost	8,140,000	209,278	20.62%	209,278	-
CP	Common Stock	LumenMax Optoelectronics Co., Ltd.	CP appointed as corporate director	"	3,001,179	9,519	7.46%	9,519	-
COI	Common Stock	CAI	Wholly-owned subsidiary	Long-term equity investments accounted for under the equity method	3,250,000	75,356	100%	75,356	-
COI	Common Stock	CEG	Wholly-owned subsidiary	"	3,000	26,660	100%	26,660	-
COI	Common Stock	CET	Investee company accounted for under the equity method	"	1,789,141	31,245	84.73%	5,493	-
COI	Common Stock	CAGI	Wholly-owned subsidiary	"	12,400,000	(893)	100%	(1,960)	-
COI	Common Stock	Mao-Feng	Wholly-owned subsidiary	"	2,294,000	5,586,263	100%	5,586,263	-
COI	Common Stock	Real Young	Investee company accounted for under the equity method	"	7,864,780	272,864	86.05%	264,800	-
COI	Common Stock	KUM	Wholly-owned subsidiary	"	2,284,142	(108,735)	100%	(108,735)	-

December 31, 2012

Name	Type of marketable securities	Name of marketable securities	Relationship of the issuers with the subsidiaries	General ledger accounts	Shares	Book value	Percentage	Market value	Note
	Common Stock	GFI	60% owned subsidiary	"	2,310,000	(86,877)	60.00%	(86,877)	-
COI	Common Stock	Samoa	Investee company accounted for under the equity method	"	2,423,921	\$ 63,639	16.72%	\$ 30,881	-
UNIKEY	Common Stock	Real Young	Investee company accounted for under the equity method	"	1,275,000	42,928	13.95%	42,928	-
UNIKEY	Common Stock	Newmax	Related Parties	"	17,999,489	447,682	20.77%	1,076,369	-
CP	Common Stock	Newmax	Related Parties	"	2,049,000	283,976	2.36%	122,530	-
HEC	Common Stock	Newmax	Related Parties	"	873,000	123,152	1.01%	52,205	-
Quansun	Common Stock	Newmax	Related Parties	"	2,036,000	268,166	2.35%	121,753	-
HEC	Common Stock	Qun Jing	Wholly-owned subsidiary	"	100,000	(70,339)	100%	(70,339)	-
HEC	Common Stock	Quansun	Wholly-owned subsidiary	"	8,000,000	(30,916)	100%	(30,916)	-
XAVi	Common Stock	Directmax	Wholly-owned subsidiary	"	2,750,000	(112,078)	100%	(112,078)	-
Directmax	Common Stock	XAVi Overseas Ltd.	Wholly-owned subsidiary	"	2,500,000	(36,584)	100%	(36,584)	-
Directmax	Common Stock	Systemax	Wholly-owned subsidiary	"	250,000	(75,494)	100%	(75,494)	-
CP	Common Stock	CPH	Wholly-owned subsidiary	"	10,000,000	1,162,173	100%	1,165,984	-
CPH	Common Stock	CPI	Wholly-owned subsidiary	"	10,000,000	1,165,882	100%	1,165,882	-
CPI	Common Stock	CPUS	Wholly-owned subsidiary	"	50,000	(15,369)	100%	(15,369)	-
CPI	Common Stock	CPHK	Wholly-owned subsidiary	"	46,800,000	994,816	100%	993,675	-
HEI	Common Stock	Guideway	Investee company accounted for under the equity method	"	50,000	226,627	100%	227,730	-
HEI	Common Stock	Haderriou HK	Investee company accounted for under the equity method	"	10,000	92,241	100%	86,346	-
HEI	Common Stock	Samoa	Investee company accounted for under the equity method	"	6,497,308	82,761	44.81%	82,761	-
Guideway	Common Stock	Samoa	Investee company accounted for under the equity method	"	3,602,500	45,878	24.84%	45,878	-
Haderriou HK	Common Stock	Samoa	Investee company accounted for under the equity method	"	1,602,500	20,409	11.05%	20,409	-

Note A: Provided 12,600,000 shares pledged for short-term loan.

Note B: Provided 10,000,000 shares pledged for short-term loan.

Note C: The above list is based on listed companies, OTC companies, beneficiary certificates, and companies which issue stocks, since investee companies hold many marketable securities which could not all be listed.

D. Marketable securities acquired or sold during 2012 in excess of \$100,000 or over 20% of paid-in capital:

The Company	Name of investee	General ledger accounts	Beginning balance at January 1, 2012		Addition		Disposal		Ending balance at December 31, 2012			
			Shares	Amount (NOTE A)	Shares (NOTE B)	Amount	Shares	Proceeds from disposal	Book value	Gain (loss) on disposal	Shares	Amount (NOTE A)
COI	TPK Holding Co., Ltd.	Available-for-sale financial assets	1,296	\$ 151,745 (NOTE A)	58	\$ -	1,354	\$ 547,821	\$ 151,745	\$ 396,076	-	\$ -
CP	"	"	490	315,643 (NOTE A)	115	-	605	243,868	315,643	(71,775)	-	-
HOI	"	"	2,376	278,259 (NOTE A)	703	-	1,379	553,735	124,631	429,104	1,700	153,628
Qun Jing	Clevo. Co	"	3,061	183,359 (NOTE A)	-	-	3,061	109,821	183,359	(73,538)	-	-
HEC	CP	Long-term equity investments accounted for under the equity method	10,433	146,740	-	-	10,433	164,329	156,040 (NOTE D)	13,258 (NOTE E)	-	-

Note A: Based on book value, without considering the allowance.

Note B: Includes the stock dividend from the investee.

Note C: Reclassified from financial assets carried at cost.

Note D : Includes the investment income of \$9,300 for 2012.

Note E :Disposal gain also includes disposal adjustment items totaling \$4,969.

E. Real estate acquired during 2012 with amounts in excess of \$100,000 or over 20% of paid-in capital: None.

F. Disposal of real estate during 2012 with amounts in excess of \$100,000 or over 20% of paid-in capital: None.

G. Purchases or sales transactions with related parties in excess of \$100,000 or over 20% of paid-in capital balance:

The Company or investee company	Name of counter party	Relationship with the Company or the investee companies	Conditions of transaction			Terms of transaction			Accounts receivable / (payable)	
			Type of transaction	Amount	Percentage of sales/ (purchases)	Payment terms	Unit price	Payment Terms	Balance	% of total accounts receivable/ (payable)
CEM2	The Company	The parent company	Sales	\$ 8,880,158	74	30-60 days	(Note B)	30-60 days	\$ 7,427,853	98
CEM3	The Company	The parent company	Sales	(5,249,561)	26	30-60 days	(Note B)	30-60 days	668,646	14
Mao-Ray	The Company	The parent company	Sales	(3,138,631)	83	30-60 days	(Note B)	30-60 days	261,393	5
CPI	CP	Affiliate	Sales	(20,937,519)	69	30-60 days	(Note B)	30-60 days	3,267,793	99
CP	CPI	Affiliate	Purchase	20,937,519	100	30-60 days	(Note A)	30-60 days	(3,267,793)	100
CP	CEZ	Affiliate	Sales	(106,968)	-	60 days	(Note B)	90 days	8,175	1
CEZ	CP	Affiliate	Purchase	106,968	10	60 days	(Note A)	60 days	(8,175)	21
CP	CPUS	Affiliate	Sales	(221,855)	1	60 days	(Note B)	60 days	61,706	-
CPUS	CP	Affiliate	Purchase	221,855	100	60 days	(Note A)	60 days	(61,706)	100
HDG	CPI	Affiliate	Sales	(10,441,201)	100	60 days	(Note B)	60 days	737,622	100
CPI	HDG	Affiliate	Purchase	10,441,201	34	60 days	(Note A)	60 days	(737,622)	23
CPI	CPSZ	Affiliate	Sales	(971,424)	4	60 days	(Note B)	60 days	-	-
CPSZ	CPI	Affiliate	Purchase	971,424	11	60 days	(Note A)	60 days	-	-
CPI	HDG	Affiliate	Sales	(589,357)	3	60 days	(Note B)	60 days	-	-
HDG	CPI	Affiliate	Purchase	589,357	63	60 days	(Note A)	60 days	-	-
CPSZ	CPI	Affiliate	Sales	(9,640,135)	93	60 days	(Note B)	60 days	1,295,332	83
CPI	CPSZ	Affiliate	Purchase	9,640,135	32	60 days	(Note A)	60 days	(1,295,332)	40
QSE	CPI	Affiliate	Sales	(1,579,833)	98	60 days	(Note B)	60 days	299,316	100
CPI	QSE.	Affiliate	Purchase	1,579,833	5	60 days	(Note A)	60 days	(299,316)	9
CPCQ	CPI	Affiliate	Sales	(532,930)	100	60 days	(Note B)	60 days	231,317	100
CPI	CPCQ	Affiliate	Purchase	532,930	1	60 days	(Note A)	60 days	(231,317)	7
XAVi Suzhou	XAVi	Wholly-owned subsidiary	Sales	(1,091,676)	92	45-180 days	(Note B)	45-180 days	67,656	39
XAVi	XAVi Suzhou	The parent company	Purchase	1,091,676	98	45-180 days	(Note A)	45-180 days	(67,656)	78
CGI	CAI	Affiliate	Sales	(1,167,200)	10	60-90 days	(Note B)	60-90 days	364,176	17
CAI	CGI	Affiliate	Purchase	1,167,200	100	60-90 days	(Note A)	60-90 days	(364,176)	100
CGI	CEZ	Affiliate	Sales	(946,666)	8	60-90 days	(Note B)	60-90 days	218,761	10
CEZ	CGI	Affiliate	Purchase	946,666	90	60-90 days	(Note A)	60-90 days	(218,761)	94
CGI	CEG	Affiliate	Sales	(227,588)	2	60-90 days	(Note B)	60-90 days	77,227	4
CEG	CGI	Affiliate	Purchase	227,588	80	60-90 days	(Note A)	60-90 days	(77,227)	93
CGI	CEM5	Affiliate	Sales	(476,731)	4	60-90 days	(Note B)	60-90 days	169,624	8
CEM5	CGI	Affiliate	Purchase	476,731	90	60-90 days	(Note A)	60-90 days	(169,624)	86
CEM2	CGI	Affiliate	Sales	(2,586,264)	22	60-90 days	(Note B)	60-90 days	-	-
CGI	CEM2	Affiliate	Purchase	2,586,264	25	60-90 days	(Note A)	60-90 days	-	-
Mao-Ray	CGI	Affiliate	Sales	(162,681)	27	60-90 days	(Note B)	60-90 days	190,468	40
CGI	Mao-Ray	Affiliate	Purchase	162,681	57	60-90 days	(Note A)	60-90 days	(190,468)	12
Real Young	CEM2	Affiliate	Sales	(446,089)	95	60-90 days	(Note B)	60-90 days	30	1
CEM2	Real Young	Affiliate	Purchase	446,089	5	60-90 days	(Note A)	60-90 days	(30)	-

The Company or investee company	Name of counter party	Relationship with the Company or the investee companies	Conditions of transaction			Terms of transaction			Accounts receivable / (payable) % of total accounts receivable/ (payable)	
			Type of transaction	Amount	Percentage of sales/ (purchases)	Payment terms	Unit price	Payment Terms		Balance
Mao-Ray	Real Young	Affiliate	Sales	\$ 451,056	100	60~90 days	(Note B)	60~90 days	\$ -	-
Real Young	Mao-Ray	Affiliate	Purchase	451,056	30	60~90 days	(Note A)	60~90 days	-	-
CEM3	CGI	Affiliate	Sales	(7,113,656)	35	60~90 days	(Note B)	60~90 days	1,454,171	30
CGI	CEM3	Affiliate	Purchase	7,113,656	72	60~90 days	(Note A)	60~90 days	(1,454,171)	88
MQ	CEM3	Affiliate	Sales	(458,474)	93	60~90 days	(Note B)	60~90 days	81,436	97
CEM3	MQ	Affiliate	Purchase	458,474	3	60~90 days	(Note A)	60~90 days	(81,436)	2
CEM3	Farwin	Affiliate	Purchase	512,676	3	60~90 days	(Note A)	60~90 days	(201,313)	5
CEM3	ShunOn	Affiliate	Purchase	867,643	3	60~90 days	(Note A)	60~90 days	(77,811)	2
CEM3	Newmax	Affiliate	Purchase	549,136	4	60~90 days	(Note A)	60~90 days	(103,995)	2
CEM3	Jim Yu	Affiliate	Purchase	360,359	2	60~90 days	(Note A)	60~90 days	(96,218)	2
MQ	Jim Yu	Affiliate	Purchase	157,422	26	60~90 days	(Note A)	60~90 days	(126,714)	84
HOI-DG	HOI-Samoa	Affiliate	Sales	(250,069)	97	60~90 days	(Note B)	60~90 days	104,496	99
HOI-Samoa	HOI-DG	Affiliate	Purchase	250,069	98	60~90 days	(Note A)	60~90 days	(104,496)	62
CEM2	Mao-Feng	Affiliate	Sales	(192,114)	2	60~90 days	(Note B)	60~90 days	24,624	-
Mao-Feng	CEM2	Affiliate	Purchase	192,114	96	60~90 days	(Note A)	60~90 days	(24,624)	96
HOI-Samoa	CEM2	Affiliate	Sales	(180,869)	86	60~90 days	(Note B)	60~90 days	78,677	62
CEM2	HOI-Samoa	Affiliate	Purchase	180,869	2	60~90 days	(Note A)	60~90 days	(78,677)	2
CEM2	Newmax	Affiliate	Purchase	120,055	1	60~90 days	(Note A)	60~90 days	(14,941)	-
CPSZ	CEM3	Affiliate	Sales	(106,660)	5	60~90 days	(Note B)	60~90 days	53,552	16
CEM3	CPSZ	Affiliate	Purchase	106,660	1	60~90 days	(Note A)	60~90 days	(53,552)	1
CP	Kai Bo Kunshan	Affiliate	Sales	(100,325)	-	60~90 days	(Note B)	60~90 days	44,142	1

Note 1: Depends on the transaction quantity and the market situation.

Note 2: The terms and prices of sales to related parties were the same as those to third parties.

H. Receivables from related parties in excess of \$100,000 or over 20% of capital:

The Company or investee company	Name of counterparties	Relationship with the Company	Type and balance of receivable from related parties on December 31, 2012	Turnover rate	Overdue receivable		Allowance For bad debts
					Amount	Action adopted for overdue accounts	
<u>Accounts receivable</u>							
CEM2	The Company	Parent company	\$ 7,427,853	1.52	\$ -	-	\$ -
CEM3	The Company	Parent company	668,646	8.73	-	-	-
Mao-Ray	The Company	Parent company	261,393	17.77	-	-	-
CPI	CP	Affiliate	3,267,793	7.83	-	-	-
HDG	CPI	Affiliate	737,622	19.51	-	-	-
CPSZ	CPI	Affiliate	1,295,332	8.85	-	-	-
Quang Sheng (Nanchang)	CGI	Affiliate	299,316	5.65	-	-	-
CPCQ	CPI	Affiliate	231,317	4.53	-	-	-
CEM3	CGI	Affiliate	1,454,171	6.24	-	-	-
CGI	CAI	Affiliate	364,176	3.21	-	-	-
CGI	CEZ	Affiliate	218,761	3.39	-	-	-
CGI	CEM5	Affiliate	169,624	3.49	-	-	-
Mao-Ray	CGI	Affiliate	190,468	1.36	-	-	-
HEIDG	SAMOA	Affiliate	104,496	2.56	-	-	-
<u>Other receivables</u>							
COI	The Company	Affiliate	\$ 2,109,473	-	\$ -	-	\$ -
Mao-Feng	The Company	Affiliate	101,550	-	-	-	-
COI	HEC	Affiliate	136,861	-	-	-	-
COI	CGI	Affiliate	1,050,140	-	-	-	-
COI	CEM3	Affiliate	264,104	-	-	-	-
COI	Real Young	Affiliate	117,380	-	-	-	-
COI	KUM	Affiliate	184,021	-	-	-	-
COI	CEM5	Affiliate	145,412	-	-	-	-
CEM3	MQ	Affiliate	183,067	-	-	-	-
Guideway	HEIDG	Affiliate	144,660	-	-	-	-
CGI	CEM2	Affiliate	4,473,955	-	-	-	-
CP	CPUS	Affiliate	166,980	-	-	-	-
HOI	CGI	Affiliate	1,070,840	-	-	-	-
HOI	HEC	Affiliate	613,697	-	-	-	-
Xavi	XAVi Suzhou	Affiliate	247,902	-	-	-	-
Mao-Feng	CEM3	Affiliate	178,764	-	-	-	-
CPSZ	CPCQ	Affiliate	115,766	-	-	-	-

I. Transaction of derivative financial instruments:

A. As of December 31, 2012, the Company entered into several forward foreign exchange contracts with a bank to reduce foreign exchange risk. Details are as follows:

	December 31, 2012	
	Contract value	Contract Amount (in thousands)
Shown in "financial assets at fair value through profit or loss-current"		
Forward exchange contracts	\$ 19,279	USD 107,000
SWAP	\$ 8,133	USD 69,300
Futures contracts	\$ 7,363	USD 5,792
Shown in "financial liabilities at fair value through profit or loss-current"		
Forward exchange contracts	\$ 2	USD 1,000
SWAP	\$ 21	USD 4,000

B. The Company entered into forward foreign exchange contracts, futures contracts, and SWAP with Taishin Bank, Fubon Bank, TC Bank, E Sun Bank, DBS, TCB Bank, Corporate and Investment Bank, China Construction Bank, Far Easter International Bank, TBB, Industrial Bank of Taiwan, En Tie Bank, Yuan Ta Bank, Bank SinoPac, China Development Industrial Bank, Bank of China, Agricultural Bank of China, Industrial and Commercial Bank of China Limited, Bank of Taiwan and MF Global during the year ended December 31, 2012. During 2012, the contracts cash inflow is expected to be about US\$1,813,017 thousand and recognized profit was \$27,036.

C. Market risk

The main purpose of the transactions is to hedge against exchange losses. The exchange gain or loss from rate fluctuations will be hedged by these transactions. Accordingly, no material market risks are expected.

D. Credit risk

Derivative counterparties and cash transactions are limited to high-credit-quality international financial institutions. The Company has policies that limit the amount of credit exposure to any financial institution.

E. Liquidity risk

The Company has prudent liquidity risk management which includes maintaining sufficient cash.

F. Cash flow risk of interest rate change

The financial instruments of the Company are not interest-bearing instruments. Therefore, it has no cash flow risk due to interest rate change.

III. DISCLOSURE OF INFORMATION ON INDIRECT INVESTMENTS IN MAINLAND CHINA

1) The basic information of investments in Mainland China as of December 31, 2012 is as follows:.

Name of investee in Mainland China	Main activities of investee	Capital	Investment amount and method	Beginning investment balance from Taiwan	Investment amount Remittance	Ending investment balance from Taiwan	Shares held by the Company (Direct or indirect)	Investment (loss)/ gain	Investment amount as of December 31, 2012	Accumulated remittance
Chicony Electronics (Dong Guan) Co., Ltd.	Manufacturing and sales of computer keyboards	\$ 277,530	Invested by Real Young	\$ 236,374	-	\$ 236,374	100%	12,667	\$ 557,645	-
Mao-Ray Electronics (Dong Guan) Co., Ltd.	Manufacturing of electronics parts, keyboards and plastic products	277,530	Invested by Real Young	236,374	-	236,374	100%	12,667	557,645	-
Chicony Electronics (Suzhou) Co., Ltd.	Manufacturing and sales of computer keyboards	672,440	Invested by Mao-Feng	329,424	-	329,424	100%	491,988	5,755,193	-
Hipro Electronics (Dong Guan) Co., Ltd.	Manufacturing of switching power supplies and other electronics parts	401,343	Invested by HOI	286,935	-	286,935	62.02%	55,291	848,029	-
Chicony Power Electronics (Suzhou) Co., Ltd.	Manufacturing of switching power supplies and other electronics parts	239,442	Invested by HOI	194,245	-	194,245	62.02%	192,179	660,542	-
XAVi Technology (Suzhou) Co., Ltd.	Manufacturing and sales of DSL Bridges	83,954	Invested by XAVi	83,954	-	83,954	63.68%	330	(33,749)	-
Haderiou (DongGuan)	Manufacturing and sales of plastic goods	375,838	Invested by Holyu	303,352	-	303,352	57.27%	(2,111)	233,687	-
Mao-Qun	Manufacturing and sales of computer keyboards	124,911	Invested by GFI	93,661	-	93,661	60%	(85,622)	(125,646)	-
Suzhou Qun-Yang Electronics Co., Ltd.	Manufacturing and sales of computer keyboards	4,804	Invested by Mao-Qun	-	-	-	60%	(50)	4,582	-
Guan Sheng electronics (Nanchang) Co., Ltd.	Manufacturing and sales of electronics parts	131,175	Invested by HOI	97,602	-	97,602	62.02%	5,887	185,621	-
Far win (Kunshan) Co, Ltd	Manufacturing of printed circuit parts and sensor parts	146,759	Invested by Sky-Fine	-	-	-	29%	53,203	114,589	-
Chicony Power Technology (Chong-Qing) Co., Ltd.	Manufacturing and sales of electronic parts	301,744	Invested byCPHK	95,210	-	95,210	62.02%	(29,685)	273,060	-
Chicony Electronics (Chong-Qing) Co., Ltd.	Manufacturing and sales of computer peripherals	435,788	Invested by COI	-	-	-	100%	(17,786)	401,834	-
Chicony Energy Saving Technology (Shanghai) Co., Ltd.	Sales of LED lighting equipment	44,379	Invested by CPSZ	36,896	-	36,896	62.02%	(4,641)	40,689	-

Accumulated investment balance from Taiwan to Mainland China	<u>\$ 3,027,827</u> (US\$104,264 thousand)	Amount approved by MOEA	<u>\$ 3,275,828</u> (US\$112,804 thousand)	Ceiling amount of investment in Mainland China	<u>\$ 10,121,280</u>
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2) Major transactions with the investees in Mainland China: See Note 11(b).

IV. Significant inter-company transactions for the years ended December 31, 2012 and 2011

1. Subsidiaries included in the consolidated financial statements of 2012:

(Only transactions over 1% of consolidated total operating revenues or total assets are disclosed.)

No. (Note 1)	Name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets
				Account	Amount	Transaction terms	
0	CEC	CEM3	1	Guarantee	\$ 604,032	Follow Company's policy	1.31%
"	CEC	UNIKEY	1	Other receivable	953,747	Note 6	2.07%
"	CEC	QS	1	Other receivable	550,525	Note 6	1.20%
1	CEM2	CEC	2	Sales	8,880,158	Notes 4 & 5	13.15%
"	CEM2	CEC	2	Accounts receivable	7,427,853	Notes 4 & 5	16.12%
"	CEM2	CGI	3	Sales	2,586,264	Note 5	3.83%
2	CEM3	CEC	2	Sales	5,249,561	Notes 4 & 5	7.78%
"	CEM3	CEC	2	Accounts receivable	668,646	Notes 4 & 5	1.45%
"	CEM3	CGI	3	Sales	7,113,656	Note 5	10.54%
"	CEM3	CGI	3	Accounts receivable	1,454,171	Note 5	3.16%
3	HDG	CPI	3	Sales	10,441,201	Note 5	15.47%
"	HDG	CPI	3	Accounts receivable	737,622	Note 5	1.60%
"	HDG	CPSZ	3	Sales	971,424	Note 5	1.44%
4	CPI	CP	3	Sales	20,937,519	Note 5	31.01%
"	CPI	CP	3	Accounts receivable	3,267,793	Note 5	7.09%
"	CPI	CPSZ	3	Sales	971,424	Note 5	1.44%
5	COI	CEC	2	Other receivable	2,109,473	Note 6	4.58%
"	COI	CGI	3	Other receivable	1,050,140	Note 6	2.28%
6	CGI	CAI	3	Sales	1,167,200	Note 5	1.73%
"	CGI	CEZ	3	Sales	946,666	Note 5	1.40%
"	CGI	CEM2	3	Other receivable	4,473,955	Note 6	9.71%
7	HOI	CGI	3	Other receivable	1,070,840	Note 6	2.32%
"	HOI	HEC	3	Other receivable	613,297	Note 6	1.33%
8	CPSZ	CPI	3	Sales	9,640,135	Note 5	14.28%

No. (Note 1)	Name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets
				Account	Amount	Transaction terms	
"	CPSZ	CPI	3	Accounts receivable	\$ 1,295,332	Note 5	2.81%
9	CP	CPHK	3	Guarantee	1,045,440	Follow Company's policy	2.27%
10	Mao-Ray	CEC	2	Sales	3,138,631	Notes 4 & 5	4.65%
11	GSE	CPI	3	Sales	1,579,833	Note 5	2.34%
12	XAVi(Suzhou)	XAVi	3	Sales	1,091,676	Note 5	1.62%

2. Subsidiaries included in the consolidated financial statements of 2011:

(Only the transactions over 1% of consolidated total operation revenues or total assets are disclosed.)

No. (Note 1)	Name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets
				Account	Amount	Transaction terms	
0	CEC	CEM3	1	Guarantee	\$ 478,266	Follow Company's policy	1.12%
"	CEC	UNIKEY	1	Other receivable	731,059	Note 8	1.71%
"	CEC	QS	1	Other receivable	600,813	Note 8	1.40%
1	CEM2	CEC	2	Sales	7,003,195	Note 7	11.54%
"	CEM2	CEC	2	Accounts receivable	4,235,281	Note 7	9.88%
"	CEM2	CGI	3	Sales	2,352,773	Note 7	3.88%
2	CEM3	CEC	2	Sales	3,284,776	Note 7	5.41%
"	CEM3	CEC	2	Accounts receivable	534,620	Note 7	1.25%
"	CEM3	CGI	3	Sales	5,504,343	Note 7	9.07%
"	CEM3	CGI	3	Accounts receivable	825,869	Note 7	1.93%
"	CEM3	MQ	3	Other receivable	1,189,204	Note 8	2.77%
3	HDG	CPI	3	Sales	11,819,957	Note 7	19.48%
4	CPI	CP	3	Sales	20,452,534	Note 7	33.70%
"	CPI	CP	3	Accounts receivable	2,079,258	Note 7	4.85%
"	CPI	HDG	3	Sales	779,2664	Note 7	1.28%
"	CPI	CPSZ	3	Sales	1,122,079	Note 7	1.85%
5	COI	CEC	3	Other receivable	2,268,787	Note 7	5.29%

No. (Note 1)	Name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets
				Account	Amount	Transaction terms	
5	COI	CGI	3	Other receivable	\$ 524,698	Note 8	1.22%
6	CGI	CAI	3	Sales	1,206,668	Note 7	1.99%
"	CGI	CEZ	3	Sales	1,200,567	Note 7	1.98%
"	CGI	CEM2	3	Other receivable	2,382,840	Note 8	5.56%
7	HOI	CGI	3	Other receivable	937,765	Note 7	2.19%
8	CPSZ	CPI	3	Sales	8,497,268	Note 7	14.00%
"	CPSZ	CPI	3	Accounts receivable	880,092	Note 8	2.05%
9	CP	CPHK	3	Other receivable	972,151	Note 8	2.27%
10	Mao-Ray	CEC	2	Sales	2,758,771	Note 7	4.55%
11	GSE	CPI	3	Sales	1,775,444	Note 7	2.93%
12	XAVi(Suzhou)	Xavi	3	Sales	1,292,990	Note 7	2.13%

Note 1: The information of inter-company transactions should be noted by number.

The parent company is 0. Subsidiaries are 1 onwards.

Note 2: The relationship is: 1. parent to subsidiary.

2. subsidiary to parent.

3. subsidiary to subsidiary.

Note 3: The ratio of the asset is divided by the consolidated total assets; the ratio of the revenue is divided by the consolidated total operating revenues.

Note 4: For details of the transaction terms, please see Note 11I (7).

Note 5: For details of the transaction terms, please see Note 11II (7).

Note 6: Loans granted and payment in advance. Please see Notes 11 I(2), II(2)B, I(8) and II(2)H.

Note 7: The terms of the sales to related parties were the same in 2012 and 2011.

Note 8: Loans granted during the year.

Note 9: Operating revenue and royalty revenue during the year.

12. SEGMENT REPORTING

1) General information

The Company has identified which segments should be reported based on the information used by the chief operating decision-maker to make decisions.

The chief operating decision-maker, assesses the performance of the operating segments based on the adjusted operating income.

Financial cost and revenue (e.g. interest income and expense) are not allocated to segments, as this type of activity is driven by the central treasury function, which manages the cash position of the Group.

2) Information on segment profit (loss), assets and liabilities

The segment information provided to the chief operating decision-maker for the reportable segments for the years ended December 31, 2012 and 2011 is as follows:

2012	ROC	Asia	America	Europe	Consolidated
Revenue from third parties	\$ 46,264,221	\$ 17,784,808	\$ 1,745,947	\$ 1,714,675	\$ 67,509,651
Revenue from the Company and its subsidiaries	<u>1,341,067</u>	<u>55,998,926</u>	<u>23,274,744</u>	<u>-</u>	<u>80,614,737</u>
Segment revenue	<u>\$ 47,605,288</u>	<u>\$ 73,783,734</u>	<u>\$ 25,020,691</u>	<u>\$ 1,714,675</u>	<u>\$ 148,124,388</u>
Segment income (loss) (Note)	<u>\$ 2,303,537</u>	<u>\$ 3,214,793</u>	<u>(\$ 287,373)</u>	<u>\$ 96,395</u>	<u>\$ 5,327,352</u>
Depreciation and amortization	<u>(\$ 177,333)</u>	<u>(\$ 1,098,145)</u>	<u>(\$ 113,319)</u>	<u>(\$ 4,624)</u>	<u>(\$ 1,393,421)</u>
Segment assets	<u>\$ 18,622,746</u>	<u>\$ 41,699,505</u>	<u>\$ 10,656,715</u>	<u>\$ 675,985</u>	<u>\$ 71,654,951</u>
2011	ROC	Asia	America	Europe	Consolidated
Revenue from third parties	\$ 41,246,843	\$ 16,139,589	\$ 1,481,065	\$ 1,818,549	\$ 60,686,046
Revenue from the Company and its subsidiaries	<u>1,446,196</u>	<u>48,473,848</u>	<u>23,002,258</u>	<u>1,585</u>	<u>72,923,887</u>
Segment revenue	<u>\$ 42,693,039</u>	<u>\$ 64,613,437</u>	<u>\$ 24,483,323</u>	<u>\$ 1,820,134</u>	<u>\$ 133,609,933</u>
Segment income (loss) (Note)	<u>\$ 1,728,815</u>	<u>\$ 2,470,359</u>	<u>(\$ 582,643)</u>	<u>\$ 49,872</u>	<u>\$ 3,666,403</u>
Depreciation and amortization	<u>(\$ 204,717)</u>	<u>(\$ 1,240,150)</u>	<u>(\$ 134,268)</u>	<u>(\$ 4,067)</u>	<u>(\$ 1,583,202)</u>
Segment assets	<u>\$ 15,277,536</u>	<u>\$ 31,947,647</u>	<u>\$ 10,063,216</u>	<u>\$ 781,867</u>	<u>\$ 58,070,266</u>

Note: Excludes depreciation, amortization, elimination and adjustment.

3) Reconciliation information of segmental income

Intra-segment sales are arm's length transactions. The measurement of external revenues reported to the chief operating decision-maker is consistent with revenues in the statement of income. The reconciliation information of income from continuing operations before income tax and segmental income is as follows:

	<u>For the year ended December 31, 2012</u>	<u>For the year ended December 31, 2011</u>
Segmental income	\$ 5,327,352	\$ 3,666,403
Depreciation	(1,228,759)	(1,390,979)
Amortization	(164,662)	(192,223)
Elimination and adjustment	<u>84,095</u>	<u>55,205</u>
Income from continuing operations before income tax	<u>\$ 4,018,026</u>	<u>\$ 2,138,406</u>

The amounts provided to the chief operating decision-maker with respect to total assets are measured in a manner consistent with that in the balance sheet. Investments in shares held by the Group are not considered to be segment assets as these are managed by the treasury function.

Reportable segments' assets are reconciled to total assets as follows:

	<u>December 31, 2012</u>	<u>December 31, 2011</u>
Segment assets	\$ 71,654,951	\$ 58,070,266
Elimination and adjustment	(<u>31,782,852</u>)	(<u>23,260,636</u>)
	39,872,099	34,809,630
Financial assets at fair value through profit or loss	34,775	59,266
Available-for-sale financial assets	4,002,629	5,873,876
Financial assets carried at cost	664,563	550,284
Long-term investments at equity	<u>1,490,398</u>	<u>1,573,869</u>
Total assets	<u>\$ 46,064,464</u>	<u>\$ 42,866,925</u>

4) Financial information by industry

Revenue from third parties are mainly derived from the sale of computer peripheral products, consumer electronic products and other electronic products as follows:

	<u>2012</u>	<u>2011</u>
Computer peripheral products	\$ 41,312,747	\$ 39,473,339
Consumer electronic products	22,220,398	15,602,583
Other electronic products	<u>3,817,384</u>	<u>5,515,880</u>
Total	<u>\$ 67,350,529</u>	<u>\$ 60,591,802</u>

5) Information by geographic area

Revenue from third parties

<u>Areas</u>	<u>2012</u>	<u>2011</u>
ROC	\$ 46,264,221	\$ 41,246,843
Asia	17,784,808	16,139,589
America	1,745,947	1,481,065
Europe	<u>1,714,675</u>	<u>1,818,549</u>
Total	<u>\$ 67,509,651</u>	<u>\$ 60,686,046</u>

Revenue from third parties are calculated based on collections.

Non-current assets

	<u>December 31,</u>	
<u>Areas</u>	<u>2012</u>	<u>2011</u>
ROC	\$ 2,329,721	\$ 2,209,774
Asia	8,389,275	8,138,714
America	230,406	173,444
Europe	<u>22,615</u>	<u>12,329</u>
Total	<u>\$ 10,972,017</u>	<u>\$ 10,534,261</u>

Non-current assets include property, plant and equipment, intangible assets and other assets, but excluding financial assets and deferred income tax assets.

6) Information on major customers' sales are as follows:

	<u>2012</u>		<u>2011</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Company A	\$ 6,300,450	9	\$ 3,410,058	6
Company B	6,086,642	9	5,289,387	9
Company C	5,411,362	8	8,095,708	13
Company D	4,937,184	7	3,429,883	6
Company E	<u>3,530,630</u>	<u>5</u>	<u>1,970,317</u>	<u>3</u>
	<u>\$26,266,268</u>	<u>39</u>	<u>\$22,195,353</u>	<u>37</u>

Each customer above has transactions with each reportable segments.

13. DISCLOSURES RELATING TO THE ADOPTION OF IFRSs

Pursuant to the regulations of the Financial Supervisory Commission, Executive Yuan, R.O.C., effective January 1, 2013, a public company whose stock is listed on the Taiwan Stock Exchange Corporation or traded in the GreTai Securities Market should prepare financial statements in accordance with the International Financial Reporting Standards (“IFRSs”), International Accounting Standards (“IASs”), and relevant interpretations and interpretative bulletins that are ratified by the Financial Supervisory Commission.

- 1) Major contents and status of execution of the Company’s plan for IFRSs adoption are as follows:

The Company has formed an IFRSs group headed by the Company’s general manager, who is responsible for setting up a plan relative to the Company’s transition to IFRSs. The major contents and status of execution of this plan are outlined below:

Working Items for IFRSs Adoption	Status of Execution
Formation of an IFRSs group	Completed
Setting up a plan relative to the Company’s transition to IFRSs	Completed
Identification of the differences between current accounting policies and IFRSs	Completed
Identification of consolidated entities under the IFRSs framework	Completed
Evaluation of the impact of each exemption and option on the Company under IFRS 1 – “First-time Adoption of International Financial Reporting Standards”.	Completed
Evaluation of needed information system adjustments.	Completed
Evaluation of needed internal control adjustments	Completed
Establish IFRSs accounting policies	Completed
Selection of exemptions and options available under IFRS 1 – First-time Adoption of International Financial Reporting Standards	Completed
Preparation of statement of financial position on the date of transition to IFRSs	Completed
Preparation of IFRSs comparative financial information for 2012	In progress
Completion of relevant internal control (including financial reporting process and relevant information system) adjustments	In progress

- 2) Material differences that may arise between current accounting policies

used in the preparation of financial statements and IFRSs and “Rules Governing the Preparation of Financial Statements by Securities Issuers” that will be used in the preparation of financial statements in the future:

The Company uses the IFRSs already ratified currently by the Financial Supervisory Commission and the “Rules Governing the Preparation of Financial Statements by Securities Issuers” that will be applied in 2013 as the basis for evaluation of material differences in accounting policies as mentioned above. However, the Company’s current evaluation results may be different from the actual differences that may arise when new issuances of or amendments to IFRSs are subsequently ratified by the Financial Supervisory Commission or relevant interpretations or amendments to the “Rules Governing the Preparation of Financial Statements by Securities Issuers” come in the future.

Material differences identified by the Company that may arise between current accounting policies used in the preparation of financial statements and IFRSs and “Rules Governing the Preparation of Financial Statements by Securities Issuers” that will be used in the preparation of financial statements in the future, considering the effects on the Company in transition to IFRSs due to the exemption rules in IFRS 1, “First-time Adoption of International Financial Reporting Standards”, adopted by the Company (see Notes 13(3)) are set forth below:

A. Reconciliation information of Balance Sheet as of January 1, 2012:

	<u>R.O.C Gaap</u>	<u>Differences</u>	<u>IFRSs</u>	<u>Note</u>
Deferred income tax assets - current	\$ 42,330	(\$ 42,330)	\$ -	(a)
Available-for-sale financial assets - non-current	985,168	191,125	1,176,293	(b)
Financial assets carried at cost - non-current	550,284	(285,875)	264,409	(b)
Total property, plant and equipment, net	10,035,679	(359,758)	9,675,921	(d)
Other intangible assets	251,242	(251,242)	-	(e)
Deferred income tax assets - non-current	17,594	48,463	66,057	(a)(f)(g)
Other assets - non-current	-	359,758	359,758	(d)
Long-term rental prepayment	-	251,242	251,242	(e)
Other	<u>30,984,628</u>	<u>(6,245)</u>	<u>30,978,383</u>	
Total assets	<u>\$ 42,866,925</u>	<u>(\$ 94,862)</u>	<u>\$ 42,772,063</u>	

	<u>R.O.C Gaap</u>	<u>Differences</u>	<u>IFRSs</u>	<u>Note</u>
Accrued expenses	\$ 3,743,666	\$ 78,415	\$ 3,822,081	(f)
Land value incremental reserve	21,756	(21,756)	-	(c)
Accrued pension liabilities	38,239	29,819	68,058	(g)
Deferred income tax liabilities - non-current	14,724	21,756	36,480	(c)
Others	<u>20,674,989</u>	<u>-</u>	<u>20,674,989</u>	
Total liabilities	<u>\$ 24,493,374</u>	<u>\$ 108,234</u>	<u>\$ 24,601,608</u>	
Capital reserve from long-term investments	\$ 126,509	(\$ 126,509)	\$ -	(h)
Special reserve	-	435,487	435,487	(j)
Undistributed earnings	6,786,686	27,167	6,813,853	
Cumulative translation adjustments	403,717	(403,717)	-	(i)
Unrealized gain or loss on financial instruments	335,796	(94,750)	241,046	(b)
Asset revaluations	31,771	(31,771)	-	(c)
Minority interest	1,536,847	(9,224)	1,527,623	(f)(g)
Others	<u>9,152,225</u>	<u>221</u>	<u>9,152,446</u>	
Total stockholders' equity	<u>\$ 18,373,551</u>	<u>(\$ 203,096)</u>	<u>\$ 18,170,455</u>	

Reasons for differences are outlined below:

- (a) In accordance with current accounting standards in R.O.C., a deferred tax asset or liability should, according to the classification of its related asset or liability, be classified as current or noncurrent. However, a deferred tax asset or liability that is not related to an asset or liability for financial reporting purpose, should be classified as current or noncurrent according to the expected time period to realize or settle a deferred tax asset or liability. However, under IAS 1, "Presentation of Financial Statements", an entity should not classify a deferred tax asset or liability as current. Therefore, the Company reclassified "Deferred tax assets – current" amounting to \$42,330 to the "Deferred income tax assets – non current" account at the date of transition to IFRSs.

- (b) In accordance with the amended “Rules Governing the Preparation of Financial Statements by Securities Issuers”, dated July 7, 2011, unlisted stocks, emerging stocks and private equity held by the Company should be measured at cost and recognized in “Financial assets carried at cost”. However, in accordance with IAS 39, “Financial Instruments: Recognition and Measurement”, investments in equity instruments without an active market but with reliable fair value measurement (i.e. the variability of the estimation interval of reasonable fair values of such equity instruments is insignificant, or the probability for these estimates can be made reliably) should be measured at fair value. In accordance with the amended “Rules Governing the Preparation of Financial Statements by Securities Issuers”, dated December 22, 2011, the Company designated such financial assets carried at cost as “Available-for-sale financial assets” and compared the fair value at the transition date with its book value which resulted to an adjustment of difference to other comprehensive income. Therefore, the Company made adjustments at the date of transition to IFRSs to “Financial assets carried at cost” and “Available-for-sale financial assets – non current” by decreasing and increasing the balance by \$285,875, respectively, and made adjustments to “Available-for-sale financial assets – non current” and “Unrealized gain on available-for-sale financial assets” by decreasing the balance by \$94,750 for both accounts.
- (c) In accordance with current accounting standards in R.O.C., property, plant and equipment are stated at cost, except for certain land which is carried at government indexed appraised value. However, under IAS 16, “Property, Plant and Equipment”, an entity measures property, plant and equipment at cost and may choose to subsequently measure the fixed assets using the revaluation model or the cost model. The Company accrued certain reserve by Land Act for land which is carried at government indexed appraised value . In accordance with current accounting standards in R.O.C., the reserve is presented as “Reserve - Land value incremental reserve”. However, under IAS 12, “Income Taxes”, the land value increment tax belongs to income taxes category and should be presented as “Deferred income tax liabilities”. Therefore, the Company made adjustments at the date of transition to IFRSs to “Retained Earnings” and “Unrealized revaluation increment” by increasing and decreasing the balance by

\$31,771, respectively, and made adjustments to “Deferred income tax liabilities – non current” and “Reserve - Land value incremental reserve” by increasing and decreasing the balance by \$21,756, respectively.

- (d) Prepayment on acquisition of property, plant and equipment is presented in ‘Property, plant and equipment’ in accordance with the “Rules Governing the Preparation of Financial Statements by Securities Issuers”. However, such prepayment should be presented in ‘Other non-current assets’ based on its nature under IFRSs. Therefore, the Company reclassified the amount of \$359,758 from “Property, Plant and Equipment” to “Other Non-Current Assets”.
- (e) The current accounting standards in R.O.C. specify that royalties paid on acquisition of land use right shall be presented as ‘Intangible assets’. However, IAS 17, “Leases”, specifies that royalties on land use right, which meets the definition of long-term operating lease, shall be presented as ‘Long-term rental prepayment’. Therefore, the Company reclassified the amount of \$251,242 from “Other intangible assets” to “Long-term rental prepayment”.
- (f) The current accounting standards in R.O.C. do not specify the rules on recognition of the cost of accumulated unused compensated absences. The Company recognized such cost as expense upon actual payment. However, IAS 19, “Employee Benefits”, requires the cost of accumulated unused compensated absences be accrued as expense at the end of the reporting period. Therefore, the Company increased “Accrued Expenses” and “Deferred income tax assets – non current” by \$78,415 and \$5,059, respectively, and decreased “Retained Earnings” and “Minority interest” by \$65,804 and \$7,552, respectively, at the opening IFRS balance sheet date.
- (g) Pensions
 - i. The discount rate used to calculate pensions shall be determined with reference to the factors specified in R.O.C. SFAS 18, paragraph 23. However, IAS 19, “Employee Benefits”, requires an entity to determine the rate used to discount employee benefits with reference to market yields on high quality corporate bonds that match the currency at the end day of the reporting period and duration of its pension plan; when there is no deep market in corporate bonds, an entity is required to use market yields on government bonds (at the end day of the reporting period) instead.

- ii. The Company has elected to recognize all cumulative actuarial gains and losses for all employee benefit plans in “retained earnings” at the opening IFRS balance sheet date.
- iii. In accordance with current accounting standards in R.O.C., the unrecognized transitional net benefit obligation should be amortized on a straight-line basis over the average remaining service period of employees still in service and expected to receive benefits. However, as the Company is a first-time adopter of IFRSs, the transitional provisions in IAS 19, “Employee Benefits” do not apply.

The Company increased “Accrued pension liabilities” and “Deferred income tax assets – non current” by \$29,819 and \$1,074, respectively, and decreased “Retained Earnings” and “Minority interest” by \$27,073 and \$1,672, respectively, at the opening IFRS balance sheet date.
- (h) The Company has elected the exemptions of Business combinations, and recognized the Capital reserve from long-term investments amounting to \$126,509 which is not in accordance with IFRSs in “Retained Earnings” at the opening IFRS balance sheet date.
- (i) The Company has elected to reset the cumulative translation differences arising on the translation of the financial statements of foreign entities under ROC GAAP to zero at the opening IFRS balance sheet date. Therefore, the Company increased “Retained Earnings” and decreased “Cumulative translation adjustments” by \$403,717, respectively, at the opening IFRS balance sheet date.
- (j) In accordance with Jin-Guan-Zheng-Fa-Zi Letter No. 1010012865 of Financial Supervisory Commission, dated April 6, 2012, the Company should accrue Special Reserve amounting to \$435,487 for electing to recognize the cumulative translation differences and unrealized revaluation increment in “Retained Earnings”.

B. Reconciliation information of Balance Sheet as of December 31, 2012

	<u>R.O.C Gaap</u>	<u>Differences</u>	<u>IFRSs</u>	<u>Note</u>
Deferred income tax assets - current	\$ 99,525	(\$ 99,525)	\$ -	(a)
Available-for-sale financial assets - non-current	457,109	249,000	706,109	(b)
Financial assets carried at cost - non-current				(b)
Total property, plant and equipment, net	664,563	(285,875)	378,688	(d)
Other intangible assets	10,483,476	(211,162)	10,272,314	(e)
Deferred income tax assets - non-current	195,852	(195,852)	-	(a)(f)(g)
Other assets - non-current	57,343	107,001	164,344	(d)
Long-term rental prepayment	-	211,162	211,162	(e)
Others	-	195,852	195,852	
Total assets	<u>34,106,596</u>	<u>(9,704)</u>	<u>34,096,892</u>	
	<u>\$ 46,064,464</u>	<u>(\$ 39,103)</u>	<u>\$ 46,025,361</u>	

	<u>R.O.C Gaap</u>	<u>Differences</u>	<u>IFRSs</u>	<u>Note</u>
Accrued expenses	\$ 4,077,459	\$ 87,176	\$ 4,164,635	(f)
Land value incremental reserve	21,756	(21,756)	-	(c)
Accrued pension liabilities	38,175	46,917	85,092	(g)
Deferred income tax liabilities - non-current	14,656	21,756	36,412	(c)
Others	<u>23,019,682</u>	<u>-</u>	<u>23,019,682</u>	
Total liabilities	<u>\$ 27,171,728</u>	<u>\$ 134,093</u>	<u>\$ 27,305,821</u>	
Capital reserve from long-term investments	\$ 117,843	(\$ 117,843)	\$ -	(h)
Special reserve	-	433,524	433,524	(j)
Undistributed earnings	7,411,955	(1,390)	7,410,565	
Cumulative translation adjustments	(242,180)	(403,717)	(645,897)	(i)
Unrealized gain or loss on financial instruments	(813,010)	(36,875)	(849,885)	(b)
Asset revaluations	31,771	(31,771)	-	(c)
Minority interest	2,023,936	(15,791)	2,008,145	(f)(g)
Others	<u>10,362,421</u>	<u>667</u>	<u>10,363,088</u>	
Total stockholders' equity	<u>\$ 18,892,736</u>	<u>(\$ 173,196)</u>	<u>\$ 18,719,540</u>	

C. Reconciliation information of Income Statement for the year ended December 31, 2012

	<u>R.O.C Gaap</u>	<u>Differences</u>	<u>IFRSs</u>	<u>Note</u>
Total Operating Revenue	\$ 67,509,651	\$ -	\$ 67,509,651	
Operating Costs	(56,825,336)	-	(56,825,336)	
Operating Expenses	<u>(6,666,289)</u>	<u>(7,820)</u>	<u>(6,674,109)</u>	(6)(7)
Operating income	4,018,026	(7,820)	4,010,206	
Non-operating Gains and Losses	<u>906,193</u>	<u>(8,666)</u>	<u>897,527</u>	(8)
Income before income tax	4,924,219	(16,486)	4,907,733	
Income tax expense	<u>(784,376)</u>	<u>1,343</u>	<u>(783,033)</u>	(6)(7)
Consolidated net income	<u>\$ 4,139,843</u>	<u>(\$ 15,143)</u>	<u>\$ 4,124,700</u>	

Reasons for differences are outlined below:

- (a) In accordance with current accounting standards in R.O.C., a deferred tax asset or liability should, according to the classification of its related asset or liability, be classified as current or noncurrent. However, a deferred tax asset or liability that is not related to an asset or liability for financial reporting purposes, should be classified as current or noncurrent according to the expected time period to realize or settle a deferred tax asset or liability. However, under IAS 1, “Presentation of Financial Statements”, an entity should not classify a deferred tax asset or liability as current. Therefore, the Company reclassified “Deferred tax assets – current” amounting to \$99,525 to the “Deferred income tax assets – non current” account as of December 31, 2012.
- (b) In accordance with the amended “Rules Governing the Preparation of Financial Statements by Securities Issuers”, dated July 7, 2011, unlisted stocks, emerging stocks and private equity held by the Company should be measured at cost and recognized in “Financial assets carried at cost”. However, in accordance with IAS 39, “Financial Instruments: Recognition and Measurement”, investments in equity instruments without an active market but with reliable fair value measurement (i.e. the variability of the estimation interval of reasonable fair values of such equity instruments is insignificant, or the probability for these estimates can be made reliably) should be

measured at fair value. In accordance with the amended “Rules Governing the Preparation of Financial Statements by Securities Issuers”, dated December 22, 2011, the Company designated such financial assets carried at cost as “Available-for-sale financial assets” and compared the fair value at the transition date with its book value which resulted to an adjustment of difference to other comprehensive income. Therefore, the Company made adjustments as of December 31, 2012 to IFRSs to “Financial assets carried at cost” and “Available-for-sale financial assets – non current” by decreasing and increasing the balance by \$285,875, respectively, and made adjustments to “Available-for-sale financial assets – non current” and “Unrealized gain on available-for-sale financial assets” by decreasing the balance by \$94,750, for both accounts. During 2012, the Company increase “Available-for-sale financial assets – non current” and “Unrealized gain on available-for-sale financial assets” by \$57,875, simultaneously.

- (c) In accordance with current accounting standards in R.O.C., property, plant and equipment are stated at cost, except for certain land which is carried at government indexed appraised value. However, under IAS 16, “Property, Plant and Equipment”, an entity measures property, plant and equipment at cost and may choose to subsequently measure the fixed assets using the revaluation model or the cost model. The Company accrued certain reserve by Land Act for land which is carried at government indexed appraised value. In accordance with current accounting standards in R.O.C., the reserve presents as “Reserve - Land value incremental reserve”. However, under IAS 12, “Income Taxes”, the land value increment tax belongs to income taxes category and should be presented as “Deferred income tax liabilities”. Therefore, the Company made adjustments at the date of transition to IFRSs to “Retained Earnings” and “Unrealized revaluation increment” by increasing and decreasing the balance by \$31,771, respectively, and made adjustments to “Deferred income tax liabilities – non current” and “Reserve - Land value incremental reserve” by increasing and decreasing the balance by \$21,756.
- (d) Prepayment on acquisition of property, plant and equipment is presented in ‘Property, plant and equipment’ in accordance with the “Rules Governing the Preparation of Financial Statements by Securities Issuers”. However, such prepayment should be presented

in 'Other non-current assets' based on its nature under IFRSs. Therefore, the Company reclassified the amount of \$211,162 from "Property, Plant and Equipment" to "Other Non-Current Assets".

- (e) The current accounting standards in R.O.C. specify that royalties paid on acquisition of land use right shall be presented as 'Intangible assets'. However, IAS 17, "Leases", specifies that royalties on land use right, which meets the definition of long-term operating lease, shall be presented as 'Long-term rental prepayment'. Therefore, the Company reclassified the amount of \$195,852 from "Other intangible assets" to "Long-term rental prepayment".
- (f) The current accounting standards in R.O.C. do not specify the rules on recognition of the cost of accumulated unused compensated absences. The Company recognized such cost as expense upon actual payment. However, IAS 19, "Employee Benefits", requires that cost of accumulated unused compensated absences should be accrued as expense at the end of the reporting period. Therefore, the Company increased "Accrued Expenses" and "Deferred income tax assets – non current" by \$78,415 and \$5,059, respectively, and decreased "Retained Earnings" and "Minority interest" by \$65,804 and \$7,552, respectively, at the opening IFRS balance sheet date. During 2012, the Company increased "Salaries Expenses" by \$8,761 (including "Minority Net loss" by \$4,567), "Accrued Expenses" by \$8,761 and "Deferred income tax assets – non current" by \$1,343, and decreased "Income tax expense" by \$1,343,
- (g) Pensions
 - i. The discount rate used to calculate pensions shall be determined with reference to the factors specified in R.O.C. SFAS 18, paragraph 23. However, IAS 19, "Employee Benefits", requires an entity to determine the rate used to discount employee benefits with reference to market yields on high quality corporate bonds that match the currency at the end day of the reporting period and duration of its pension plan; when there is no deep market in corporate bonds, an entity is required to use market yields on government bonds (at the end day of the reporting period) instead.
 - ii. The Company has elected to recognize all cumulative actuarial gains and losses for all employee benefit plans in "retained earnings" at the opening IFRS balance sheet date.
 - iii. In accordance with current accounting standards in R.O.C., the unrecognized transitional net benefit obligation should be

amortized on a straight-line basis over the average remaining service period of employees still in service and expected to receive benefits. However, as the Company is a first-time adopter of IFRSs, the transitional provisions in IAS 19, “Employee Benefits” do not apply.

- iv. In accordance with current accounting standards in R.O.C., actuarial pension gain or loss of the Company is recognized in net pension cost of current period using the ‘corridor’ method. However, IAS 19, “Employee Benefits”, requires that actuarial pension gain or loss should be recognized immediately in other comprehensive income.

The Company increased “Accrued pension liabilities” and “Deferred income tax assets – non current” by \$29,819 and \$1,074, respectively, and decreased “Retained Earnings” and “Minority interest” by \$27,073 and \$1,672, respectively, at the opening IFRS balance sheet date.

During 2012, the Company decreased “Minority Interest” by \$2,237 and “Salaries Expenses” by \$941 (including “Minority Net income” by \$237), and increased “Accrued pension liabilities” by \$17,098, and “Other comprehensive loss” by \$15,801.

- (h) The Company has elected the exemptions of Business combinations, and recognize the Capital reserve from long-term investments amounting to \$126,509 which is not in accordance with IFRSs in “Retained Earnings” at the opening IFRS balance sheet date. During 2012, the Company decreased “Capital reserve from long-term investments” and “Gain on disposal of investment” by 8,666, simultaneously.
- (i) The Company has elected to reset the cumulative translation differences arising on the translation of the financial statements of foreign entities under ROC GAAP to zero at the opening IFRS balance sheet date. Therefore, the Company increased “Retained Earnings” and decreased “Cumulative translation adjustments” by \$403,717, respectively, at the opening IFRS balance sheet date.
- (j) In accordance with Jin-Guan-Zheng-Fa-Zi Letter No. 1010012865 of Financial Supervisory Commission, dated April 6, 2012, The Company should accrue Special Reserve amounting to \$435,487 for electing to recognize the cumulative translation differences and unrealized revaluation increment in “Retained Earnings”. During

2012, the Company transferred the special reserve to undistributed earnings by \$1,963 for partial disposal of the long-term investments at equity.

- 3) In accordance with IFRS 1, “First-time Adoption of International Financial Reporting Standards” and “Rules Governing the Preparation of Financial Statements by Futures Commission Merchants” to be applicable in 2013, the exemption items are listed below:

A. Business combinations

The Company has elected not to apply the requirements in IFRS 3, “Business Combinations”, retrospectively to business combinations that occurred prior to transition to IFRSs.

B. Share-based payment transactions

The Company has elected not to apply the requirements in IFRS 2, “Share-based Payment”, retrospectively to equity instruments/liabilities that were vested/settled arising from share-based payment transactions prior to transition to IFRSs.

C. Deemed cost

For property, plant and equipment that were revalued under ROC GAAP before the date of the Company’s first IFRS balance sheet, the Company has elected to use the revalued amount under ROC GAAP at the date of the revaluation as the ‘deemed cost’ of these assets under IFRSs.

D. Employee benefits

The Company made an adjustment to recognize accumulated actuarial pension gain or loss immediately in “Retained earnings” at transition date. And starting from the transition date, the Company would postpone on each accounting reporting period the disclosure requirement amount for benefit obligations as stated in IAS 19, “Employee Benefits”, paragraph 120A(P).

E. Cumulative translation differences

The Company has elected to reset the cumulative translation differences arising on the translation of the financial statements of foreign entities under ROC GAAP to zero at the opening IFRS balance sheet date, and to deal with translation differences arising subsequent to the opening IFRS balance sheet date in accordance with IAS 21, “The Effects of Changes in Foreign Exchange Rates”.

F. Compound financial instruments

The Company has elected not to segregate between liability components and equity components of compound financial instruments whose

liability components were not outstanding at the opening IFRS balance sheet date.

G. Designation of previously recognized financial instruments

The Company has elected to designate certain financial assets carried at cost as ‘Available-for-sale financial assets’ at the opening IFRS balance sheet date.

H. Borrowing costs

The Company has elected to apply the transitional provisions in paragraphs 27 and 28 of IAS 23, “Borrowing Costs”, amended in 2007 from the opening IFRS balance sheet date.

Some of the above-mentioned exemptions may be different from actual results due to issuances of new laws and regulations, changes in economic environment, or changes in evaluation of exemption rules adopted by the Company.

6.5 Financial impact to the Company if any financial or cash flow difficulties incurred by the Company and its affiliated companies: None

7. Analysis and Review of Risks Relating to the Financial Status and Operating Results

7.1 Financial Status:

7.1.1 Analysis of changes in Assets, Liabilities and Shareholders' Equities in the past two years Unit: NT \$000's

Item \ Year	Year		Variation in amount		
	2012	2011	Amount	%	
Current Assets	\$10,132,123	\$8,302,602	\$1,829,521	22	Detail (2)1
Long-term Investments	21,389,110	20,290,076	1,099,034	5	
Fixed Assets	1,934,068	2,023,403	(89,335)	(4)	
Intangible Assets	38,000	20,701	17,299	84	Detail (2)2
Other Assets	28,042	56,994	(28,952)	(51)	Detail (2)3
Total Assets	33,521,343	30,693,776	2,827,567	9	
Current Liabilities	12,987,601	11,604,672	1,382,929	12	
Long-term Liabilities	3,303,000	2,160,000	1,143,000	53	Detail (2)4
Land Value incremental Reserve	21,756	21,756	0	0	
Other Liabilities	340,186	70,644	269,542	382	Detail (2)5
Total Liabilities	16,652,543	13,857,072	2,795,471	20	Detail (2)6
Capital Stock	6,757,782	6,444,436	313,346	5	
Capital Reserves	1,728,005	1,255,013	472,992	38	Detail (2)7
Retained Earnings	9,718,374	8,677,468	1,040,906	12	
Other Adjustment to Shareholders' Equity	(1,335,361)	459,787	(1,795,148)	(390)	Detail (2)8
Total Shareholders' Equity	16,868,800	16,836,704	32,096	0	

Note: Deviation more than 20% and \$10 million are listed and analyzed.

7.1.2 Analysis & explanation:

1. Current Assets increased, mainly due to increase of accounts receivables, which is resulted from the increase of sales this year.
2. Intangible asset increased, mainly due to purchase of ERP system accounts.
3. Other asset decrease, mainly due to recognition of amortization for ERP system consultant expense implemented in 2009.
4. Long-term liabilities increased, mainly due to the increase of bank borrowing for operation need this year.
5. Total other liability increase, mainly due to operation loss of objectives that Company invests with equity method this year.
6. Total liability increase as a result of increased borrowing from bank and related parties accounts payables.
7. Capital reserves increase as a result of increase of net profit
8. Other adjustments to stockholders' equity decreased as a result of recognition of unrealized loss from available-for-sale financial assets., mainly due to decline of market price this year

7.2 Operating Results

7.2.1 Comparison & analysis

Unit: \$thousands

Year Item	2012		2011		Increasing (decreasing) Amount	Deviation Ratio (%)	Analysis for the deviation of increasing (decreasing) ratio
Sales	23,069,836		17,853,464		5,216,372	29	Detail (2) 1
Sales Returns	(235,237)		(136,239)		98,998	73	Detail (2) 2
Sales Discounts	(253,455)		(177,440)		76,015	43	Detail (2) 3
Net Sales		22,581,144		17,539,785	5,041,359	29	Detail (2) 4
Other Operating Revenues	761,458		495,424		266,034	54	Detail (2) 5
Total Sales		23,342,602		18,035,209	5,307,393	29	Detail (2) 6
Cost of Goods Sold	(19,544,223)		(15,083,347)		4,460,876	30	Detail (2) 7
Gross Profit		3,798,379		2,951,862	846,517	29	Detail (2) 8
Gross Profit , Net		3,798,379		2,951,862	846,517	29	Detail (2) 9
Sales and Marketing Expenses	(964,200)		(828,908)		135,292	16	
General and Administrative Expenses	(718,503)		(689,239)		29,264	4	
Research and Development Expenses	(692,744)		(670,349)		22,395	3	
Total Operating Expenses		(2,375,447)		(2,188,496)	186,951	9	
Operating Income		1,422,932		763,366	659,566	86	Detail (2) 10
Interest Income	24,394		17,211		7,183	42	
Investment Income Recognized Under Equity Method	2,414,701		3,644,099		(1,229,398)	(34)	Detail (2) 11
Dividends Income	44,860		62,197		(17,337)	(28)	Detail (2) 12
Gain on Disposal of Fixed Assets	2,225		1,549		676	44	
Investment Gain	97,956		92,970		4,986	5	
Foreign Exchange Gain	196,535		0		196,535	100	Detail (2) 13
Rent Income	1,449		1,852		(403)	(22)	
Gain on Valuation of Financial Assets			1,618		(1,618)	(100)	
Miscellaneous Income	77,217		76,838		379	0	
Total non-Operating Income		2,859,337		3,898,334	(1,038,997)	(27)	Detail (2) 14
Interest Expenses	(90,601)		(91,511)		(910)	(1)	
Foreign Currency Exchange Loss			(153,716)		(153,716)	(100)	Detail (2) 15
Impairment Loss	(17,740)				17,740	100	Detail (2) 16
Loss on Evaluation of Financial Liability			(1,964)		(1,964)	(100)	
Miscellaneous Expenses	(1,379)		(11,938)		(10,559)	(88)	Detail (2) 17
Total non-Operating Expenses		(109,720)		(259,129)	(149,409)	(58)	Detail (2) 18
Continuing Operating Income before tax		4,172,549		4,402,571	(230,022)	(5)	
Income Tax Expenses	(328,314)		(246,202)		82,112	33	Detail (2) 19
Continuing Operating Income after tax		3,844,235		4,156,369	(312,134)	(8)	
Cumulative Effect of Changes in Accounting Principles					0	0	
Current net profit		3,844,235		4,156,369	(312,134)	(8)	

Note1: Analysis for deviation over 20% and amount up to NT twenty million dollars.

Note 2: No significant change for the main operating business

Note 3: Consolidated sales volume in this year is estimated as follows: computer peripheral equipment will be 25,052 in ten thousands units, and consumer electronic products and other electronic products will be 8,823 in ten thousands units.

7.2.2 Analysis of main reasons for deviation from each account balance:

- (1) An increase of new customers and sales volumes.
- (2) An increase of customer's sales returns.
- (3) An increase of customer's sales returns.
- (4) An increase in sales
- (5) An increase in royalty and service charges collected from subsidiaries.
- (6) An increase in sales.
- (7) An increase in sales volumes.
- (8) An increase in sales volumes and operation scope.
- (9) An increase in sales volumes and operation scope.
- (10) An increase in sales.
- (11) An increase of investment benefit from recognized profit from equity investment.
- (12) A decrease of the dividend income from the short-term investment.
- (13) Unrealized exchange gain of foreign currency liability position caused by US dollar depreciation.
- (14) A decrease of investment income from equity method investment.
- (15) Unrealized exchange gain of foreign currency liability position caused by US dollar depreciation.
- (16) The impairment loss from financial assets carried at cost.
- (17) Recognition loss of non-deductible VAT tax.
- (18) Decrease of unrealized exchange loss.
- (19) Increase of effective income tax rate due to decrease in tax benefit.

7.3 Cash Flow

7.3.1 Analysis of Cash Flow in the Past Two Years

Item \ Year	Dec.31 st , 2012	Dec. 31 st , 2011	Increase (decrease) ratio
Cash Flow Ratio	33.88%	24.21%	39.95%
Cash Flow Adequacy Ratio	106.95%	90.44%	18.26%
Cash Reinvestment Ratio	8.83%	1.80%	389.17%

Analysis for the deviation of increase (decrease) ratio

a. Cash Flow Ratio increased mainly due to increase of cash flow from operating activities.

b. Cash adequacy ratio increased mainly due to increase of cash flow from operating activities.

c. Cash Reinvestment Ratio increased mainly due to an increase of cash flow from operating activities.

7.3.2 Analysis of Cash Flow in the following year

Unit: \$000's

Beginning Cash Balance (1)	Est. Annual Net Cash Flow from Operating Activities (2)	Est. Annual Cash Outflows (3)	Est. Cash balance (insufficient) (1)+(2)-(3)	Remedial Measure for Cash Deficit	
				Investment Plan- Proceeds from New Issue	Financing Plan- Increasing Long-term Bank Loans
\$381,952	\$4,400,000	\$4,581,952	\$200,000	—	—

<p>1. Analysis for the deviation of Cash Flow:</p> <p>(1) Operating activities: Net Cash inflow as a result of increase of profit, mainly due to dedicating to high value-added products.</p> <p>(2) Investment activities: There will be no significant investment activities projection in this year.</p> <p>(3) Financing activities: Net Cash outflow as a result of cash dividends.</p> <p>2. Remedial measure and cash flow analysis for estimated cash deficit: None</p>

7.4 Financial Impact to the Company of Significant Capital Expenditure

Financial impact to the Company of significant capital expenditure: None

7.5 Main Reasons and Improvement Plan for Reinvestment Policy and Earnings or Losses as well as the Investment Plan in the Following Year

7.5.1 Reinvestment Policy

The Company has three reinvestment policies as follows:

1. Make investments to establish subsidiaries around the world to serve as production bases and provide sales and services, in order to reduce production cost, be in greater proximity to serve our customers, and take advantages of tax credits.
2. Make investments in major raw material suppliers under the principle of minimum capital, in order to assure the supply source of main raw materials.
3. Make strategic investments in synergistic products enhance the Company's overall competitiveness and create the maximum advantage.

7.5.2 Main Reasons and Improvement Plan for Reinvestment Policy and Earnings or Losses in Recent Years, as Well as the Future Investment Plan

Unit: \$000's

Invested Company Name	Investment (Note 1)	Purpose	2012 Investment Income (loss)	Main Reasons for Income or Loss	Improve-ment Plan	Future Investment Plan
Chicony Overseas Inc.	265,326	Holding company	683,861	Recognized profit from subsidiary companies and Gain from disposal of investment	None	None
Chicony Global Inc.	33,027	Increasing operations	731,881	Increasing sales weight for niche products, and well management and control on expenditure and cost	None	None
Chicony Power Technology Co., Ltd.	1,504,745	Increasing product lines to enhance overall profit	582,692	Increasing sales weight for niche products, expanding operating sizes and R&D capabilities for upgrading production efficiencies	None	None
Hipro Overseas (BVI) Inc.	412,003	Holding company and increasing product lines to enhance	498,902	Dividends Income and gain from investment	None	None

Invested Company Name	Investment (Note 1)	Purpose	2012 Investment Income (loss)	Main Reasons for Income or Loss	Improvement Plan	Future Investment Plan
		overall profit				
Hipro Electronics Co., Ltd.	2,330	Holding company	(58,314)	Gain from disposal of investment	None	None
UniKey Electronics Co., Ltd.	150,000	Holding company	(46,962)	Recognition of loss from the investment in Newmax	The operation of Newmax is expected to grow with the launch of new products.	None
Chicony Elec. (Thailand) Co., Ltd.	33,920	Decreasing production cost	0	Termination of operations	Proceeding with legal business closure after disposal of own land and plants	None
Had Eri Iou Industrial Inc.	212,139	Vertical integration	(12,031)	Sales was not as good as expected and write off inventory loss	Expanding unrelated customers to increase sales revenue and improving the manufacturing process.	None
XAVi Technologies Corporation	197,303	Increasing products for overall profit	38,586	Well management and control on expenditure, cost and factory operation.	Continuously strengthen R&D capabilities, increase sales revenue and expand business scale, to raise profit margin.	None

Note: 1. The aforesaid investments are sum of direct and indirect investments. Investments in US\$ are converted from investment cost based on original exchange rate.

3. Only direct reinvestments are listed in the aforesaid table. Please refer to page 144-149 of this Annual Report for profit or loss of individual companies for earnings or losses in indirect reinvestments. Please refer to page 183-198 of this Annual Report for operation scope, capital, and shareholding percentage of each investment.

7.6 Analysis and Evaluation of Risk Issues

In the fiscal year 2012 and as of 31st March, 2013, analysis and evaluation of risk issues are as follows:

7.6.1 Influence of Changes in Interest Rate and Exchange Rates and Inflation on the Company's Profit and Loss and Future Responses/Measures

1. Interest rate changes

The Company's consolidated bank loan balance decreased approximately \$2,069 million from year-end 2011 to year-end 2012, and consolidated net interest expense decreased approximately \$22,993,000. The average consolidated interest rate in 2012 is 1.53%, which is equivalent to the figure in 2011. The average consolidated interest rate of the first quarter of 2013 is also equivalent to that of the first quarter of 2012. Based on the consolidated bank loan balance of \$6,391,127,000 as at 31st March, 2013, every increase or decrease of 0.25% in the annual interest rate for the loans will have an effect on the Company's annual interest expense of \$15,978,000.

The Company will monitor the trends of market interest rates, adjust the loan portfolio among various currencies to acquire the most favorable loan interest rate, for controlling overall receivable payment, inventory and fixed assets turnover rate, which can increase cash inflow and minimize the influence, caused by increasing interest rate, on the Company.

2. Exchange rate changes

Products exported by Company and its subsidiaries are quoted in US dollars which is also used as basis of importing goods. Thus, exchange rate fluctuations have less influence on gross profit, as they offset each other, resulting in net assets in US dollars. The Company monitors the international economic situation for net assets in US dollars and future possible flows, adapting hedge methods including US dollar loans, foreign exchange forward, options and foreign exchange swaps or directly selling US dollars after referring to banks' reports to decrease exchange rate fluctuations. The global consolidated foreign exchange gain was \$80,949,000 for 2012 and \$18,092,000 for the first quarter of 2013.

3. Inflation

The most products of Company and subsidiaries are exported, so that domestic inflation has less influence on the Company's profit and loss. Global Inflation may be triggered in 2012 if price of oil and materials keep on increasing. Inflation will possibly influence consumer's ability and willingness to spend, and thus reduce market demand for consumer products, which may negatively influence the Company's overall operating profit and loss. However, the impact of international inflation is comprehensive because it affects not only individual companies but also countries worldwide. However, governments should be able to find solution. The Company will keep on devoting to developing and selling niche products with high profit margin and reducing production costs, which can stimulate consuming with satisfying price to maintain the Company's operating income and reduce the negative influence of inflation on the Company's profitability.

7.6.2 The Main Reasons for Profit or Loss from Policies for High-risk and High-leverage Investment, Loans to Others, Endorsements and Derivative Product Transactions, as well as Future Response /Measures

1. A resolution from the Company's Board Meeting regulates that any total short-term investment made by the Company and subsidiaries must not exceed 25% of the consolidated

net value amount. To reduce investment risk, objects of short-term investment of the Company and subsidiaries are mainly the Company's affiliated companies and other electronic manufacturers. Investment details and profit or loss are reviewed at least once a month, enabling the Company to proceed with stop-loss if any unusual situations are found. In 2012 and as of 31st March, 2013, the gain of short term investment for Company and subsidiaries is NTD\$751,062,000 and NTD\$254,817,000.

2. According to the policy of the Company and its subsidiaries for conducting loans and endorsements to other parties, the object of any loans must be limited to subsidiaries in which the Company has a holding of over 50% from direct or indirect investment. In the event that a subsidiary requires funds to meet operating demands and faces difficulties in acquiring bank loans, the Company and subsidiaries will support with a loan or endorsement. In 2012 and as of 31st March, 2013, the Company and its subsidiaries did not produce any significant loss from loans or endorsements to others.
3. According to the policies of the Company and its subsidiaries, derivatives transactions are limited to hedging transactions. Depending on positions and flowing of foreign exchange holding and purchase demands for raw material, the Company and its subsidiaries will refer to banks' reports to appropriately undertake long-term foreign exchange or options for hedging purpose, to decrease the impact of exchange rate fluctuations.

7.6.3 Future R&D Plan and Estimated Investments for R&D

The Company continuously invests in R&D for tablet keyboards, camera module for tablets and smart phones, input/output devices for smart TV, multi-functional high quality digital video products integrated with wireless communication, high power for cloud data centers, LED lighting and PV inverter (solar power converter) energy-saving products. Estimated investment on R&D accounts for 2%~3% of sales revenues.

7.6.4 Financial Impact to the Company by Change of Important Domestic and International Laws and Regulations, and Company's Response/Measures

For protection of tax income, each country's government regulate transfer pricing by request of solid proof of legal related parties. The Company has already assigned professional tax consulting agencies to offer consulting services for transfer pricing. They can help Company be compliance with laws and regulations, avoid double taxation and reduce tax risk.

The Undistributed Earnings increased NTD 462,654,303 as of 1st January 2012 and NTD 432,134,123 as of 1st January 2013 due to the implement of IFRS. On 1st January 2013, the company chose the exempt items of IFRS No.1 for the preparation of financial reports with the first adoption of IFRS. And therefore the company made a provision for special reserve of NTD 433,524,210, which is the amount of retained earnings transferred from unrealized revaluation increment and cumulated translation adjustment after deducting the increment from the assets disposed in 2012. After the provision of special reserve, the distributable earnings have decreased by NTD 1,390,086.

7.6.5 Financial Impact to the Company by Change of Technology and Industries, and Company's Response / Measures

In 2012 and as of 31st March, 2013, there was no significant financial impact to the Company from technological changes. However, high oil price, costs of raw materials, labor shortages in China, the ongoing increase in labor costs and appreciation of the NT dollar and RMB, coupled with shrinking profit margins makes it difficult to increase prices, and the Company's profitability could be affected. The Company will remain devoted to developing and selling niche products, reducing production cost, automating production, products

VA/VE, manufacturing process improvement and conduct vertical integration with main suppliers to reduce the aforesaid negative influences and maintain the Company's profitability.

7.6.6 Changes in the Company's Corporate Image and Potential Impact on Crisis Management, and Response / Measures

As of 31st March, 2013, the Company's corporate image has not been affected by any crisis management.

7.6.7 Possible Risks and Expected Benefits from Merger, and Response / Measures

Not applicable; as of 31st March, 2013, the Company has no plans for mergers and acquisitions.

7.6.8 Possible Risks and Expected Benefits of Company from Plant Expansion, and its Response /Measures

In January 2013, Chicony Electronics (Suzhou) Co., Ltd., the 100% owned subsidiary of the company, has started to construct a new plant for manufacturing keyboards to meet the customer's demand. The total budget is predicted to be from NTD\$300 to 400 million dollars, around 2% of consolidated net value of Company as of 31st December, 2012. The construction is planned to be completed in October 2013.

7.6.9 Risks Associated with Purchase or Sales Concentration, and Response/Measures

In the fiscal year 2012 end up to 31st March, 2013, no single product in the Company's product portfolio sold to a single end customer accounts for more than 10% of global consolidated sales revenues. The number of suppliers for each raw material is required to be more than two, and no single supplier accounts for more than 10% of global consolidated procurement amount.

7.6.10 Potential Impact and Risk Associated with Sales of Significant Numbers of Shares by the Company's Directors, Supervisors, or Shareholders Who Hold 10% or More of Total Outstanding Share

In the fiscal year 2012 and as of 31st March, 2013, no sales of significant numbers of shares were made among director, supervisor or shareholder holds more than 10% of the shares in the Company.

7.6.11 Potential Impact and Risks from Changes in Operation Ownership of Company, and its Response Measures

In the fiscal year 2012 and as of 31st March, 2013, the Company has had no changes in operation ownership.

7.6.12 Risks Associated with Litigation and Response /Measures

1. Any significant litigious or non-litigious matters, or administrative litigation in the process of Court: None
2. Any of Company's directors, Supervisors, President, or Officers in charge or shareholders with ownership more than 10% of outstanding shares, and the relevant associated companies, who is with final court verdict or is still in the judgment process of court for any significant litigious or non-litigious matters, or administrative litigation, may have important impacts on shareholders' interest and stock price:

- (1). Comarco, Inc. (abbreviated as Comarco) had ordered 90W NB Adapter from CP. As of March 2010. Comarco still has an outstanding liability to CP in

the amount of USD 1,153 thousand; Accordingly, CP filed an indictment against Comarco in Orange County Superior Court in April 2011 to request Comarco to pay the outstanding balance, however, Comarco filed a counterclaim against CP in May 2011, and claimed that Comarco had recalled its products because the adapters CP had provided were defective, and therefore Comarco requested compensation of USD 15,000 thousand from CP for the losses. The case is ongoing for over a year since filing, and it is currently under evidence gathering and investigative process.

The possibility to settle the case in the near future is remote, because the claims held by both parties was too different. According to Comarco's counterclaim, if the court rules in favor of Comarco, CP will have to pay USD 15,000 thousand, attorney fees, and all the lawsuit related expenses. However, according to CP's claim, CP had informed Comarco about the risk that might be caused by the design of other parts. Besides, based on the contract signed by both parties, Comarco had to ensure CP from the losses caused by change of specifications and designs, so CP had no reserves about the potential loss. However, CP had fully reserved for the remaining accounts receivable from Comarco, amounting USD 1,153 thousand.

- (2). In January 2012, Dell Products (Manufacturing) Limited (abbreviated as Dell) had filed an indictment in Ireland Supreme Court to charge CP as co-defendant. In the case, the original plaintiff (Thomas McDonagh & Sons) had claimed that Dell's customer, which is ICI Dulux Paint Limited (abbreviated as ICI,) had produced paint mixing machines (which contained Dell's brand-name desktop computers and also Dell desktop power adapters produced by CP) that had caused the fire in its factory and caused the related losses. Therefore, the original plaintiff (Thomas McDonagh & Sons) had requested compensation of EUR 1,273,125.7 from its defendant. During the lawsuit process, ICI had made Dell as co-defendant, and Dell therefore also had made CP as co-defendant. The case has currently not yet entered into evidence gathering and investigative process. However, CP had covered the products with product liability insurance, so the insurance company will be responsible for the further lawsuit settlement and agreement.

If the agreement can be reached before the case is settled by the court, CP will be responsible for the compensation based on the agreement reached. If the agreement cannot be reached, the compensation will depend on Ireland Supreme Court's settlement. If Ireland Supreme Court decides that the fire was caused by CP's products, there will be a strong possibility that CP have to compensate the plaintiff with the related losses. However, because the product liability insurance can cover the compensation amount, CP had no reserves for the potential losses.

- (3). On 23rd March 2007, Hipro Overseas (BVI) Inc., a 100% owned subsidiary of the Company, had filed a petition against its component supplier, PAN JIT INTERNATIONAL INC., and claimed for the compensation of product defect to the amount equal to US\$11,510,532 plus interest calculated from the next date of the date servicing the plaint to the date of discharging the total claimed amount on the annual rate of 5%.

7.6.13 Other Significant Risks and Response/Measures: None

7.7 Other Important Matters: None

2. Concluded as the existence of the controlling and subordinate relation according to Company Act Articles 369-2 : None °
3. Concluded as the existence of a direct or indirect control over the management of the personnel, financial or business operation and subordinate relation according to Company Act Paragraph II of Articles 369-2 : None °

2. Subsidiaries Profile

Subsidiaries	Setup	Address	Paid-In-Capital	Operation or Manufacturing Scope
Chicony Overseas Inc.	1989.4.14	P.O. Box 3152, Road Town, Tortola, British Virgin Islands	US\$ 10,000,000	1.Sales of computer peripherals 2.Management of overseas acquisitions & investments
Unikey Electronics Co., Ltd	1994.3.16	9F,No.82-5,Kung Fu RD.Sec.1,SanChong Dist., New Taipei City	NT\$ 150,000,000	Manufacturing and sales of computer peripherals
Hipro Overseas (BVI) Inc.	1998.9.17	P.O. Box 957, Off shore Incorporations Centre, Road Town, Tortola, BVI	US\$ 12,560,000	1. Manufacturing and sales of switching power supplies and other electronic parts 2. Management of overseas acquisitions & investments
Hipro Electronics Co., Ltd	1990.10.5	2F,No.25,Wu Kun 6 th RD., Wu Ku Dist.,New Taipei City	NT\$ 46,600,000	Sales of switching power supplies and other electronic parts
XAVi Technology Co, Ltd,	1997.10.17	9F,No.129,Shen De RD., Sanchong Dist., New Taipei City	NT\$ 333,500,000	Researching, manufacturing and selling the DSL Bridge and Router
Chicony Elec. (Thailand) Co., Ltd.	1989.12.28	82 Mu 4, Takhan Bangpakong, Chachoengsao 24130, Thailand	Bath 211,157,500	Manufacturing and sales of computer peripherals
Chicony Global Inc.	2006.9.11	Level 9F Main Office Tower:Financial Park. 87000 Labuan Ft.Malaysia	US\$ 1,000,000	Sales of computer peripherals
Chicony Power Technology Co., Ltd.	2008.12	No.2,Wu Chung 5 th RD., Wu Ku Dist.,New Taipei City	NT\$ 3,257,969,340	Manufacturing and sales of switching power supplier,LED lighting ,other electronic parts
Had Eri Lou Industrial Inc. Ltd.	1989.7.4	2F,No.25,Wu Kun 6 th RD., Wu Ku Dist.,New Taipei City	NT\$ 300,000,000	Manufacturing and selling the plastic goods
Chicony America Inc.	1989.12.19	53 Parker Irvine,CA 92618, U.S.A.	US\$ 3,250,000	Sales of computer peripherals
Chicony Electronics GmbH	1989.12.15	Oehleckererring 6B 22419 Hamburg, Germany	EUR 1,533,876 (DEM 3,000,000)	Sales of computer peripherals
Chicony (Dong Guan) Co., Ltd	1998.7.1	San Zhong Guan Li Qu,Qingxi,Dongguan,China	US\$ 9,760,000	Manufacturing and sales of computer peripherals
Mao-Feng International Inc.	1999.4.16	P.O. Box 957 Offshore Incorporations Centre Road Town, British Virgin Island	US\$ 2,294,000	1. Sales of computer peripherals 2. Management of overseas acquisitions & investments
Chicony (Suzhou)Co., Ltd.	2001.10.26	No2379,North Zhongshan RD.,Songlin Town,Wujian, Suzhou, Jiang Su Province, China	US\$ 21,278,269 (RMB 159,059,530)	Manufacturing and sales of computer peripherals
Chicony Electronics CEZ s.r.o	2002.11.25	Tovarni 1553, 535 01 Prelouc ,Czech Republic	US\$ 6,555 (CZK 200,000)	Sales of computer peripherals

Subsidiaries	Setup	Address	Paid-In-Capital	Operation or Manufacturing Scope
Global Faith Inc.	2004.6.10	Scotia Centre 4 th Floor P.O. Box 2804, George Town, Grand Cayman, Cayman Islands	US\$ 3,850,000	1. Sales of computer peripherals 2. Management of overseas acquisitions & investments
Mao Qun Electronics Co.,Ltd	2004.4.4	No.68,She Li RD., Wu Jiang Economic and Technology Development zone	US\$ 3,850,000	Manufacturing of electronic parts, keyboard and plastic products
Suzhou Qun Yang Electronics Co.,Ltd	2012.1.9	No.345,Hu Shin RD., Wu Jiang Economic and Technology Development zone	RMB 1,000,000	Manufacturing of electronic parts, and plastic products
Chichony Electronics Japan Co., Ltd.	2008.11	4B Iwasaki.,3-11-15 Mizonzkuchi,Takatsu-ku, Kawasaki-shi,Kanagawa-ken 2-3-0001	JPY 10,000,000	Sales of computer peripherals
Kuang Mao International Inc.	2001.12.11	P.O. Box 217. Apia, Samoa	US\$ 2,284,142	1.Sales of computer peripherals
Chichony America Group Inc.	2000.9.1	53 Parker 2 nd Floor Irvine, CA 92618, U.S.A.	US\$ 6,200,000	2.Management of overseas acquisitions & investment Internet solution for E-Commerce solution
Chichony Electronics (Chong Qing) Co., Ltd.	2011.4.12	NO.18 JIUJIANG ROAD,STREET OFFICE OF SHUANGFU,JIANGJIN DISTRICT,CHONGQING,CHINA.	US\$ 15,000,000	Manufacturing and sales of computer peripherals
Real Young Elec. Co., Ltd.	2000.5.25	P.O. Box 3152, Road Town, Tortola British Virgin Islands	US\$ 9,139,780	1. Sales of computer peripherals
MaoRui Electronics(Dong Guan)Co.,Ltd.	2000.10.23	Hui Lian SU Area, Niu Shan WiGin Industrial Park,Dong Guan City	US\$ 8,445,283	2.Management of overseas acquisitions & investment Manufacturing of electronic parts, keyboard and plastic products
Guang Sheng Investment Co., Ltd	2003.4.24	8F-1,No.100, Zhongxiao E.Rd.Sec.2,Taipei	NT\$ 80,000,000	Investment Holdings
Chun Chin Power Technology Co., Ltd	2008.8	2F,No.25,Wu Kun 6 th RD., Wu Ku Dist.,New Taipei City	NT\$ 1,000,000	Wholesale and retail of computer and office equipment
Chichony Power Holdings Inc.	2009.7	Porteullis TrustNet Chambers , P.O. Box, 3444 Road Town, Tortola, British Virgin Islands	US\$ 10,000,000	Investment holdings
Chichony Power International Inc.	2009.8	Marquee Place, Suite 300, 430 West Bay Road P.O. Box 32052 Grand Cayman KY1-1208 Cayman Islands	US\$ 10,000,000	Manufacturing and sales of switching power supplies and other electronic parts
Chichony Power Technology Hong Kong Limited(CPHK)	2002.4.24	3 RD Floor, Building 9,NO.5 Science Park West Avenue, Shatin, New Territories,Hong Kong	HK\$ 46,800,000 (US\$ 6,000,000)	Research and development centre
Chichony Power USA, Inc.	2003.11.21	723 S.Casino Center Blvd .,2 nd Floor LASVEGAS U.S.A.	US\$ 500,000	Sales of switching power supplies and other electronic parts
Hipro Electronics (Dongguang) Co., Ltd	1998.12.7	Shi Chen Technology Industrial Park, Liaobu Town,Dongguan City	US\$ 14,750,000 (RMB 120,823,705)	Manufacturing and sales of switching power supplies and other electronic parts

Subsidiaries	Setup	Address	Paid-In-Capital	Operation or Manufacturing Scope
Chicony Power Technology (Suzhou) Co., Ltd	2002.12.11	No2379, North Zhongshan RD., Songlin Town, Wujian, Suzhou, Jiang Su Province, China	US\$ 7,100,000 (RMB 53,493,569)	Manufacturing and sales of special electronic equipment (keyboards, high efficient switching power supplies and power supply model)
Guang Sheng Electronics (Nanchang), Co., Ltd	2006.7	North of Ho Chi RD. Sect2, New Area, Nan Cham City, CHina	US\$ 4,000,000 (RMB 31,170,839)	Manufacturing and sales of special electronic equipment (magnetic material, circuit Board , keyboard, Power Inverter)
Chicony Power Technology (Chong Qing) Co., Ltd.	2011.4	NO.18 JIUJIANG ROAD, STREET OFFICE OF SHUANGFU,JIANGJIN DISTRICT,CHONGQING,CHINA.	US\$ 10,000,000	Management and Sales of switching power supplies and other electronic parts
Chicony Energy Saving Technology (Shanghai) Co., Ltd.	2011.5	Room 1702, No.1600, Wes Chun Shan RD. Xuhui District, Shanghai city, China	RMB 10,000,000	Energy saving counsel, technique development and transfer , energy performance management , sales and installment of lighting equipment for energy saving
Directmax International Ltd.	2002.7.2	P.O.Box 3152, Road Town, Tortola, British Virgin Islands	US\$ 2,750,000	Management of overseas acquisitions & investments
XAVi Overseas Ltd.	2002.1.18	P.O.Box 3152, Road Town, Tortola, British Virgin Islands	US\$ 2,500,000	1.Sales of DSL Bridge and Router 2.Management of overseas acquisitions & investments
Systemax Development Ltd.	2002.7.12	P.O.Box 3152, Road Town, Tortola, British Virgin Islands	US\$ 250,000	Sales of DSL Bridge and Router
Xavi Technologies (Suzhou) Co., Ltd	2002.12.25	No2518, North Zhongshan RD., Songlin Town, Wujian, Suzhou, Jiang Su Province, China	US\$ 2,500,000 (RMB 20,692,685)	Manufacturing, processing and sales of DSL Bridge and Router
GUIDEWAY GLOBAL LIMITED	2002.7.22	P.O.Box 3152, Road Town, Tortola, British Virgin Islands	US\$ 50,000	Sales of plastic toys, plastic and metal mold, plastic shell and metal computer components.
HAD ERI IOU INTERNATIONAL CO., LIMITED	2002.9.30	Unit 3, 12/F Wah Shing Centre, 11-13 Sheing Yip Street Kwun Tong	HK\$ 10,000 (US\$ 1,282)	Sales of plastic toys, plastic and metal mold, plastic shell and metal computer components.
HOLYU International Co., Ltd	2002.5.20	Offshore Chambers, P.O, Box 217 Apia	US\$ 14,500,000	Investment
Dong Guan Had Eri Lou Plastics Corporation	2002.9.17	New Asia Industrial Park, Chan Lin Village, Tan Shia Town, Dong Guan City, China	RMB 91,122,674 (US\$ 12,068,779)	Manufacturing and sales of plastic toys, plastic and metal mold, plastic shell and metal computer components.

3. Common shareholders information among corporations which are concluded as the existence of the controlling and subordinate relation : Not Applicable

4. Business and Financial Overview with Operation Results of Subsidiaries : Manufacturing , Commerce and Management service .

5. Directors、Supervisor and GM information of Subsidiaries

Unit : NTD\$K ; Share ; %

Subsidiaries	Title	Name or Representative	Shareholding	
			Shares/Contribution Capital	Shares Percentage /Contribution Capital Percentage
Chicony Overseas Inc.	Director	Kent Hsu	—	—
	Director	M.K. Lin	—	—
	Director	Roger Lu	—	—
Unikey Electronics Co., Ltd	Chairman(Legal Representative)/GM	M.K Lin	—	—
	Director of Legal Representative	Kent Hsu	—	—
	Director of Legal Representative	Roger Lu	—	—
	Supervisor of Legal Representative	James Wei	—	—
	Legal Representative mentioned above is for Chicony Electronics CO., LTD		15,000,000	100%
Hipro Overseas (BVI) Inc.	Director	Kent Hsu	—	—
	Director	M.K. Lin	—	—
	Director	MH Huang	—	—
	Director	TY Lee	—	—
	Director	Frank Jih	—	—
	Director	Roger Lu	—	—
	Director	James Wei	—	—
Chicony Elec. (Thailand) Co., Ltd.	Director	Kent Hsu	1	—
	Director	M.K Lin	1	—
	Director	Roger Lu	1	—
	Director	TY Tsai	1	—
	Chairman/Director	Angluse Lu	1	—

Subsidiaries	Title	Name or Representative	Shareholding	
			Shares /Contribution Capital	Shares % /Contribution Capital %
Hipro Electronics Co., Ltd	Chairman (Legal Representative)	Kent Hsu	—	—
	Vice Chairman(Legal Representative)/ GM	M.K. Lin	—	—
	Director of Legal Representative	Roger Lu	—	—
	Director of Legal Representative	Steve Wu	—	—
	Director of Legal Representative	MH Huang	—	—
	Director of Legal Representative	TY Lee	—	—
	Director of Legal Representative	Frank Jih	—	—
	Director of Legal Representative	James Wei	—	—
	Supervisor of Legal Representative	Yue-Yuan Hsu	—	—
	Legal Representative mentioned above is for Chicony Electronics CO., LTD			4,660,000	100%
XAVi Technology Co, Ltd,	Chairman (Legal Representative)	M.K. Lin	—	—
	Legal Representative mentioned above is for Chicony Electronics CO., Ltd.		21,237,649	63.68%
	Director	Kent Hsu	1,992,901	5.98%
	Director	Jackie hsu	727,750	2.18%
	Director/GM	Jerry Lin	658,900	1.98%
	Director	Hank Liu	110,000	0.33%
	Director	Steve Wu	110,000	0.33%
	Director	Wenston Lee	522,133	1.57%
	Supervisor	Roger Lu	110,000	0.33%
	Supervisor	James Wei	110,015	0.33%
Supervisor	Sherman Wei	110,000	0.33%	

Subsidiaries	Title	Name or Representative	Shareholding	
			Shares /Contribution Capital	Shares % /Contribution Capital %
Chicony Power Technology Co., Ltd.	Chairman(Legal Representative) Vice Chairman(Legal Representative) Legal Representative mentioned above is for Chicony Electronics CO., Ltd. Director/GM (including trusted 1,225,600 shares with the right to deal reserved)DirectorIndependent Director Independent Director Independent Director Supervisor Supervisor	Kent Hsu	—	—
		M.K. Lin	—	—
		Peter Tseng	202,056,177	62.02%
		Richard To	3,421,311	1.05%
		Y.S. Fu	1,424,940	0.44%
		D.G. Tsai	—	—
		D.C.Chiu	—	—
		Hank Liu	—	—
		Sherman Wei	444,360	0.14%
		M.Z Yang	740,600	0.23%
Chicony Global Inc. Had Eri Lou Industrial Inc. Ltd.	Director Chairman(Legal Representative)/GM Director of Legal Representative Director of Legal Representative Legal Representative mentioned above is for Chicony Electronics CO., Ltd. Vice Chairman Director Supervisor Supervisor	Kent Hsu	—	—
		Allen Huang	—	—
		M.K. Lin	—	—
		James Wei	—	—
		Maxwell Liu	15,076,445	50.25%
		Mike Hong	1,715,360	5.72%
		Chun Yin Chen	1,470,523	4.90%
		Molly Lin	1,308,432	4.36%
		Kent Hsu	—	—
		MK Lin	—	—
Chicony America Inc.	Director Director/ CEO Director CFO/Director/Secretary	Roger Lu	—	—
		Bruce Chang	—	—
			—	—

Subsidiaries	Title	Name or Representative	Shareholding	
			Shares /Contribution Capital	Shares % /Contribution Capital %
Chicony Electronics GmbH	Executive Director	M.K. Lin	—	—
	Executive Director	Ronnie Chen	—	—
Chicony (Dong Guan) Co., Ltd	Chairman	Kent Hsu	—	—
	Vice Chairman	MK Lin	—	—
	Director/GM	Roger Lu	—	—
	Director	James Wei	—	—
Mao-Feng International Inc.	Director	Kent Hsu	—	—
	Director	MK Lin	—	—
	Director	Roger Lu	—	—
Chicony Electronics (Suzhou)Co., Ltd.	Chairman	Kent Hsu	—	—
	Director	MK Lin	—	—
	Director	Roger Lu	—	—
	Director	Hank Lin	—	—
	Director /GM	Mike Wang	—	—
	Director /GM	James Wei	—	—
Chicony Electronics CEZ s.r.o	Director	Kent Hsu	—	—
	Director	MK Lin	—	—
	Director	Roger Lu	—	—
	Director	Robert Cheng	—	—
	Director	Molly Lin	—	—
Global Faith Inc.	Director	MK Lin	—	—
	Director	Roger Lu	—	—
	Director	James Wei	—	—
	Director	Lai Chu Chen	—	—
	Director	Hei Hu Lian	—	—
Mao Qun Electronics Co., Ltd	Chairman/GM	Hank Liu	—	—
	Director	Roger Lu	—	—
	Director	James Wei	—	—
	Director	Lai Chu Chen	—	—
	Director Supervisor	Hei Hu Lian Mike Wang	—	—

Subsidiaries	Title	Name or Representative	Shareholding	
			Shares /Contribution Capital	Shares % /Contribution Capital %
Suzhou Qun Yang Electronics Co.,Ltd	Chairman	Chris Huang	—	—
	Director	Hank Liu	—	—
	Director	Lai Chu Chen	—	—
	Supervisor	Mike Wang	—	—
Chicony Electronics Japan Inc.	Chairman	Ben Huang	—	—
	Director	Roger Lu	—	—
	Director	Hank Liu	—	—
	Supervisor	M.K. Lin	—	—
Kuang Mao International Inc.	Director	Kent Hsu	—	—
	Director	M.K. Lin	—	—
	Director	James Wei	—	—
	Director	Kent Hsu	—	—
Chicony America Group Inc.	Director/CEO	M.K. Lin	—	—
	Director	Roger Lu	—	—
	Director/Secretary	Bruce Chang	—	—
	Chairman	Kent Hsu	—	—
Chicony Electronics (Chongqing)CO.,Ltd.	Director	M.K. Lin	—	—
	Director/GM	Hank Liu	—	—
	Supervisor	Roger Lu	—	—
	Director	Kent Hsu	—	—
Real Young Elec. Co., Ltd.	Director	M.K. Lin	—	—
	Director	Roger Lu	—	—
	Director	James Wei	—	—
	Director	Hank Liu	—	—
Mao Rui Electronics(Dong Guan) Co.,Ltd.	Chairman/GM	Hank Liu	—	—
	Director	Kent Hsu	—	—
	Director	M.K. Lin	—	—
	Director	Roger Lu	—	—
Director	James Wei	—	—	

Subsidiaries	Title	Name or Representative	Shareholding	
			Shares /Contribution Capital	Shares % /Contribution Capital %
Guang Sheng Investment Co., Ltd	Chairman(Legal Representative)	Kent Hsu	—	—
	Vice Chairman(Legal Representative) /GM	M.K. Lin	—	—
	Director of Legal Representative	Roger Lu	—	—
	Director of Legal Representative	MH Huang	—	—
	Director of Legal Representative	Frank Jih	—	—
Chun Chin Power Technology Co., Ltd	Supervisor of Legal Representative	James Wei	—	—
	Legal Representative mentioned above is for Hipro Electronics Co., Ltd		8,000,000	100%
	Chairman(Legal Representative)	Kent Hsu	—	—
	Vice Chairman(Legal Representative)/GM	M.K. Lin	—	—
	Director of Legal Representative	Roger Lu	—	—
Chicony Power Holdings Inc.	Supervisor of Legal Representative	James Wei	—	—
	Legal Representative mentioned above is for Hipro Electronics Co., Ltd		100,000	100%
	Director	Kent Hsu	—	—
	Director	M.K. Lin	—	—
	Director	Roger Lu	—	—
Chicony Power International Inc.	Director	Kent Hsu	—	—
	Director	M.K. Lin	—	—
	Director	Roger Lu	—	—
	Director	Kent Hsu	—	—
	Director	M.K. Lin	—	—
Chicony Power Technology Hong Kong Limited	Director	Roger Lu	—	—
	Director	Kent Hsu	—	—
	Director	M.K. Lin	—	—
	Director	MH Huang	—	—
	Director	TY Lee	—	—
Chicony Power Technology(Suzhou) Co.,Ltd	Director	Frank Jih	—	—
	Chairman	Kent Hsu	—	—
	Director	M.K. Lin	—	—
	Director	Michael Lu	—	—
	Director	TY Lee	—	—
	Director	Frank Jih	—	—
	GM	Steve Wu	—	—
	Supervisor	Mike Wang	—	—

Subsidiaries	Title	Name or Representative	Sharesholding	
			Shares /Contribution Capital	Shares % /Contribution Capital %
Chicony Power USA, Inc.	Director	Kent Hsu	—	—
	Director	MK Lin	—	—
	Director	Bruce Chang	—	—
	Director	Frank Jih	—	—
Hipro Electronics (Dong Guan) Co., Ltd	Chairman	Kent Hsu	—	—
	Director	M.K. Lin	—	—
	Director	Michael Lu	—	—
	Director	MH Huang	—	—
Guang Sheng Electronics (Nanchang), Co., Ltd	Director	Frank Jih	—	—
	Chairman	Kent Hsu	—	—
	Director	M.K. Lin	—	—
	Director	Roger Lu	—	—
Chicony Power Technology (Chong Qing) Co., Ltd.	Director	Steve Wu	—	—
	Director/GM	TY Lee	—	—
	Chairman	Kent Hsu	—	—
	Director	M.K. Lin	—	—
Chicony Energy Saving Technology (Shanghai) Co., Ltd.	Director/GM	Peter Tseng	—	—
	Supervisor	James Wei	—	—
	Chairman	Kent Hsu	—	—
	Director	M.K. Lin	—	—
Chicony Energy Saving Technology (Shanghai) Co., Ltd.	Director/GM	Peter Cheng	—	—
	Supervisor	James Wei	—	—

Subsidiaries	Title	Name or Representative	Sharesholding	
			Shares /Contribution Capital	Shares % /Contribution Capital %
Directmax International Ltd.	Director	M.K. Lin	—	—
	Director	Kent Hsu	—	—
	Director	James Wei	—	—
	Director	Wenston Lee	—	—
	Director	Jerry Lin	—	—
XAVi Overseas Ltd.	Director	M.K. Lin	—	—
	Director	Kent Hsu	—	—
	Director	James Wei	—	—
	Director	Wenston Lee	—	—
	Director	Jerry Lin	—	—
Sytemax Development Ltd.	Director	M.K. Lin	—	—
	Director	Kent Hsu	—	—
	Director	James Wei	—	—
	Director	Wenston Lee	—	—
	Director	Jerry Lin	—	—
Xavi Technologies (Suzhou) Co., Ltd	Chairman	Kent Hsu	—	—
	Director	M.K. Lin	—	—
	Director	James Wei	—	—
	Director	Wenston Lee	—	—
	Director	Jerry Lin	—	—
	GM	Joe Jou	—	—

Subsidiaries	Title	Name or Representative	Sharesholding	
			Shares /Contribution Capital	Shares % /Contribution Capital %
Guideway Global Limited	Director	Allen Huang	—	—
	Director	Mike Hong	—	—
	Director	M.K. Lin	—	—
	Director	Maxwell Liu	—	—
Had Eri Iou International CO.,Ltd.	Director	Allen Huang	—	—
	Director	Mike Hong	—	—
	Director	M.K. Lin	—	—
	Director	Maxwell Liu	—	—
HOLYU International Co., Ltd	Director	Allen Huang	—	—
	Director	Mike Hong	—	—
	Director	M.K. Lin	—	—
	Director	Maxwell Liu	—	—
Dong Guan Had Eri Lou Plastics Corporation	Chairman/GM	Allen Huang	—	—
	Director	Mike Hong	—	—
	Director	Maxwell Liu	—	—
Dong Guan Chicony Power Trading Co., Ltd.	Chairman	Kent Hsu	—	—
	Director	M.K. Lin	—	—
	Director	Michael Lu	—	—
	GM Supervisor	Simon Tsai Peter Tseng	—	—

8.1.2、Business and Financial Overview with Operation Results of Subsidiaries

Unit : NTD\$ K

Subsidiaries	Capital(\$)	Total Assets Note1	Total Liabilities Note 1	Net Value Note 1	Sale Revenue Note 2	Operation Profit Note2	Current Profit or Loss (After Tax) Note 2	EPS(\$) (After Tax)
Chicony Overseas Inc.	US\$ 10,000,000	\$12,750,916	\$ 447,128	\$12,303,788	\$ -	(\$ 143,960)	\$ 683,861	\$683,861
Unikey Electronics Co., Ltd	NT\$ 150,000,000	2,257,164	954,294	1,302,870	-	(1,179)	32,854	2.19
Hipro Overseas (BVI) Inc.	US\$ 12,560,000	2,821,951	180,755	2,641,196	-	(12)	498,902	39.72
Hipro Electronics Co., Ltd	NT\$ 46,600,000	1,582,572	770,318	812,254	-	(2,066)	2,107	0.45
XAVi Technology Co, Ltd,	NT\$ 333,500,000	687,090	251,394	435,696	1,348,691	33,100	51,253	1.54
Chicony Electronics (Thailand) Co., Ltd.	Bath 211,157,500	20,081	13,598	6,483	-	(2,950)	(7,441)	(3.52)
Chicony Global Inc.	US\$ 1,000,000	7,225,623	4,985,387	2,240,236	11,148,049	723,498	715,736	715.74
Chicony Power Technology Co., Ltd.	NT\$ 3,257,969,340	10,438,904	5,796,884	4,642,020	22,812,929	2,063,592	912,573	2.85
Had Eri Lou Industrial Inc. Ltd.	NT\$ 300,000,000	406,864	92,113	314,751	7,337	3,727	(22,432)	(0.75)
Chicony America Inc.	US\$ 3,250,000	492,253	416,897	75,356	1,265,911	40,639	855	0.26
Chicony Electronics GmbH	EUR 1,533,876	135,940	109,279	26,660	335,043	46,418	(3,660)	(1,220.00)
Chicony Electronics (Dongguang) Co., Ltd	US\$ 9,760,000	10,147,564	8,143,517	2,004,047	11,915,837	338,046	252,109	-
Chicony Electronics (Suzhou)Co., Ltd.	US\$ 21,278,269	11,553,940	5,798,747	5,755,793	20,390,344	621,914	491,988	-
	(RMB 159,059,530)							
Chicony Electronics CEZ s.r.o	US\$ 6,555	540,045	403,377	136,668	1,379,632	91,826	76,131	-
	(CZK 200,000)							
Global Faith Inc.	US\$ 3,850,000	(\$ 123,372)	\$ 21,422	(\$ 144,794)	\$ -	(\$ 3,137)	(\$ 88,759)	(\$ 23.05)
Mao Qun Electronics Co.,Ltd	US\$ 3,850,000	249,748	373,160	(123,412)	477,481	(69,370)	(85,622)	-
	(RMB 28,431,966)							
Suzhou Qun Yang Electronics Co.,Ltd	RMB 1,000,000	101,525	96,943	4,582	134,328	1,732	(50)	-
Chicony Electronics Japan Inc.	JPY 10,000,000	6,826	1,153	5,673	24,027	1,144	576	-
Kuang Mao International Inc.	US\$ 2,284,142	80,155	188,890	(108,735)	-	(29)	10,840	4.75
Chicony America Group Inc.	US\$ 6,200,000	193	2,152	(1,959)	-	(46)	(46)	-
Chicony Electronics (Chong Qing) Co.,Ltd	US\$ 15,000,000	1,050,320	648,486	401,834	637,589	29,633	(17,786)	-
Real Young Elec. Co.,Ltd.	US\$ 9,139,780	566,804	259,076	307,728	452,099	(49,352)	(39,971)	(4.37)
Mao-Feng International Inc.	US\$ 2,294,000	6,158,128	571,865	5,586,263	222,736	(246,561)	199,752	87.08
MaoRui Electronics (Dong Guang) Co.,Ltd	US\$ 8,445,283	1,587,325	1,029,680	577,645	3,763,202	20,002	12,667	-
Guang Sheng Investment Co., Ltd	NT\$ 80,000,000	614,158	645,075	(30,917)	-	(28,077)	(28,465)	(3.56)
Chun Chin Power Technology Co., Ltd	NT\$ 1,000,000	1,086	71,426	(70,340)	852	(211)	(71,841)	(718.41)
Chicony Power Holdings Inc.	US\$ 10,000,000	1,165,984	-	1,165,984	-	(64)	467,541	46.75

Subsidiaries	Capital(\$)	Total Assets Note1	Total Liabilities Note 1	Net Value Note 1	Sale Revenue Note 2	Operation Profit Note2	Current Profit or Loss (After Tax) Note 2	EPS(\$) (After Tax)
Chichony Power International Inc,	US\$ 10,000,000	4,432,215	3,266,333	1,165,882	22,643,243	99,762	466,529	46.65
Chichony Power USA, Inc.	US\$ 500,000	218,147	233,516	(15,369)	243,658	(22,470)	(3,288)	(65.76)
Chichony Power Technology Hong Kong Limited (CPHK)	HK\$ 46,800,000 (US\$ 6,000,000)	\$2,028,419	\$1,034,744	\$ 993,675	\$ 126,554	\$ 6,731	\$ 217,734	\$ 4.65
Hipro Electronics (Dongguang) Co., Ltd	US\$ 14,750,000 (RMB 120,823,705)	3,964,429	3,116,400	848,029	10,414,040	78,933	55,291	-
Chichony Power Technology(Suzhou) Co.,Ltd	US\$ 7,100,000 (RMB 53,493,569)	2,966,359	2,305,817	660,542	10,336,635	214,791	192,179	-
Guang Sheng Electronics (Nanchang), Co., Ltd	US\$ 4,000,000 (RMB 31,170,839)	540,532	348,867	191,665	1,612,806	(1,353)	5,887	-
Chichony Power Technology (Chong Qing) Co., Ltd.	US\$ 10,000,000 (RMB 63,853,168)	1,382,049	1,108,990	273,059	531,752	(13,514)	(29,685)	-
Chichony Energy Saving Technology (Shanghai) Co., Ltd.	RMB 10,000,000	104,495	63,806	40,689	64,095	(5,147)	(4,641)	-
Directmax International Ltd.	US\$ 2,750,000	(112,079)	-	(112,079)	-	-	7,253	2.64
XAVi Overseas Ltd.	US\$ 2,500,000	(33,697)	2,887	(36,584)	-	-	330	0.13
Systemax Development Ltd.	US\$ 250,000	4,159	79,653	(75,494)	(3,430)	7,284	6,923	27.69
Xavi Technologies (Suzhou) Co., Ltd	US\$ 2,500,000 (RMB 20,692,685)	455,407	489,158	(33,751)	1,181,751	(1,254)	330	-
Guideway Global Limited	US\$ 50,000	248,248	20,517	227,730	398	(2,881)	(12,203)	(244.06)
Had Eri Iou International Co.,Limited	HK\$ 10,000 (US\$ 1,282)	\$ 86,373	\$ 27	\$ 86,346	\$ 181	\$ 154)	\$ 4,343)	\$ 434.30)
HOLYU International Co., Ltd	US\$ 14,500,000	413,176	228,484	184,692	231,693	(36,824)	(38,168)	(2.63)
Dong Guan Had Eri Lou Plastics Corporation	RMB 91,122,674 (US\$ 12,068,779)	474,829	255,733	219,096	256,877	2,403	(2,111)	-

Note 1 : Adopt mid-price on 2012/12/31 of Hua Nan Commercial Bank

Note 2 : Adopt average price of year 2012 of Hua Nan Commercial Bank

Chicony Electronics Co., Ltd

Declaration of Consolidated Financial Statements of Affiliated Enterprises

This is to certify that the company in the Affiliated Corporation's Consolidated Financial Statement incorporated in 2012 (Jan.1st, 2012 ~Dec.31st, 2012) according to "the Principle for Affiliated Corporation's Consolidated Business Report, Consolidated Financial Statement and Relation Report" is the same as that in the Parent Company's Consolidated Financial Statement according to Statements of Financial Accounting Standards No.7. The relevant information which shall be disclosed in the Affiliated Corporation's Consolidated Financial Statement, without any further being prepared, has disclosed in the Parent Company's Consolidated Financial Statement.

Company: Chicony Electronics Co., Ltd

Chairman: Kent Hsu

15th March, 2013

8.2 Issuance of Private Placement Securities

In the fiscal year 2012 end up to 31st March, 2013, the Company has no private placement securities.

8.3 Status of the Company's Common Stock Disposed of and Held by Subsidiaries:

Units: \$000's; thousand shares; %

Subsidiary	Paid-in Capital	Fund Source	The Company's Holding	Date of Acquisition or Disposal	Shares and Amount Acquired (Note 1)		Shares and Amount Disposed of		Investment Income (Loss) (Note 2&3)		Shares and Amount Held, as Year-end Annual Report		Pledge	The Company's Endorsement Amount for Subsidiary	The Company's Credit to Subsidiary		
					Shares	Amount	Shares	Amount	Amount	Amount	Shares	Amount					
UniKey Electronics Co.,Ltd	150,000	85% internal funding 15% debt	100%	2011	668,105	—	—	—	—	—	19,756,821	205,795	None 2	—	730,000		
				2012	691,488	—	—	—	—	—	—	—	20,448,309	205,795	None 3	—	952,000
				31 st March 2013	—	—	—	—	—	—	—	—	—	20,448,309	205,795	None 4	—	891,500
Hipro Electronics Co.	46,600	Debt	100%	2011	510,803	—	—	—	—	—	15,105,196	105,483	None 5	—	—		
				2011	528,681	—	—	—	—	—	—	—	15,633,877	105,483	None 6	—	—
				31 st March 2013	—	—	—	—	—	—	—	—	—	15,633,877	105,483	None 7	—

Note 1: Shares acquired by capital increase from earnings

Note 2: 10,000,000 shares held by UniKey Electronics Co., Ltd were pledged in a bank loan on 31st December, 2011

Note 3: 10,000,000 shares held by UniKey Electronics Co., Ltd were pledged in a bank loan on 31st December, 2012

Note 4: 10,000,000 shares held by UniKey Electronics Co., Ltd were pledged in a bank loan on 31st March 2013

Note 5: 12,600,000 shares held by Hipro Electronics Co., Ltd were pledged in a bank loan on 31st December, 2011

Note 6: 12,600,000 shares held by Hipro Electronics Co., Ltd were pledged in a bank loan on 31st December, 2012

Note 7: 12,600,000 shares held by Hipro Electronics Co., Ltd were pledged in a bank loan on 31st March, 2013

Note 8: From year 2011 to 31st March 2013, no subsidiary sales the company's stock and therefore no significant effect on the financial performance.

8.4 Other Necessary Supplementary Matters: None

9. Any Significant Influences on Shareholders' Equity or Stock Prices in the Recent Fiscal Years and as of the Date of this Annual Report, According to No.2-2 Article 36 of the Securities and Exchange Act:

None.

CHICONY ELECTRONICS CO., LTD.

Chairman : Kent Hsu

Dated by 2013 June 11st

群光電子股份有限公司 新北市五股區五工六路二十五號
Chicony Electronics Co., Ltd 電話：02-22988120 傳真：02-22988476