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Chicony Electronics CO.,Ltd.

2011 Annual Report

Dated by 2012 June 12th

Chicony Electronics Co., Ltd.

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1. Letter to Shareholders

Dear Shareholders:

1.1 Year 2011 performance (All in NT\$)

1.1.1 Operating results

In 2011, we had more challenging environment, compared with 2010, because electronic industry was surrounded by severe events as US and European default crisis, supplying chain shortages caused by Northern Japan earthquake and Thailand flooding, NTD/RMB appreciation, global material price and China labor cost increasing and etc., Joint efforts by our management team and employees, consolidated sales revenue increases by 0.41% to \$60,686,046,000. Net profit also rises by 13.87%, to \$4,156,369,000.

1.1.2 Financial highlights and profitability analysis

a. Financial highlights

Units: thousands			
Item	2011	2010	Increase (decrease)
Operating profit	\$2,138,406	\$3,145,187	(32.01 %)
Net profit after tax	4,156,369	3,650,068	13.87 %
Average total assets	39,781,701	34,940,959	13.85 %
Average shareholder equity	16,815,075	14,164,634	18.71 %

b. Profitability

Item	2011	2010
Return on average assets (%)	10.78	10.72
Return on average shareholder equity (%)	24.72	25.77
Operating profit on end-of-period shareholder equity (%)	33.18	50.27
Net profit margin (%)	6.86	6.05
Earnings per share (EPS)	6.85	6.27*

*The 2010 EPS is unadjusted by employee bonus and plowback funding, which would affect stock share numbers.

1.1.3 Research and development

In 2011, Chicony spent approximately \$1,599,548,000 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 keep investing in power supply, multifunctional and high-quality digital image products, LED illumination devices, energy saving products of PV inverter, highly functional keyboards, and computer input peripherals devices that combine wireless communication, internet, multimedia and cloud technique capabilities.

1.2 Year 2012 outlook

1.2.1 2012 goals and outlook

According to economic forecasting from various research institutes, global GDP is expected to range from 3% to 3.6% when economy may sway to the downside in consideration of uncertain US market recovery, yet unsolved European default crisis and lasting tight China financial policy. US GDP growth rate is expected to ranges from 1.8% to 3.1% when Europe GDP growth rate is around from -0.5% to 2% ,with Japan GDP growth rate fallen on 2.2% to 2.8% as well as forecasting among 7.5% to 8.5% for China GDP growth rate. Shipments of global personal computer products are also expected to keep at the same level, growing not more than 4% if any. Nonetheless, Chicony still faces many challenging as uncertainties still abound, including high oil prices, rising costs of raw materials, labor shortages in China, growing labor costs, weak market demand, and slow worldwide macroeconomy growth.

To maintain Company's growth in revenue, our team members still have optimistic but cautious attitude to prepare for these outside challenging by integrating all resources and devoting our best efforts in keyboard, mouse, digital video, and power supply products, which are with high profit margin, with service strategy of One- Stop-Shopping in diversities of products. Besides, we also expand business into LED illumination and PV inverter products (solar energy converters) and expect to explore for new upturn vigor to keep stable growth in revenue. The computer peripheral sales units are estimated to reach 219.58 million units, and 84.53 million units in consumer electronics and other electronic goods.

1.2.2 Business strategies

Guided by the principle of "No Quality, No sales", we are committed to provide the most satisfactory services and keep revenue and profit growing, which enable us to reward to our shareholders and employees. Our strategies for products, production, marketing, R&D, human resource, and finance are explained as follows:

a. Products

- (1) To continue developing in keyboard, mouse, digital video, power supply, and high value-added products and related categories, in order to increase profitability.
- (2) To continue developing in wireless, bluetooth, ultra slim keyboard, high-quality digital camera module, power supply and related products, which can be applied in Tablet and Ultrabook, in order to increase revenue and profitability.
- (3) To expand our products scope and revenue with research and development in LED illumination and PV inverter products.
- (4) To develop new 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 continue to find key material suppliers for vertical integration, in order to enhance mutual complementarities and to expand benefit sharing from economic scale.

(5) 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 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.

(3) To cultivate employees for professional technique and help develop themselves, by continuous professional and management training.

(4) 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.

(5) 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.

(6) Reserve and feed back certain percentage of profit to help the disadvantaged, school, and research group for public health improvement.

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.

(6) To setup IFRS team and prepare for complying with IFRS ,in order to reduce impact on Group finance operation with smooth transferring process.

1.2.3 Important production and marketing policies

a.To enhance relationships with customers , reduce production costs and expand production capacity , through 100%-owned subsidiary, Chicony Electronics (Chong Qing) Co., Ltd., and 68.11%-owned subsidiary, Chicony Power Technology (Chong Qing) Co., Ltd., each build a new plant in Jiangjin District of Chong Qing and they are predicted to start up to produce in the second quarter . The factory will be dedicated to the production of computer keyboards, camera modules, power supply, and LED illumination products.

b.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.

c.Build competitive advantages based on Group's diversified product portfolios, collective sales and integrated procurement.

d.Regularly monitor changes in raw material prices, labor costs, and exchange rates, and reasonably reflect such variances in our pricing according to the consumer market situation.

e.Continue to establish just-in-time supplying warehouses to shorten product delivery time and gain advantages over competitors.

f.To monitor and keep production process on the best 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 2012 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.

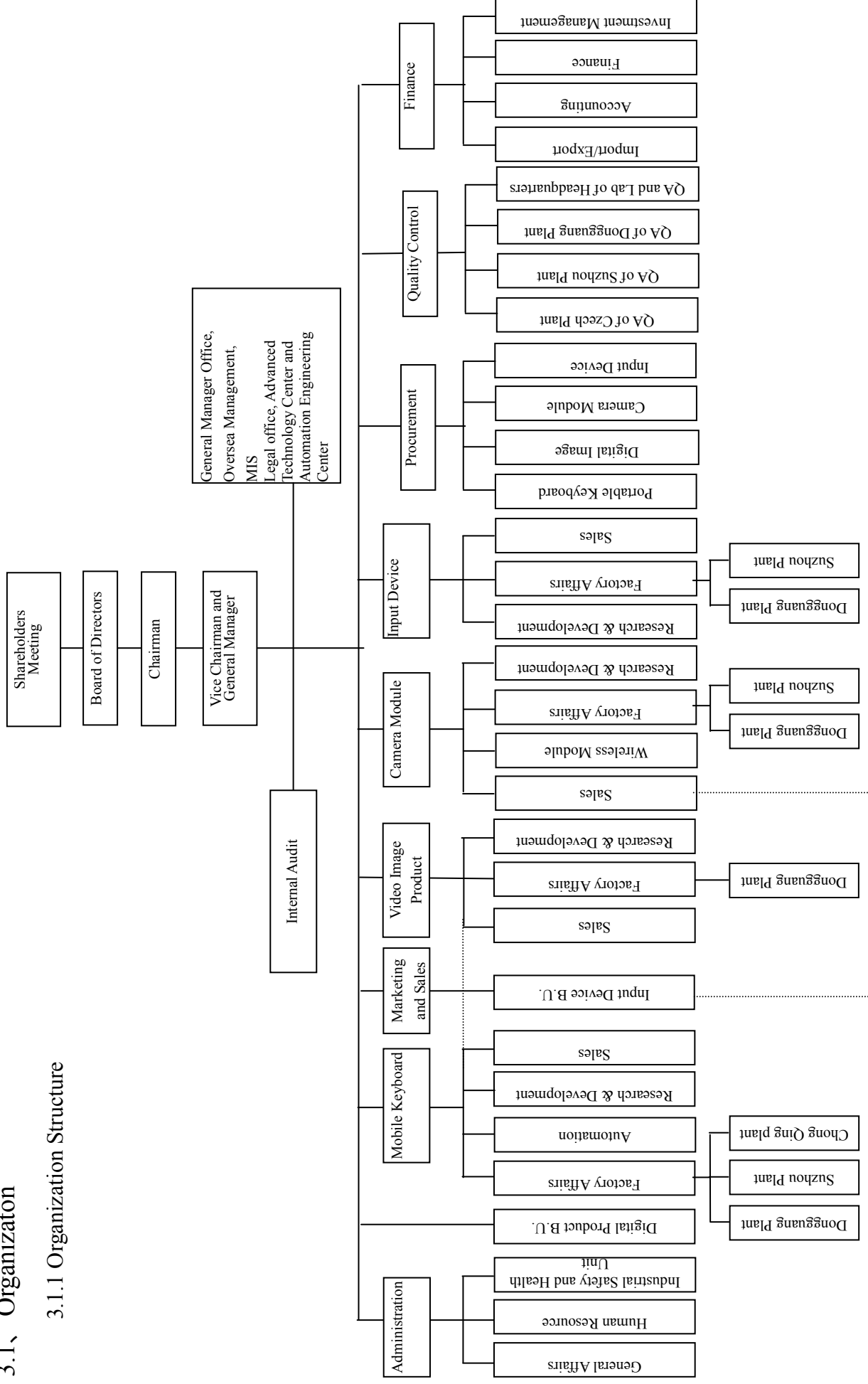
- Senior vice president M. K. Lin was awarded the Excellence in Taiwan 9th Outstanding Production Manger Award.
- Construction began on the headquarter in Wugu Industrial Park.
- Additional capital of \$120 million was made from earnings.
- 1992 - Plans for the motherboard manufacturing plant in Thailand 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.

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

3.2.1.1. Information of Board Members and Supervisors

a. Director and Supervisor Information (1):

April 14, 2012 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	9 th June 2010	3 years	4 th March 1985	70,073,286	10.87%	76,152,143	11.82%	3,752,199	0.58%	-	-	-	-	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, Quan Sun Investment Co Ltd Chun Chin Power Technology., Co., Ltd Chairman of China subsidiaries, including 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 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, Mao Rui Electronics Real Young Electronics Guang Mao International Inc. Chicony America Group Inc. Chicony Power Technology Hong Kong, US, Holding, International Hipro Overseas Inc Chicony Energy Saving Technology (Shanghai) Co., Ltd. XAVi Communication Co., Ltd, XAVi Oversea, 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	9 th June 2010	3 years	12 th August 1988	9,878,351	1.53%	12,742,798	1.98%	772,608	0.12%	-	-	6,240,000	0.97%	National Taipei University of Technology EMBA, National ChengChi University MBA, Da Yeh University, Plant director of Lite-On Technology Corp.	GM of Chicony Electronics Co., Ltd Chairman of XAVI Technology Co, Ltd UniKey Electronics Co., Ltd (corporate representative) GM/Vice chairman of Chicony Power Technology Co., Ltd. HiPro Electronics Co., Ltd Chun Chin Power Technology Co., Ltd Quan Sun Co., Ltd. (corporate representative) Vice chairman of Chicony (Dongguan) Director of Chicony Overseas Inc, Suzhou, China, Maotai Hong Kong, Mainland China Real Young Electronics Co., Ltd Global Faith Inc Guang Mao International Inc. Maokui Electronics HiPro Overseas Inc, Dongguan Chicony Power Technology Suzhou, Hong Kong, Chong Qing, US, Holdings, International Chicony Energy Saving Technology (Shanghai) Co., Ltd. Guang Sheng Electronics (Nanchang) Co., Ltd. XAVI Overseas, Suzhou, Directmax, Systemax Guideway Global Had Eri Iou International, and Hol Yit International CEO/Director of Chicony U.S, Chicony America Group Inc, Executive, Director of Chicony Germany Legal representative and director of Clevo Co., Ltd Eri Iou Electronics Co., Ltd, Lim Ma O Electronics Co., Ltd, Gemini Photonics Inc Supervisor of Chicony Electronics (Japan) Co., Ltd. Alcor Micro Co. Independent director / Remuneration Committeeman of Compal Communications Co., Ltd. Remuneration Committeeman of Eian Microelectronic Co.	-	-	-

April 14, 2012 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	9 th June 2010	3 years	18th May 2004	1,751,960	0.27%	2,137,710	0.33%	1,509,488	0.23%	-	-	104,700	0.02%	MBA, National ChengChi University Sales supervisor, manager, BU head, assistant vice president, vice president of Chicony Elec-tronics Co., Ltd	Executive vice president, GM of Chicony (Dongguang) Co., Ltd and MaoRui Electronics Legal Representative Director: Chicony Power Technology Co., Ltd. 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 14, 2012 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	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	James Wei 9 th June 2010	3 years	18th May 2004	964,722	0.15%	1,259,502	0.20%	-	-	-	-	590,600	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 XAVi Technology Co., Ltd, Chicony Power Technology (Chong Qing), Co., Ltd and Chicony Energy Saving Technology (Shanghai) Co., Ltd. Legal Representative Supervisor of: Chicony Power Technology Co., Ltd, UniKey Electronics Co., Ltd, Quan Sun Co., Ltd. Chun Chim Power Technology Co., Ltd	Corporate representative Director	Su-Chen Chang	Spouse

April 14, 2012 Unit: Shares

Director	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)	Title	Name			Relationship		
Director	Simon Tsai	9 th June 2010	3 years	30th May 2001	25,207	-	27,393	-	83,497	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, Zhijian	9 th June 2010	3 years	30th May 2001	1,780,415	0.28%	1,934,865	0.30%	-	-	-	-	-	-	Heng Yi High School Chairman, Hong Zi Development Co, Ltd	Chairman, Hong Zi Development Co, Ltd Director, Dija Construction and Development Co, Ltd.	-	-	-
Director	Jia-sheng Liu	9 th June 2010	3 years	30th May 2001	506,786	0.08%	550,749	0.09%	-	-	-	-	-	-	National Taipei University of Technology Director, Kuofong Motors	None	-	-	-

April 14, 2012 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 Chicomy 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
Supervisor	Jing Yuan Investment Co., Ltd. Legal representative: Chishun Huang	9 th June 2010	3 years	18 th May 2004	8,794,723	1.36%	10,178,665	1.58%	-	-	-	-	-	-	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	0.50%	3,972,308	0.62%	-	-	-	-	-	-	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: Chihuang Ku	9 th June 2010	3 years	18 th May 2004	9,035,210	1.40%	10,423,485	1.62%	-	-	-	-	-	-	Tunghai University Trade Specialist, Bliss Electronic Co., Ltd Senior Specialist, Kuei Mao Electronics	None	Head of VIP BU	Allen Huang	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 14, 2012

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	22.33%
	Yue-sen Hsu	7%
	Yue-yuan Hsu	5%
	Kun-yuan Hsu	5%
	Feng-chu Lin	5%
	Yue-eh Hsu	5%
	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 4, 2012

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 14, 2012 Unit: Shares

Title	Name	Date Onboard	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Shares under Trust with 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)					
Vice Chairman and GM	M.K. Lin	1 st May 2003	12,742,798	1.98%	772,608	0.12%	-	-	6,240,000	0.97%	National Taipei University of Technology EMBA, National Chengchi University MBA, Da Yeh University, Plant director of Lite-On Technology Corp.	GM of Chicony Electronics Co., Ltd Chairman of XAVI Technology Co. Ltd, UniKey Electronics Co. Ltd (corporate representative) GM / Vice chairman of Chicony Power Technology Co., Ltd, Hipro Electronics Co., Ltd Chun Chin Power Technology Co., Ltd Quan Sun Co., Ltd. (corporate representative) Vice chairman of Chicony (Dongguang) Director of Chicony Oversea 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. Guang Sheng Electronics (Nanchang) Co., Ltd. XAVI Oversea, Suzhou, Directmax, Systemax Guideway Global Had Eri Iou International, and Hol Yu International CEO/Director of Chicony US, Chicony America Group Inc, Executive Director of Chicony Germany Legal representative and director of Clevo Co., Had Eri Iou Electronics Co., Ltd., LumenMax Optoelectronics Co., Genesis Photonics Inc Supervisor of Chicony Electronics (Japan) Co., Ltd, Alcor Micro, Co. Independent director / Remuneration Committeeman of Compal Communications Co., Ltd. Remuneration Committeeman of Elan Microelectronic Co.	-	-	-

April 14, 2012 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		
			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 and MaoRui Electronics Co., Ltd.	Roger Lu	1 st May 2003	2,137,710	0.33%	1,509,488	0.23%	-	-	104,700	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: Chicony Power Technology Co., Ltd. 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 14, 2012 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	Have a spouse/relative within two degrees of consanguinity serving as a manager		
			Shares	% (Note)	Shares	% (Note)	Shares	% (Note)	Shares	% (Note)			Title	Name	Relationship
Special Assistant of Headquarter and Head of Digital Consuming Device Business Unit	James Wei	8 th March 2006	1,259,502	0.20%	-	-	-	-	590,600	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. MaoKui 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 XAVI Technology Co., Ltd, Chicony Power Technology (Chong Qing) Co., Ltd and Chicony Energy Saving Technology (Shanghai) Co., Ltd. Legal Representative Supervisor of: Chicony Power Technology Co., Ltd., UniKey Electronics Co., Ltd, Quan Sun Co., Ltd. Chun Chin Power Technology Co., Ltd	-	-	-
Head of Camera Module Business Unit	Sherman Wei	1 st February 2006	540,000	0.08%	-	-	-	-	88,500	0.01%	Bachelor of Engineering Science, National Cheng Gung University, MBA, National Chengchi University, Procurement associate vice president of CLEVO, CO.	Supervisor of XAVI Technology 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
Head of MKB Image Product Business Unit	Hank Liu	1 st March 2003	732,938	0.11%	-	-	-	-	86,700	0.01%	Design, National Taipei University of Technology, Executive VP, Sumex 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 Legal Representative Director: Shun On Electronic Co. Limited	-	-
Head of Video Image Product Business Unit	Allen Huang	1 st February 2006	539,948	0.08%	98,695	0.02%	-	-	80,100	0.01%	Bachelor of Mechanical Engineering, National Tsing Hua University, National 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 and GM 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	17 th October 1993	400,388	0.06%	-	-	-	-	73,200	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 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
Chief Procurement Officer	Ronnie Chen	1st June, 2011	2,170,473	0.34%	-	-	-	-	40,500	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	-	-	-
Deputy Head of IPD Business Unit	Chris Huang	26 October, 2011	1,317,772	0.20%	210,404	0.03%	-	-	81,300	0.01%	EE, Fu Jen University, R&D VP of Chicony Electronics Co., Ltd. GM of Chicony (Chong Qing) Co., Ltd	Chairman of Suzhou Qun Yang Electronics Co., Ltd	-	-	-
Vice President of VIP Business Unit	Daniel Chou	5 th July, 2011	224,502	0.03%	-	-	-	-	45,600	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	1 st July, 2011	245,560	0.04%	62,100	0.01%	-	-	16,200	-	Shipping & Transportation Management, National Taiwan Ocean University. Sales AVP of Chicony Electronic Co., Ltd.	None	-	-	-
Vice President of New Product Development	K.Y. Huang	1st November, 2006	1,007,251	0.16%	772	-	-	-	61,200	0.01%	Commercial Mathematics, Soochow University R&D Manager and Director of IPD Business Unit, Chicony Electronics Co., Ltd.	None	-	-	-

April 14, 2012 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
R&D VP of MKB Business Unit	Jensen Tsai	1 st May, 2008	101,587	0.02%	-	-	-	-	64,200	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	1 st April, 2011	270,391	0.04%	-	-	-	-	43,200	0.01%	EMBA, National Taiwan University Executive Vice President of Agora Innovation Corp.	None	-	-	-
R&D Vice President of IPD Business Unit	Denny Yang	17 th May 2010	8,171	-	-	-	-	-	11,400	-	Bachelor of Control Engineering, National Chiao Tung University Vice President of Sunplus Innovation Technology	None	-	-	-
Special Assistant of Chicony headquarter	Maxwell Liu	5 th July, 2011	144,726	0.02%	-	-	-	-	30,900	-	EE, Tunghai University Engineering Manager of Clevo Co. Ltd., R&D AVP of CM Business Unit, Chicony Electronic Co., Ltd.	Vice Chairman 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	1 st August, 2005	564,999	0.09%	-	-	-	-	53,700	0.01%	Bachelor of Finance, National Taiwan University Master of Accounting, The George Washington University CPA, Cyun Ye CPA CO., Ltd. Accounting manager and Accounting director of Chicony Electronics Co., Ltd	Supervisor of Had Eri Lou Industrial Inc. Director, Chicony Elec. CEZ s.r.o Legal Representative Director Saga-Polaris Venture Capital Maxima Mentures II, Inc.	-	-	-
Associate VP of Oversea Management Unit	Swallow Chuang	1 st February 2006	84,239	0.01%	-	-	-	-	30,900	-	Bachelor of Business Administration, Feng Chia University, Director of Oversea Management Unit, Chicony Electronics Co., Ltd.	None	-	-	-

April 14, 2012 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		
			Shares	% (Note)	Shares	% (Note)	Shares	% (Note)	Shares	% (Note)			Title	Name	Relationship
AVP of Quality Control, CM Business Unit	Hans Chan	1 st September 1999	94,407	0.01%	-	-	-	-	23,100	-	Bachelor of Physics, Tunghai University Quality Control Manager Phillips Electronics N. V. Director of Quality Control Office, Motorola Mobility, Inc.	None	-	-	-
Automation AVP of MKB Business Unit	Eric Tseng	1 st April 2010	17,108	-	-	-	-	-	4,800	-	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	1 st January 2010	42,924	0.01%	1,086	-	-	-	1,800	-	Bachelor and Master of Accounting, National Cheng Chi 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 Manger and Vice Presidents
a. Year 2011 Remuneration Paid to Directors

Title	Name	Remuneration						Compensation Earned as Employees of Chicony or of Chicony's Consolidated Entities				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 2010 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)		(A+B+C+D+E+F+G) as a % of 2010 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	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	From Chicony	From All Consolidated Entities		
Chairman	Kent Hsu	3,506,400	3,506,400	91,872	91,872	30,465,994	37,401,191	-	-	0.82%	0.99%	15,383,800	81,476,820	303,436	402,148	-	87,817,800	-	106,422,600	-	-	3.31%	5.52%	625,248	
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 Tsai																								

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	-	-	-	-
\$2,000,000 \$4,999,999	Roger Lu, James Wei, Zhih-jian Lin, Simon Tsai, Jia-sheng Liu	James Wei, Zhih-jian Lin, Simon Tsai, Jia-sheng Liu	Zhih-jian Lin, Simon Tsai, Jia-sheng Liu	Zhih-jian Lin, Simon Tsai, Jia-sheng Liu
\$5,000,000 \$9,999,999	M.K. Lin	Roger Lu	James Wei	-
\$10,000,000 \$14,999,999	Kent Hsu	Kent Hsu, M.K. Lin	Kent Hsu, M.K. Lin, Roger Lu	-
\$15,000,000 \$29,999,999				Kent Hsu, Roger Lu, James Wei
\$30,000,000 \$49,999,999				M.K. Lin
\$50,000,000 \$99,999,999				-
Over \$100,000,00				-
Total	7	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 2011 Remunerations Paid to Supervisors

Title	Name	Remunerations Paid to Supervisors						Total Remuneration (A+B+C+D) as a % of 2010 Net Profit		Compensation from Non-consolidated Affiliates		
		Base Compensation (A)		Severance Pay and Pension (B)		Bonus to Supervisors (C) (Note)		Allowance (D)				
		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	-	-	-	-	7,030,614	7,030,614	-	-	0.17%	0.17%	-
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 2010 individual director distribution ratio multiplied by proposed 2011 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 2011 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 2010 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	30,089,765	48,535,557	1,586,378	1,685,090	21,409,700	80,321,020	-	137,624,600	-	156,229,400	4.59%	6.90%	-	-	625,248	
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																
Depute Head of IPD Business Unit (Note 3)	Chris Huang																
Vice President	Daniel Chou																
Vice President (Note 4)	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 2010.

Note 2: Remuneration disclosure is accrual based.

Note 3: Chris Huang came on board on Oct 26, 2011.

Note 4: Rex Li came on board on July 1st, 2011.

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

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

d. Year 2011 Employee Bonus Sharing Granted to Management Team

December 31st, 2011

	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	137,624,600	0	137,624,600	3.31%
	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				
	Deputy 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				
	Quality Control AVP of CM Business Unit	Hans Chan				
	Automation AVP of MKB Business Unit	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 2011/2010 Net Profit and Correlations with 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. 2011 net profit exceeds the amount of 2010 by \$506,301,000. Hence, the remuneration distributed to directors, supervisors, general managers and vice presidents also increases. The remunerations and ratios to the net profit of year 2010 and 2011 are listed as follows:

Unit: 000's

	Total Remunerations				Ratios of Remunerations to Net Profit			
	2011		2010		2011		2010	
	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	34,064	40,999	30,281	35,399	0.82%	0.99%	0.83%	0.97%
Supervisors	7,031	7,031	6,159	6,159	0.17%	0.17%	0.17%	0.17%
President and Vice President	190,710	286,771	166,051	259,186	4.59%	6.90%	4.55%	7.10%

Note: 2011 profit sharing for directors and supervisors is an estimate based on the actual distributions in 2010. The 2011 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 and net profit of Company keeps on increasing.

3.3 Corporate Governance Operation

3.3.1 Board of Directors Meeting Status

Seven meetings were convened in the fiscal year 2011(A). Directors' attendance was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate in Person (%) [B/A]	Notes
Chairman	Kent Hsu	7	0	100%	
Director	M.K. Lin	7	0	100%	
Director	Roger Lu	4	0	57.14%	
Director	James Wei	7	0	100%	
Director	Simon Tsai	3	0	42.86%	
Director	Zhih-jian Lin	6	0	85.71%	
Director	Jia-sheng Liu	7	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 2011.
3. Measures taken to strengthen the functionality of the Board:
 1. Board Policies were amended on March 21, 2012, to strengthen the functionality of the Board.
 2. In the fiscal year 2011 end up to 31st March, 2012, 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

Seven 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.	6	85.71%	
Supervisor	Su-cheng Chang Representative of Hua Tai Investment Co., Ltd.	4	57.14%	
Supervisor	Chi-hsuang Ku Representative of Dong Ling Investment Co., Ltd.:	6	85.71%	

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>	None
<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>	None
<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.ehicony.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>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. The first meeting of Remunerations Committee has been held on March 21, 2012.</p>	None
<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>	None
<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 implementation of risk management policies and risk</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: no further education relating to corporate governance has been conducted for directors and supervisors. The</p>	None

Item	Implementation Status	Non-Implementation and Its Reasons
<p>evaluation measure, the implementation of customer relations policies, and purchasing insurance for directors).</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>Company, however, has dedicated personnel to gather related laws and information and compile reports.</p> <p>(3) Risk management policies and risk assessment: none applicable</p> <p>(4) Customer policy implementation: none applicable.</p> <p>(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>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

Setup of Committee	<p>1. Remunerations Committee composes of three persons, and who are appointed by Board. Among three, one acts as the Caller.</p> <p>Mr. Wang, Rei -Tsai, MR. Lin, Ming-Chi and Chang, Chi-Liang are appointed by Board as committees and Mr. Wang, Rei -Tsai, as the Caller. Three of them are qualified as regulated in Articles Five and Six of Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter, no matter in respective of profession qualification or independency.</p>
Responsibility of Committee	<p>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.</p> <p>(1.) Periodically review Remunerations Committee Organization Chapter and bring amendment if any.</p> <p>(2.) Setup annual and long term performance targets for Director, Supervisor and Officer, as well as policies, hierarchy, standards and construction of Remunerations, and periodically review them.</p> <p>(3.) Periodically review target achievement of Director, Supervisor and Officer. Set up component and amount of remuneration for individual.</p> <p>2. Committee should follow below principles when conduct its duties.</p> <p>(1) Remuneration should be with government laws and regulations and be attractive enough to outstanding candidates.</p> <p>(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</p> <p>(3) Committee should not lead Directors and Officers to pursuit remuneration by ignoring risk consideration.</p> <p>(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.</p> <p>(5) Committee members can not participate in discussion of self remuneration case.</p> <p>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.</p> <p>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.</p>
Operation summary of Committee	<p>1. The first meeting of year 2012 of Remunerations Committee has been held on March 21, 2012.</p> <p>2. Until the date of annual report for year 2011 published, there is no recommendation from Remunerations Committee rejected by Board.</p>

3.3.5 Corporate Social Responsibility

Item	Implementation Status	Non-implementation and Its Reasons
<p>I. 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>I.</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 2010, 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 2011, but corporate social responsibility training and communications training was conducted for senior management.</p>	<p>None</p> <p>Corporate ethics education and trainings will be conducted for directors and supervisors in 2012</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>2.</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. 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 2010, 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 . • Enhancement of solar functions by washing solar heat collector and changing thermal materials in temperature-reserving water pool and hot water pipes. • Rearrangement of pipelines for better production distribution. • Replacement of high energy-consumption devices, such as solder pot and ageing chambers, with systems with lower energy consumption. • Maximizing the use of compressor to recycle waste heat, and use it toward dormitory shower water. • Replacement of pipelines for cooling tower to reduce damage and eliminate leaks. This would improve the efficiency and reduce energy consumption. • 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) Disclosure of consumer rights policy, and official channel for consumer complaints</p> <p>(4) Collaboration with suppliers</p> <p>(5) Participation in community development and charities through commercial activities, donations or volunteers.</p>	<p>3.</p> <p>(1) The Company is fully compliant with labor laws and ensures the legal rights of employee salary, benefits, health, and safety. 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 Company complies with consumer rights and protection and makes customer satisfaction one of the most important policies.</p> <p>(4) 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>(5) 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. 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. 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>None</p> <p>None</p> <p>None</p> <p>None</p> <p>None</p> <p>None</p>
<p>4. Enhancement of Information Disclosure</p> <p>(1) Disclosure of corporate social responsibility related information with</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>None</p>

Item	Implementation Status	Non-implementation and Its Reasons
<p>significance and reliability (2) Published corporate social responsibility report and disclosure of implementation of corporate social responsibility</p>	<p>Implementation Status (2) A corporate social responsibility team has been established since 2010. In 2012, Year 2011 Corporate Social Responsibility Report will be drafted.</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: The Company’s Code of Practice is stipulated in accordance to EICC Electronic Industry Code of Practice, which is listed in the employee manual and the Company’s official website.</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): None</p>		
<p>7. Other information regarding products or “Corporate Social Responsibility Report” which are verified by certification bodies. None</p>		

3.3.6 Measures adopted for sincere and honest operation

Complying with the “Ethical Corporate Management Best Practice Principles for TWSE Listed Companies”, Company Act, Securities and Exchange Act, Business Entity Accounting, Taiwan Stock Exchange listing rules, and other relevant laws, the Company abides by the operational philosophies of honesty, transparency, and responsibility, bases policies on the principle of good faith and has established good corporate governance and risk control and management mechanisms so as to create an operational environment for sustainable development.

In addition to abiding by the Rules and Procedures of Board of Directors, the Company regularly holds corporate social responsibility and ethic communications for senior management and general employees in order to establish corporate and job ethics for both the employer and the employee. Directors and managers are required to act as role models and follow principles of honesty. In the future, “Moral Conduct Standards” and “Ethical Corporate Management Best Practice Principles” will be established according to amendments in law.

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 21, 2012

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 2011:

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, 2011, 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 2011 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 21, 2012, 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 2011 end up to March 31,2012.

3.3.11 Major Resolutions of Shareholders' Meeting and Board of Directors' Meeting in the fiscal year 2011 end up to March 31st, 2012

Dates of Shareholders' Meeting and Board of Directors' Meeting	Major Resolutions
<p>January 31st, 2011 Session 5 10th Annual Board of Directors' Meeting</p>	<p>1. The Company invested US\$ 18 million in Chicony Electronics (Chongqing) Co., Ltd through its fully-owned subsidiary, Chicony Overseas Inc. 2. 2011 Annual General Shareholders' Meeting will be held at 9am, June 10th, 2011.</p>
<p>February 15, 2011 Session 6 10th Annual Board of Directors' Meeting</p>	<p>The Company and a subsidiary, Chicony Power Technology Co., Ltd, purchased 20 million shares from Genesis Optoelectronics Technology Co. Ltd at \$63 per share. Chicony's Chairman is authorized to fully determine the investment amount for the Company and Chicony Power Technology Co., Ltd.</p>
<p>April 7, 2011 Session 7 10th Annual Board of Directors' Meeting</p>	<p>1. Approval of the Company's 2010 business report and financial statements (the alone and consolidated) 2. Approval of 2010 earning distribution: the audited after-tax net profit for 2010 was \$3,650,067,688, and the statutory surplus reserve of \$365,006,769 was set aside in accordance to law. Together with undistributed net profit from the previous year, \$2,023,178,580, the total amount available for distribution came to \$5,308,239,499. It is proposed to distribute \$2,462,457,592 in cash dividend, and \$4,000 per one thousand shares. \$215,465,040 was set aside for plowback; and 35,000,000 shares were hereof distributed per each one thousand shares as stock dividend. 3. Approval of the new stock issuance by capital increment from earnings: stock dividends were 21,546,504 shares (NTD\$215,465,040) and 35,000,000 shares were hereof distributed per each one thousand shares as stock dividend. Employees' bonus was \$525,609,747, of which was distributed as \$133,000,000 in cash and as \$392,609,747 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. 4. Approval of the amendments of the Company's Articles of Incorporation, Guidelines of Endorsements and Guarantees, Loan Procedures, Asset Acquisition and Disposal Procedures, and Financial Derivative Transaction and Handling Procedures 5. The Company cancelled the residual treasury stocks 10,000,000 shares; and reduced the total capital to \$6,156,143,980. 6. The Company increased the endorsement/guarantee to its subsidiary –Chicony (Suzhou) Co., Ltd. for USD\$10 million, Chicony Electronics CEZ S.R.O, for USD \$8 million, and Real Young Elec. Co., Ltd. for USD\$3 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 \$1.339 billion. 7. Retroactively recognize the sales of Newmax stocks, NTD\$627 million, by Unikey Electronics Co., and the sales of TPK stocks, NTD\$837 million, by Chicony Overseas Inc. 8. Retroactively recognize the compensations paid in year 2010 to Director, AVP-and-higher-level Officer) and Finance Officer.</p>
<p>June 10, 2011 2011 Annual Shareholders' Meeting</p>	<p>1. Acceptance of the Company's 2010 business report and financial statements (the alone and consolidated) 2. Approval of 2010 earning distribution. The content was identical to Session 7 in 10th Annual Board Meeting, dated on 7th April, 2011. 3. Approval of the amendments of the Company's Articles of Incorporation; the content was identical to Session 7 in 10th Annual Board Meeting, dated on 7th April, 2011. 4. Approval of the new stock issuance by capital increment from earnings: stock dividends were 21,546,504 shares and employees' stock bonus was 7,282,688 shares \$363,334,728, which were calculated on the basis of closing market price \$53.91, prior to holding of Shareholders' Conference, with</p>

Major Resolutions	
Dates of Shareholders' Meeting and Board of Directors' Meeting	
	<p>considerations given to impacts from cash dividend and stock dividend. A total of 28,829,192 shares were issued and fractional shares of employee bonus were paid by cash \$37 instead.</p> <p>5. Approval of the amendments of "Guidelines of Endorsements and Guarantees", "Loan Procedures", "Asset Acquisition and Disposal Procedures", and "Financial Derivative Transaction and Handling Procedures".</p>
<p>June 10, 2011 Session 8 10th Annual Board of Directors' Meeting</p>	<p>1. July 4, 2011 was scheduled to be the execution day for cash dividends of 2010. 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 2011 Annual General Shareholders' Meeting dated 10th June, 2011.</p> <p>2. NTD\$5 billion syndicate loan with midterms of three years is organized by ESUN Bank(Facility can be adjusted from +/-20% of original limit)</p> <p>3. Directors, supervisors, and important employees are insured with liabilities insurance of US\$ 10 million, covering 1 year, starting from July 31st 2011 to July 31, 2012</p> <p>4. The Company increased the endorsement/guarantee to its subsidiary –Chicony (Suzhou) Co., Ltd. for USD\$8 million, Had Eri You Industrial Inc. Ltd. for NTD\$40 million, and Guideway Global 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 \$1.339 billion.</p> <p>5. Retroactively recognize the sales of Green Energy Technology Inc. stocks ,NTD\$375 million, by the Company , and the sales of TPK stocks ,NTD\$1.11 billion, by Chicony Overseas Inc.</p>
<p>August 26, 2011 Session 9 10th Annual Board of Directors' Meeting</p>	<p>1. Approval of the Company's 2011 first half financial statements(the alone and consolidated)</p> <p>2. The Company increased the endorsement/guarantee to its subsidiary –Chicony Electronics (Chong Qing) Co., Ltd. for USD\$15 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 \$1.762 billion.</p> <p>3. Retroactively recognize the sales of TPK stocks ,NTD\$878 million, by Chicony Overseas Inc.</p>
<p>October 28, 2011 Session 10 10th Annual Board of Directors' Meeting</p>	<p>1. Increase investment of USD\$1,284,142(70,423 shares @USD\$18.2347) in Sky Fine Investment. After this investment, shares holding ratio increases to 29%.</p> <p>2. Approve Remunerations Committee Organization Chapter.</p> <p>3. The Company increased its funding to Unikey Electronics Co., Ltd by NTD\$ 1 billion, to Quan Sun Investment Co., Limited by NTD\$600 million and to Chun Chin Power Technology Co., Ltd. by NTD\$600 million. The period of funding was one year and the total amount of funding after this meeting came to approximately \$2.2 billion.</p> <p>4. The Company renewed its endorsement/guarantee to its subsidiary one more year —Chicony (Suzhou) Co., Ltd. and Chicony Electronics GmbH, and cancelled its endorsement/guarantee to Mao Qun Electronics Co., Ltd. The total amount of endorsement/guarantee after this meeting came to approximately \$1.74 billion.</p> <p>5. Retroactively recognize purchasing of TPK stocks ,NTD\$504 million, by Chicony Power Technology Co., Ltd.</p>
<p>December 22, 2011 Session 11 10th Annual Board of Directors' Meeting</p>	<p>Board appointed Mr. Wang, Rei -Tsai, MR. Lin, Ming-Chi and Chang, Chi-Liang as Remuneration Committee members. In-charge period is as same as the 10th directors, from Dec. 22, 2011 to June 8th, 2013.</p>

Dates of Shareholders' Meeting and Board of Directors' Meeting	Major Resolutions
<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\$400.05 million, by Chicony Overseas Inc. 8. Retroactively recognize the compensations paid in year 2011 to Directors, AVPs-and-higher-level Officers) and Finance Officer.

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 2011 end up to March 31st, 2012: None.

3.3.13 Summary of Resignation or Dismissal of Personnel Associated with Financial Reporting in the fiscal year 2011 end up to March 31st, 2012: 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 2011 to 31 st December 2011	

Unit: 000's

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

3.4.2 Information Regarding the Company's Independent Auditor

1. 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: Non-auditing fees paid to the CPA for more than 25% of the total of auditing fees is due to fees of IFRS conducted project service tendered by PWC Taiwan.
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, 2012 are listed as follows:

1. From March 31 2010, Michael Lee and Wong, Shi-Jung were changed to Michael Lee and Wang, Huei-Shyang.
2. 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 2011		1 st January to 12 th April, 2012	
		+/- of shareholding	+/- of pledge shares	+/- of shareholding	+/- of pledge shares
Chairman	Kent Hsu (Note 1)	2,575,193	-	-	-
Vice Chairman and General Manager	M.K. Lin (Note 2)	1,565,657	-	-	-
Executive vice president, GM of Chicony (Dongguang) Co., Ltd and MaoRui Electronics	Roger Lu (Note 2)	196,823	-	(28,075)	-
Director, Special Assistant of Headquarter, and Head of DCD Business Unit	James Wei (Note 2)	153,332	-	(53,000)	-
Director	Simon Tsai (Note 3)	926	-	-	-
Director	Zhih-jian Lin	65,430	-	-	-
Director	Jia-sheng Liu	18,624	-	-	-
Supervisor	Jing Yuan Investment Co., Ltd. Legal representative: Chin-shun Huang	344,206	-	-	-
Supervisor	Hua Tai Investment Co., Ltd. Legal representative: Su-cheng Chang	134,329	-	-	-
Supervisor	Dong Ling Investment Co., Ltd. Legal representative: Chi-hsuang Ku	352,485	-	-	-
Head of CM Business Unit	Sherman Wei (Note 2)	(26,746)	-	(9,000)	-
Head of MKB Business Unit	Hank Liu (Note 2)	114,536	-	(53,375)	-
Head of VIP Business Unit	Allen Huang (Note 2)	(68,302)	-	(40,000)	-
General Manager of Chicony America	Bruce Chang (Note 2)	(125,369)	-	(4,640)	-
Chief Procurement Officer	Ronnie Chen (Note 2)	122,245	-	(26,025)	-
Deputy Head of IPD Business Unit	Chris Huang (Note 2 & 3)				
Vice President of VIP Business Unit	Daniel Chou (Note 2)	22,163	-	(10,000)	-
Vice President of CM Business Unit	Rex Li (Note 2 & 4)	-	-	-	-
Vice President of Advanced Technology Center	K.Y. Huang (Note 2)	91,564	-	(10,000)	-
R&D VP of MKB Business Unit	Jensen Tsai (Note 2)	12,971	-	(31,000)	-
R&D VP of VIP R&D Unit	Mandy Tsai (Note 2)	52,938	-	-	-
R&D VP of IPD R&D Unit	Denny Yang (Note 4)	19,570	-	-	-
Special Assistant of Headquarter	Maxwell Liu (Note 2)	(243,024)	-	(63,000)	-
Associate VP of Finance Department	Molly Lin (Note 2)	79,270	-	(175,000)	-
Associate VP of Oversea Management Unit	Swallow Chuang (Note 2)	(16,456)	-	(30,000)	-
AVP of Quality Control, CM Business Unit	Hans Chan (Note 2)	32,004	-	-	-

Title	Name	Fiscal Year 2011		1 st January to 12 th April, 2012	
		+/- of shareholding	+/- of pledge shares	+/- of shareholding	+/- of pledge shares
Automation AVP of MKB Business Unit	Eric Tseng (Note 2)	9,308	-	-	-
Associate Manager of Audit Office	Woody Chou (Note 2)	4,774	-	-	-

Note 1: a major shareholder with over 10% shareholding

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

Note 3: Chris Huang came on board on Oct 26, 2011. The changes listed above are between Oct 26, 2011 to April 14, 2012.

Note 4: Rex Li came on board on July 1st, 2011. The changes listed above are between July 1st, 2011 and April 14, 2012.

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 14, 2012 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	76,152,143	11.82%	3,752,199	0.58%	-	-	CLEVO Co. UniKey Electronics Co., Ltd Epoque Co.,Ltd. Hipro Electronics Co., Ltd Yue-yuan Hsu Dong Ling Investment Co., Ltd. Jing Yuan Investment Co., Ltd.	Company chairman Legal Representative Director Company chairman Company chairman (Legal Representative Director) Sister Company Director Company Director	
CLEVO Co., Ltd. Chairman: Kent Hsu	27,728,992	4.30%	-	-	-	-	Kent Hsu M.K. Lin Dong Ling Investment Co., Ltd.	Company chairman Legal Representative Director Legal Supervisor of the Company	
Standard Chartered Customers in Asia managed KGO Asia Financial Accounts	20,368,732	3.16%	-	-	-	-	-	-	
UniKey Electronics Co., Ltd Chairman: M.K. Lin	19,756,821	3.07%	-	-	-	-	Kent Hsu M.K. Lin	Legal Representative Director 100% Owned Subsidiary of Chicony Company Chairman(Legal Representative)	
Epoque Corp. Chairman: Kent Hsu	16,423,380	2.55%	-	-	-	-	Kent Hsu Yue-yuan Hsu	Company Chairman Company Director	
Hipro Electronics Co., Ltd Chairman: Kent Hsu	15,105,196	2.34%	-	-	-	-	Kent Hsu M.K. Lin	Company Chairman(Legal Representative) 100% Owned Subsidiary of Chicony Company Vice Chairman (Legal Representative)	

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	
Yue-yuan Hsu	13,466,731	2.09%	1,401,060	0.22%	-	-	Kent Hsu Epoque Co., Ltd. Hipro Electronics Co., Ltd Dong Ling Investment Co., Ltd. Jin Yuan Investment Co., Ltd.	Brother Company Director Legal Supervisor Representative Company Chairman Company Chairman	
M.K. Lin	12,742,798	1.98%	772,608	0.12%	-	-	UniKey Electronics Co., Ltd CLEVO Co.	Company Chairman (Legal Representative) Legal Representative Director	
Dong Ling Investment Co., Ltd. Proprietor: Yue-yuan Hsu	10,423,485	1.62%	-	-	-	-	Kent Hsu Yue-yuan Hsu CLEVO Co., Ltd. Jing Yuan Investment Co., Ltd.	Company Director Company Chairman Legal Supervisor of the Company A major shareholder with 50% company shares	
Jing Yuan Investment Co., Ltd. Proprietor: Yue-yuan Hsu	10,178,665	1.58%	-	-	-	-	Kent Hsu Yue-yuan Hsu Dong Ling Investment Co., Ltd.	Company Director Company Chairman A major shareholder with 50% company shares	

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 ÷ 644,443,590 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 2012 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.	176,723,441	63.99	44,249,016	16.02	220,972,457	80.01
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.	21,237,649	63.68	3,445,624	10.33	24,683,273	74.01
Had Eri Iou Industrial Inc.	15,076,445	50.25	-	-	15,076,445	50.25
Newmax Technology Co.,Ltd	1,950,000	2.25	20,921,489	24.17	22,871,489	26.42

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/2002	10	250,000,000	2,500,000,000	249,545,000	2,495,450,000	-	273,250,000	-	273,250,000	None	Note 1
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 2
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 3
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 4
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 5
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 6
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 7
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 8
Jan/2010	10	700,000,000	7,000,000,000	591,266,950	5,912,669,500	-	(10,882)	-	(10,882)	None	Note 9
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 10
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 11
Jun/2012	10	700,000,000	7,000,000,000	644,443,590	6,444,435,900	-	28,829,192	-	28,829,192	None	Note 12

Note 1: Approved by Ministry of Finance, Securities and Futures Commission Statutory Letter dated on 11th June, 2002 Tai Tsai Zhen (I) No. 0910131507.

Note 2: Approved by Ministry of Finance, Securities and Futures Commission Statutory Letter dated on 18th June, 2003 Tai Tsai Zhen (I) No. 0920126987

Note 3: Approved by Ministry of Finance, Securities and Futures Commission Statutory Letter dated on 27th May, 2004 Tai Tsai Zhen (I) No.0930123567

Note 4: Approved by Executive Yuan, Financial Supervisory Commission Statutory Letter dated on 21st June, 2005 Gin Guan Zhen (I) No.0940124681

Note 5: Approved by Executive Yuan, Financial Supervisory Commission Statutory Letter dated on 20th June, 2006 Gin Guan Zhen (I) No.0950125028

Note 6: Approved by Executive Yuan, Financial Supervisory Commission Statutory Letter dated on 25th June, 2007 Gin Guan Zhen (I) No.0960031854

Note 7: Approved by Executive Yuan, Financial Supervisory Commission Statutory Letter dated on 24th June, 2008 Gin Guan Zhen (I) No.0970031272

Note 8: Approved by Executive Yuan, Financial Supervisory Commission Statutory Letter dated on 19th June, and 2009 Gin Guan Zhen Fu No.0980030579

Note 9: 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 10: Approved by Executive Yuan, Financial Supervisory Commission Statutory Letter dated on 21st June, 2010 Gin Guan Zhen Fu No.0990031695,

Note 11: Treasury Stock Nullification for 10,000,000 shares; Approved by Ministry of Economic Affairs Statutory Letter dated on 18th April, 2011 Jing Shou Shang Tsi No. 10001071940

Note 12: Approved by Executive Yuan, Financial Supervisory Commission Statutory Letter dated on 21st June, 2011 Gin Guan Zhen Fu No.1000028302,

As of 14th April, 2012

Unit: Share

Type of Stock	Authorized Share Capital			Remark
	Shares outstanding	Unissued shares	Total	
Common stock	644,443,590	55,556,410	700,000,000	Listed Company shares

Shelf Registration: None

4.1.2 Composition of Shareholders

As of 14th April, 2012

Type of Shareholders	Government Agencies	Financial Institutions	Other Judicial Persons	Foreign Institutions and Natural Persons	Domestic Natural Persons	Total
Quantity						
Number of Shareholders	1	19	122	350	29,816	30,308
Shareholding	111	23,618,811	139,896,176	168,741,921	312,186,571	644,443,590
Holding Percentage (Note)	0.00%	3.66%	21.71%	26.18%	48.45%	100.00%

Note: Holding percentage is computed as shareholding divided by total number of issued common stock of 644,443,590 shares.

4.1.3 Distribution Profile of Share Ownership

Face value at NT\$10 per share

As of 14th April, 2012

Shareholder Ownership	Number of Shareholders	Shareholding	Holding Percentage
1 to 999	8,553	1,517,358	0.24%
1,000 to 5,000	15,263	30,795,987	4.78%
5,001 to 10,000	3,101	21,741,245	3.37%
10,001 to 15,000	1,222	14,156,251	2.20%
15,001 to 20,000	526	9,296,886	1.44%
20,001 to 30,000	561	13,294,242	2.06%
30,001 to 40,000	210	7,180,882	1.11%
40,001 to 50,000	157	7,067,658	1.10%
50,001 to 100,000	304	21,158,549	3.28%
100,001 to 200,000	169	23,671,996	3.67%
200,001 to 400,000	81	22,719,116	3.53%
400,001 to 600,000	41	20,421,403	3.17%
600,001 to 800,000	27	18,934,998	2.94%
800,001 to 1,000,000	10	9,090,702	1.41%
1,000,001 or above	83	423,396,317	65.70%
Total	30,308	644,443,590	100.00%

Note: Holding percentage is calculated as shareholding divided by total number of issued common stock of 644,443,590 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, 2012

Major Shareholders	Share	Shareholding (Note 2)	Holding Percentage (Note 1)
Kent Hsu		76,152,143	11.82%
Clevo Co.		27,728,992	4.30%
Standard Chartered Customers in Asia Managed KGI Asia Financial Accounts		20,368,732	3.16%
Unikey Electronics Co., Ltd.		19,756,821	3.07%
Epoque Co., Ltd.		16,423,380	2.55%
Hipro Electronics (Taiwan) Co., Ltd.		15,105,196	2.34%
Hsu, Yue-Yuan		13,466,731	2.09%
M. K. Lin		12,742,798	1.98%
Dong Long Investment Co. Ltd.		10,423,485	1.62%
Jing Yuan Investment Co., Ltd.		10,178,665	1.58%

Note 1: Holding percentage is calculated as shareholding divided by total number of issued common stock of 644,443,590 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	2010	2011	As of 31 st March, 2012
		Market Price Per Share	Highest		90.90
	Lowest		57.00	40.70	49.00
	Average		73.34	53.39	58.09
Net Worth Per Share	Before Distribution		24.02	27.62	28.31
	After Distribution (Note 5)		19.34	22.82	28.31
Earnings Per Share	Weighted Average Shares		581,750 K shares	606,547 K shares	609,581 K shares
	Earnings Per Share	Before Adjustment	6.27	6.85	1.19
		After Adjustment (Notes 1 & 5)	6.06	6.85	1.19
Dividends Per Share	Cash Dividends (Note 1)		4.00	4.00	NA
	Shares Dispensed free of charge (Note 1)	Dividend Distribution by Retained Earnings	0.3500000011	0.3500000054	NA
		Dividend Distribution by Capital Surplus	NA	NA	NA
	Accumulated Unpaid Dividend (Note 6)		0	(note7)	NA
Return on Investment	Price/Earnings Ratio (Notes 1 & 2)		11.70	7.79	NA
	Price/Dividend Ratio (Notes 1 & 3)		18.34	13.35	NA
	Cash Dividend Yield Rate (Notes 1 & 4)		5.45%	7.49%	NA

Note 1: Figures for Year 2010 were filled in accordance to the status of dividend distribution determined by the resolution of the 2011 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 2011 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 2011, after resolution by Board of Directors to distribute cash dividend per share of NT\$ 4, estimated cash dividends as NT\$ 2,577,774,360. Preceding earnings distribution proposal of 2011 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 30% shall be cash dividends.

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

2.Dividend distribution of 2011 proposed by Shareholders' meeting in 2012:

- (1) Cash dividend is distributed as NT\$ 4,000 per one thousand shares: NT\$2,577,774,360 from retained earnings was set aside for cash dividend distribution
- (2) Stock dividend is 35.00000054 shares per one thousand shares: NTD\$ 225,555,260 from retained earnings was set aside to increase capital and to issue new stocks for 22,555,526 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 12th session of the 10th Board of Directors' Meeting of 21st March, 2012 to allocate a cash bonus to employees of NT\$ 168,517,143, a stock bonus to employees of NT\$ 430,000,000 (with the number of shares allocated in the stock bonus being calculated based on the closing market price 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 NT\$ 37,407,321.
The amount of employee bonus and Directors and Supervisors' compensation as proposed by the Board of Directors' meeting totaled NT\$ 635,924,464, and was identical to the amount estimated in the annual financial report of 2011. It is reckoned that EPS is NT\$6.66 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 2010 in 2011 is as follows:
 - (1) Actual distribution of Directors and Supervisors' compensation was NT\$ 32,850,609 and employees' bonus was NT\$ 525,609,747, identical to the original amount of distribution approved by the Board of Directors' meeting. The employees' bonus consists of a stock bonus of NT\$ 392,609,710(equal to new stock 7,282,688 shares), and a cash bonus NT\$ 133,000,037. The number of shares of employee's stock bonus was 25.26% 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 NT\$ 558,460,356, and was identical to the amount estimated in the annual financial report of 2010.

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 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.
- 4.7 Status of financing plans and implementation:
- 4.7.1 As of 31st March, 2012, Status of Previous Respective Issuances including Pending Securities Private Placements or Undisclosed Benefits of Completed Plans for the Most Recent Three Years: None.
- 4.7.2 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, 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:

Products	Amount	Proportion
Computer peripheral products	\$10,453,044	58.0%
Consumer electronic products and other electronic products	7,086,741	39.3%
Other operating income	495,424	2.7%
Total	\$18,035,209	100%

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) Web Conference Phone
- (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) 10X Optical Digital Zoom Digital Camera
- (16) Wi-Fi Waterproof Sport Digital Camera
- (17) 5M Waterproof, Drop-resistant Digital Video Camera
- (18) Wi-Fi Wireless Digital Video Camera
- (19) Wi-Fi Wireless Network Video phone
- (20) Panoramic High Resolution Digital Camera
- (21) Wi-Fi Wireless Digital Video Camera and Computer Camera
- (22) H.264 Computer Camera
- (23) Low Cost HD Computer Camera
- (24) Game-Dedicated Video Module
- (25) 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 2012 economy forecasting from various research institutes, the global GDP is expected to range from 3% to 3.6% when economy may sway to the downside in consideration of uncertain US market recovery, yet unsolved Western default crisis and lasting tight China financial policy. Launch of New products, new operation station and system may drive sales of PC and Tablet. 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 2012 global shipments of PCs to reach 342.3 million units, 4.4% growth over than 2011. This shipment consists of Desktop shipments of 132.5 million units, 1.0% less than 2011, and Portable PC shipments (including Notebook and Netbook) of 209.8 million units, and increases of 8.1% compared with 2011. Observing from Market demanding, because of shrinking budgets for expenditures from government, private business and weak consumer demand for DT, DT market is expected to decline continuously. Therefore, major DT consuming markets are still in emerging countries as China, South America, India and etc. Shipping of NB has completely recovered to normal supply in March even though

it was ever broken by Thailand flooding. It is predicted that Ultrabook be still the focus of 2012 NB category, driven by new operation stages and systems and decreasing price of some key components. For Tablet product, Apple may still have 60% market shares, and different sizes of panels and low-end products may be brought out by other manufactures to attract consumers' focus. Shipment in 2012 of global Tablet product is around 95.11 million units, 55% growth over year 2011.

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, 2012 shipment of mobile phone has 8% of sales in growth, reaching to s 1.71 billion handsets. Among them, there are 1.44 billion mobile phone handsets with cameras, which has 11.5% of sales in growth and penetrating rate is 84.4%, increasing rate is 2.7% higher comparing to 81.7% in 2011. Especially driven by promotion of Telecom companies, launching of new operation systems and descending price, it is a clear trend that mobile phones with build-in camera will replace consuming cameras, which bring more request for camera modules. 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 2011

Unit: NT\$ 000's

Year	2010	2011	1 st Quarter of Year 2012
Amount	\$ 667,178	\$ 670,349	\$162,862

2. R&D accomplishments in 2011

- (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) World 1st WiFi Wireless Digital Video Camera
- (12) 23X Optical Digital Video Camera (Horizontal Landscape)
- (13) 12X Optical Digital Video Camera (Horizontal Landscape)
- (14) 5X Optical Digital Video Camera (Vertical Landscape)
- (15) 3M Waterproof, Drop-resistant Digital Video Camera
- (16) Auto-Focus Video Camera
- (17) Economical Video Camera.
- (18) Video Module for Remote Control
- (19) High Resolution Video Module
- (20) GPS Camera Module
- (21) Tablet PC Built-in Camera Module
- (22) Smart Phone Built-in Camera Module
- (23) 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

- . IPCAM Network Camera
- . Full-featured Android Flatbed Digital Video Camera
- . Skype TV Digital Image Telephone
- . Wide Angle Lens Digital Camera
- . Built-In Micro Projector and Video Camera
- . Camera to Trigger TV by Voice Control

(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, and other emerging markets.
- (4)Aggressively develop peripheral products dedicated for Tablet and Ultra book.
- (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 2011 annual data provided by the Company and clients, Chicony is the world's largest manufacturer of keyboards, computer cameras, and notebook computer built-in camera modules.

3. Future Market Demand and Supply and Market Growth

Currently, the major application of the primary products manufactured and sold by the Company (keyboards, computer cameras, notebook built-in camera modules, and power supply products, which are manufactured and sold by subsidiary company, Chicony Power Technology Co., Ltd., is in PC and Tablet products. Portable PC product applications (including Notebooks, Tablet PCs, Netbooks, and other related devices) are estimated to account for 80% of the Company's projected 2012 consolidated operating income. Research reports indicate that major PC consumer markets were still at USA and Europe, the sales volumes for the USA and Europe still accounted for nearly 60% of global shipment volumes. Sales of PC products grows up only 4.4% when Sales of DT goes down 1.0% ,NB goes up 11.1% as well as Netbook goes down 14.7% ,in terms of market demand by product category. However, sales of DT may not go worse when there is more demand from enterprises, Cloud technology matures gradually and demand of economy of emerging countries takes off. Penetrating percentage ratio of Ultra thin and high efficient Notebook of great brand manufacturers may reach 15% of sales of the NB market when leading brand manufacturers aggressive promote NB market and Intel compensates sale price. Cheaper price on end products and more new operation system launching may drive demands of purchasing.

It is respected that Tablet will be used mainly for entertainment purpose when Apple and Amazon keep on bring out products with high resolution panels and low down selling price. Therefore, the sales of this year will still have obvious growth than last year. For supplying chain, the number of major vendors of each main product category, Keyboards, PC camera, NB built-In Camera module, and PC power supply, is around 2 to 3 only.

When global mobile phone handset growth rate in 2012 was estimated to be 11.5%, i.e.1.44 billion handsets, shipments of mobile phone camera modules were expected to grow in line with global mobile phone shipments in 2012. Also, with popularity of 3G in- time mobile phone, it drives demand of second built-in camera module (Conference Lens), penetration rate from 29.7% to 35.0%. In terms of suppliers, there were two to three leading manufacturers of mobile phone camera modules. Currently, no research institutions have predicted the status of the supply of digital image products such as digital video cameras, computer cameras, etc. However, the Company forecasted that the market demand in 2012 would be as same as of 2011 based on unclear picture of global economy. 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, computer cameras and notebook built-in camera modules; 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 12% 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**

On top of Suzhou and Dongguang Plants, Company set up Chong Qing plant to meet Customer's needs and 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, computer cameras, notebook computer built-in camera modules, CMOS digital video cameras, 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 digital cameras, 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, notebook computer built-in camera modules, 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 began 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 36 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 15 years of relevant experiences in manufacturing, sales, management, research and development, finance, and accounting. On average, they have over 10 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.
- Population structure in China – a lack of manpower for medium and long-term requirements, and upward pressure on labor costs.
- International crude oil and raw material prices continue to rise.
- NT dollar appreciates, along with long-term appreciation pressure on RMB, affecting gross profit.
- Possible shortage of components resulting from unforeseeable economy forecasting, rising cost pressure and lack of labor in Mainland China.
- Global economy in stagnation cycle results in weak customer demand.

Countermeasures:

- To develop new technologies, new design capabilities, to seek for alliances from more suppliers, and to have volume procurement – to not only reduce the Company's product costs, but also help stabilize suppliers' operating incomes and profitability.
- To develop high value-added products, to increase their contribution to sales, and to sustainably expand market share in order to maintain operating income and profitability.
- To raise up sales price reasonably depends on consumer market environment.
- To enhance to expand sales of each product category in China and Korea domestic market.
- 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 increase the proportion of automated production, and to gradually relocate the major production base to Chong Qing, Mainland China, in order to ensure stable labor supply and lower production costs.
- 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

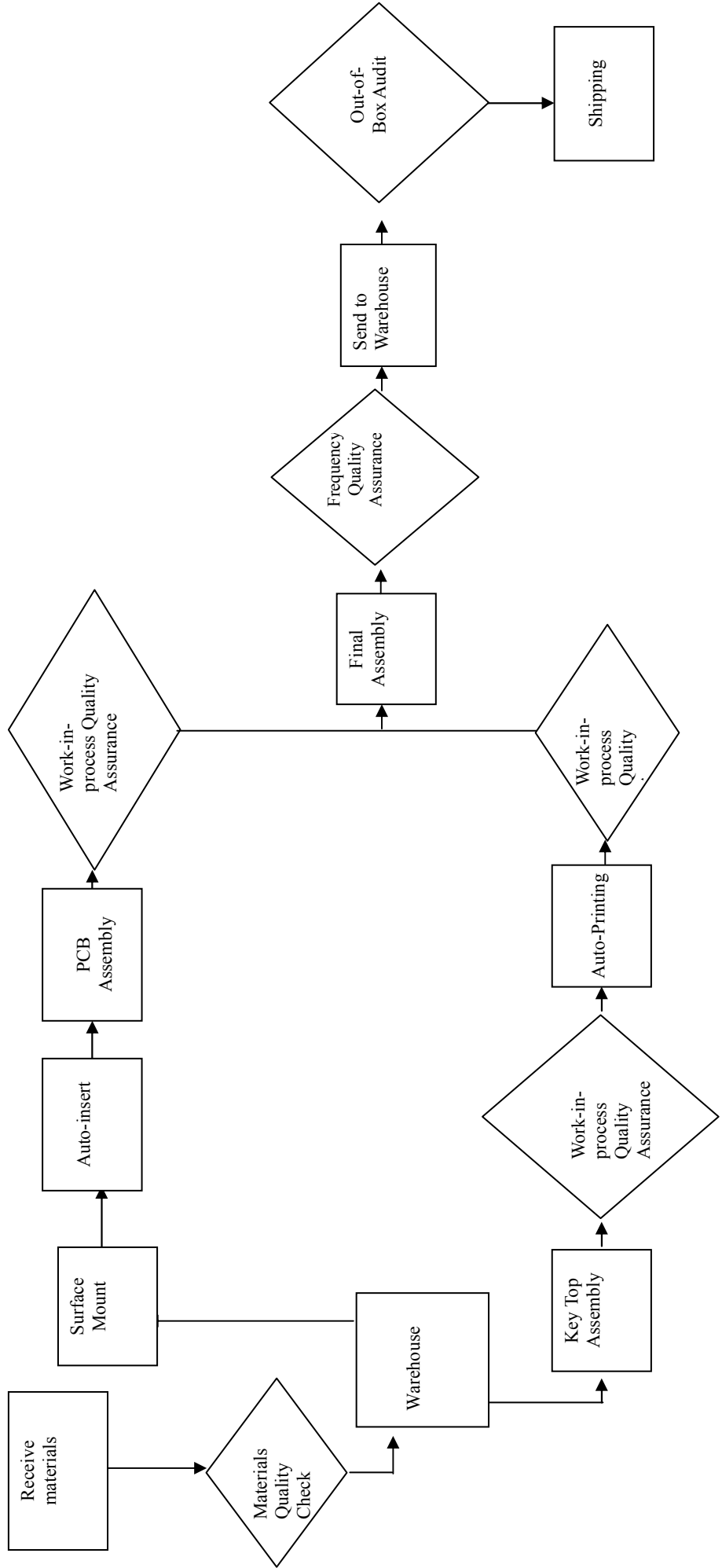
a. Important Uses

(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.

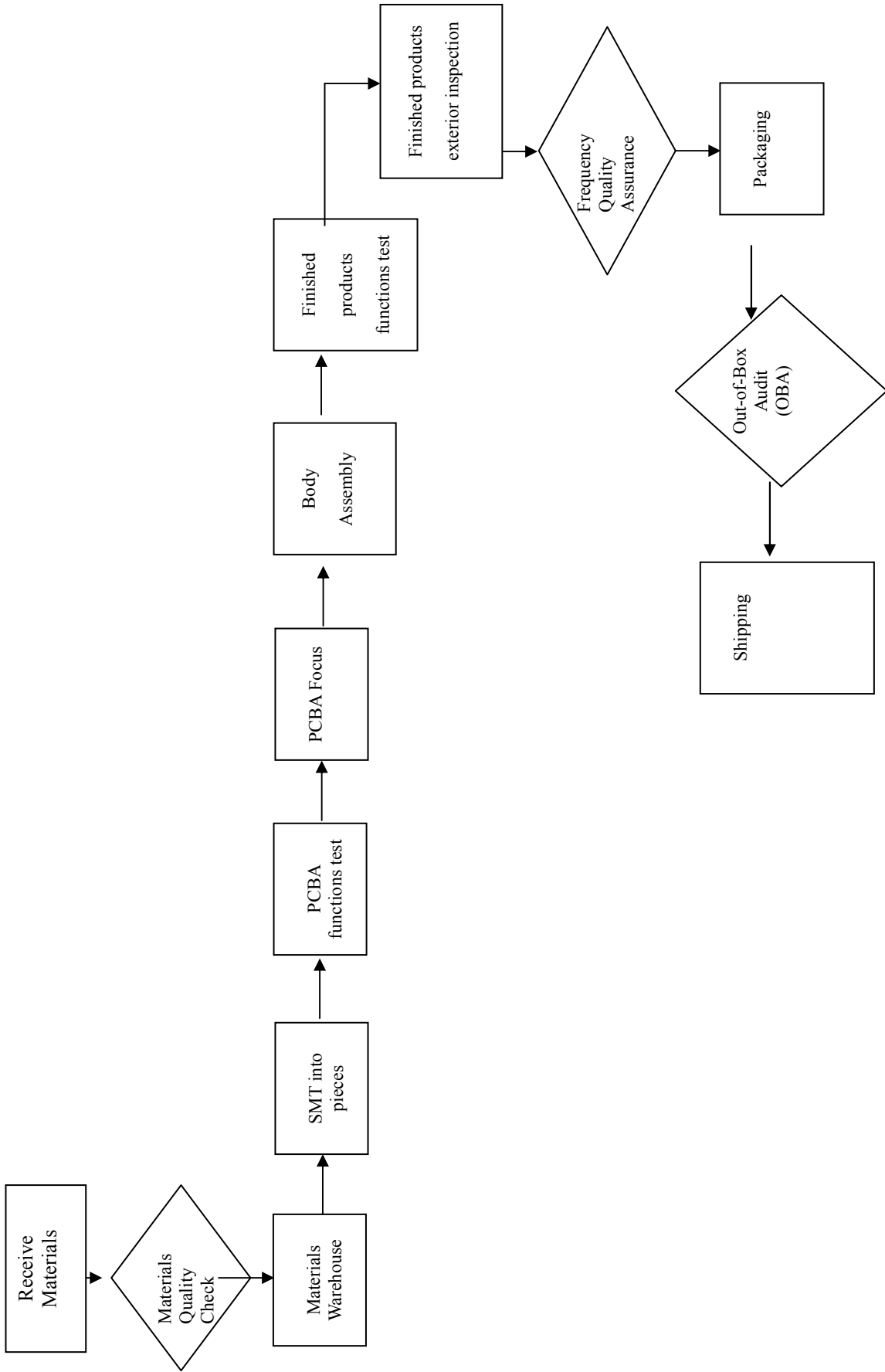
(II)Digital Video Camera, Computer Camera, and Camera Module: For on-site image recording.

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, and digital video cameras were manufactured by the Company's 100% owned subsidiaries – Chicony Electronics (Dongguan) Co., Ltd, Chicony Electronics (Suzhou) Co., Ltd, and Mao Rui Electronics (Dongguan) 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 are 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
Rubber pad	Fitivision, Bornsun, Zslims
IC	Sinowearth, EST, Sosun, Avant-Com, Alltek, HST, Edom

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
LCD	AU Optronics, Giantplus, Wintek, Sharp
Lens	Largen, Newmax, Ability Opto-Electronics, Phenix Optics, Xing Long
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 (Net purchases amount reached over 10% for the last two years and as at between end of first quarter of current year)

Unit: NTS 000's

Item	2010				2011				1 st Quarter of 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	Name	Amount	Percentage of purchase amount over 1 st quarter of current year amount	Relationship with the issuer
1	Chicony Electronics (Dongguang) Co., Ltd.	10,715,102	62	The Company's indirect wholly owned subsidiary	Chicony Electronics (Dongguang) Co., Ltd.	7,003,195	46	The Company's indirect wholly owned subsidiary	Chicony Electronics (Dongguang) Co., Ltd.	1,337,599	41	The Company's indirect wholly owned subsidiary
2	Maorui Electronics (Dongguang) Co., Ltd.	2,740,346	16	The Company's indirect wholly owned subsidiary	Chicony Electronics (Suzhou) Co., Ltd.	3,284,776	21	The Company's indirect wholly owned subsidiary	Chicony Electronics (Suzhou) Co., Ltd.	728,021	22	The Company's indirect wholly owned subsidiary
3	Chicony Electronics (Suzhou) Co., Ltd.	1,624,525	10	The Company's indirect wholly owned subsidiary	Maorui Electronics (Dongguang) Co., Ltd.	2,758,771	18	The Company's indirect wholly owned subsidiary	Maorui Electronics (Dongguang) Co., Ltd.	637,414	20	The Company's indirect wholly owned subsidiary
4	Others	2,090,918	12		Others	2,327,030	15		Others	538,721	17	
	Net Purchase Amount	17,170,891	100		Net Purchase Amount	15,373,772	100		Net Purchase Amount	3,241,755	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

b. **Information of main customers** (Net sales amount reached above 10% for the last two years and as at between end of first quarter of previous year vs. current year)

Unit: NT\$ 000's

Item	2010 (Note 1)				2011 (Note 2)				1 st Quarter of 2012 (Note 3)			
	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 net sales amount as at 1 st quarter of current year	Relationship with the issuer
1	Customer B	4,604,123	24	Non-related party	Customer A	3,323,448	19	Non-related party	Customer A	595,861	15	Non-related party
2	Customer A	3,556,540	18	Non-related party	-	-	-	-	Customer C	435,674	11	Non-related party
	Others	11,322,089	58		Others	14,216,337	81		Others	2,964,363	74	
	Net Sales Amount	19,482,752	100		Net Sales Amount	17,539,785	100		Net Sales Amount	3,995,898	100	

Reasons for changes:

1. Sales to Customer B in 2011 are less than that in 2010 because Customer B closes Flip Video Camera business and therefore there is no more purchasing plan. . Sales to Customer B in 2011 are not more than 10% of Chicony's consolidated 2011 sales, therefore, sales to Customer B is listed with other customers, not shown alone more.
2. The average NTD foreign exchange rate as at 1st quarter of 2012 depreciated 1.21% compared to the same period in 2011, and sales increasing to Customer C at 1st quarter of 2012; thus, the sales as at 1st quarter of 2012 is 6.85% more than that of the same period in 2011.

Note 1: Net sales amount of 2010 was NT\$ 19,482,752,000, excluding other operating income of NT\$ 679,260,000.

Note 2: Net sales amount of 2011 was NT\$ 17,539,785,000, excluding other operating income of NT\$ 495,424,000.

Note 3: Net sales amount as at 1st quarter of 2012 was NT\$ 3,995,898,000, excluding other operating income of NT\$ 69,305,000

5.2.5 Production Output and Value

Unit: million units/ NT\$ 000's

Year	2010					2011				
Production Output and Value Main Products	Capacity	Output	Output Value	Purchase Volume	Purchase Value	Capacity	Output	Output Value	Purchase Volume	Purchase Value
	Computer Peripheral products	-	-	-	38	7,346,146	-	-	-	42
Consumer Electronic s Products and other Electronics Products	-	-	-	14	9,824,745	-	-	-	20	6,416,572
Total	-	-	-	-	17,170,891	-	-	-	-	15,378,663

5.2.6 Sales Output and Value

Unit: million units/ NT\$ 000's

Year	2010 (Note 1)				2011 (Note 2)			
Sales Output and Value Main Products	Domestic Sales		Exports		Domestic Sales		Exports	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Computer Peripheral products	-	61,037	37	8,652,616	-	61,883	41	10,391,161
Consumer Electronic s Products and other Electronics Products	-	2,162,256	14	8,606,843	2	2,486,070	16	4,600,671
Others	-	-	-	-	-	-	-	-
Total	-	2,223,293	-	17,259,459	-	2,547,953	-	14,991,832

Note 1: Annual domestic sales and exports amount in 2010 totaled NT\$ 19,482,752,000, excluding other operating income of NT\$ 679,260,000.

Note 2: Annual domestic sales and exports amount in 2011 totaled NT\$ 17,539,785,000, excluding other operating income of NT\$ 495,424,000.

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, 2012

Year	2010	2011	31st March 2012
Number of Personnel	Direct Labor	0	0
	Indirect Labor	594	595
	Total	594	595
Average Age	36.99	37.48	37.90
Average Service Years	3.17	2.67	2.42
Educational Background Distribution Percentage (%)	PhD	0.17	0.68
	Master	28.28	26.19
	Bachelor	67.68	69.26
	High School	3.03	3.03
	Below High School	0.84	0.84

5.4 Information on Environmental Expenditures

5.4.1 Losses of the Company caused by environmental pollution in 2011 and as at 31st March, 2012: 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, 2012, 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 2011 and as at 31st March, 2012 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	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	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	Cross-licensing Contract	MINEBEA CO., LTD.	18 th December, 2006 Patent Expiry Date	Cross-licensing of certain patents.	Confidentiality of the content is in accordance to the contract.
4	Materials Sales and Purchases Agreement	ASUSTEK Computer Inc.	1 st September, 2007 Termination by both parties	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	Materials Sales and Purchases Agreement	Pegatron Corp.	1 st November, 2007 Termination by both parties	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	Microsoft Corporation	2011.01.24 120 days notification before cancellation	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	Toshiba Corporation Digital Products and Network Company	2010.04.01 3 months notification before cancellation	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
8	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 NTDS 3 billion, may split into several times on draw down as non revolving line; Item B: Full loan amount of NTDS 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 can not exceed NTDS\$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 NT\$ 11 billion (inclusive) or above. 5. Debt Ratio (Liabilities / Tangible Net Worth). maintain at 250% (inclusive) or below.

6. Financial Highlights

6.1 Condensed Balance Sheet for the Past Five Years

6.1.1 Condensed Balance Sheet

Unit: \$000's

Item	Year	Financial Information for the Past Five Years (Note 1)					
		2007	2008	2009	2010	2011	Q1, 2012
Current Assets		3,954,920	5,636,985	7,042,950	7,542,579	8,302,602	7,769,425
Funds and Investment		7,181,824	9,358,574	12,723,690	15,118,483	20,290,076	20,501,402
Fixed Assets		304,614	324,306	1,676,522	1,774,608	2,023,403	2,024,663
Intangible Assets		-	35,139	42,842	39,512	20,701	46,671
Other Assets		28,578	61,015	105,116	80,026	56,994	67,034
Total Assets		11,469,936	15,416,019	21,591,120	24,555,208	30,693,776	30,409,195
Current Liabilities	Before Distribution	3,148,529	5,835,781	6,703,726	7,995,409	11,604,672	10,916,870
	After Distribution	4,854,551	7,165,781	8,738,160	10,457,867	(Note2)	(Note 2)
Long-term Liabilities		300,000	950,848	2,800,000	2,530,000	2,160,000	2,160,000
All Reserves		21,756	21,756	21,756	21,756	21,756	21,756
Other Liabilities		323,750	313,637	41,992	30,970	70,644	52,278
Total Liabilities	Before Distribution	3,794,035	7,122,022	9,567,474	10,578,135	13,857,072	13,150,904
	After Distribution	5,500,057	8,452,022	11,601,908	13,040,593	(Note2)	(Note2)
Capital Stock		5,009,000	5,570,000	5,912,778	6,256,144	6,444,436	6,444,436
Capital Surplus		138,644	304,429	547,067	1,189,030	1,255,013	1,254,865
Retained Earnings	Before Distribution	3,505,336	4,139,103	5,874,021	7,199,022	8,677,468	9,404,953
	After Distribution	1,238,314	2,543,103	3,548,954	4,521,099	(Note2)	(Note2)
Unrealized Gain/Loss on Financial Instruments		(7,685)	(466,896)	267,676	755,203	335,796	421,058
Cumulative Transaction Adjustments		172,064	394,110	230,754	(637,052)	403,717	12,704
Treasury Stock		(1,173,229)	(1,678,520)	(840,421)	(816,568)	(311,277)	(311,277)
Net Loss not Recognized as Pension cost		-	-	-	(477)	(220)	(219)
Total Shareholders' Equities	Before Distribution	7,675,901	8,293,997	12,023,646	13,977,073	16,836,704	17,258,291
	After Distribution	5,408,879	6,697,997	9,698,579	11,299,150	(Note2)	(Note2)

Note 1: The aforesaid financial data in each fiscal year has been audited by CPA. The number for the 1st quarter in fiscal year 2012 has been reviewed by CPA.

Note 2: Earning distribution in fiscal year 2011 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 Income

Unit: \$000's
(Except for EPS noted in NT\$)

Year \ Item	Financial Information for the Past Five Years (Note 1)					
	2007	2008	2009	2010(Note 2)	2011	Q1, 2012
Sales Revenues	16,521,707	15,803,354	17,746,288	20,162,012	18,035,209	4,065,203
Gross Profit	2,825,217	2,904,580	3,862,905	3,403,426	2,951,862	737,670
Operating Income(loss)	1,617,621	905,737	1,811,941	1,303,862	763,366	81,847
Non-operating Income and Gains	1,584,475	2,223,873	1,941,815	2,615,443	3,898,334	698,450
Non-operating Expenses and Losses	(39,635)	(131,779)	(78,449)	(69,190)	(259,129)	(23,007)
Income (loss) from Continuing Operations -before Income Tax	3,162,461	3,015,831	3,675,307	3,850,115	4,402,571	757,290
Income (loss) from Continuing Operations Segments-after Income Tax	2,689,952	2,900,789	3,330,918	3,650,068	4,156,369	727,485
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	2,689,952	2,900,789	3,330,918	3,650,068	4,156,369	727,485
Earnings per Share (NT\$)	5.28	5.52	5.85	6.06	6.85	1.19

Note 1: The aforesaid financial data in each fiscal year has been audited by CPA. The number for the 1st quarter in fiscal year 2012 has been reviewed 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 2010 that were paid in fiscal year 2011.

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
2007	Wang, Huei Shyang, Wong, Shi-Jung	An Unqualified Opinion with explanatory paragraph
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

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 Financial Ratio Analysis

Item		Financial Information for the Past Five Years									
		Year	2007	2008	2009	2010	2011	Deviation over 20% for 2011 vs. 2010	Reasons ex-planation	Q1, 2012	
Capital Structure Analysis (%)	Liabilities to Assets Ratio (%)		33.08	46.20	44.31	43.08	45.15	4.80		43.25	
	Long-term Funds to Fixed Assets Ratio (%)		2,618.36	2,850.65	884.19	930.18	938.85	0.93		959.09	
Liquidity Analysis (%)	Current Ratio (%)		125.61	96.59	105.06	94.34	71.55	-24.16	1	71.17	
	Quick Ratio (%)		111.78	88.83	96.68	84.63	63.54	-24.92	2	63.66	
	Interest Coverage Ratio (Times)		105.65	38.52	49.04	58.08	49.11	-15.44		35.91	
Operating Performance Analysis	Accounts Receivable Turnover Rate (Times)		6.10	6.70	6.58	5.75	4.60	-19.95		4.56	
	Accounts Receivable Turnover Days (Days)		60.00	54.00	55.00	63.00	79.00	24.93	3	80.00	
	Inventory Turnover Rate (Times)		23.21	29.46	27.48	25.05	17.17	-31.47	4	14.46	
	Sales Turnover Days (Days)		16.00	12.00	13.00	15.00	21.00	45.93	4	25.00	
	Accounts Payable Turnover Rate (Times)		6.53	5.88	3.82	3.57	3.09	-13.36		2.58	
	Fixed Assets Turnover Rate (Times)		51.43	48.01	16.46	11.29	9.24	-18.20		7.90	
	Total Assets Turnover Rate (Times)		1.51	1.12	0.89	0.84	0.63	-24.81	5	0.52	
Profitability Analysis	Return on Total Assets (%)		25.50	22.03	18.31	16.06	15.32	-4.62		9.76	
	Return on Equity (%)		38.66	36.33	32.79	28.08	26.98	-3.92		17.07	
	Ratio to Capital Stock (%)	Operating Income		32.63	16.26	30.64	20.84	11.85	-43.16	6	5.08
		Net Profit before Tax		63.14	54.14	62.16	61.54	68.32	11.01		47.00
	Net Profit Margin (%)		16.74	19.21	20.22	18.73	23.70	26.49	7	18.21	
	Earnings per Share (NT\$) (Note 3)	Before Retroaction		5.76	5.79	6.20	6.27	6.85	9.22		1.19
		After Retroaction		5.28	5.52	5.85	6.06	6.85	13.04		1.19
Cash Flow	Cash Flow Ratio (%)		12.45	30.78	47.71	15.38	24.21	57.41	8	-	
	Cash Flow Adequacy Ratio (%)		153.26	142.41	136.14	113.57	90.44	-20.36	9	-	
	Cash Reinvestment Ratio (%)		-5.67	1.35	12.44	-4.82	1.80	-137.45	10	-	
Leverage	Operating Leverage		1.36	1.84	1.39	1.63	2.03	24.50	11	3.76	
	Financial Leverage		1.02	1.10	1.04	1.05	1.14	7.74		1.36	

Note:

Analysis of Deviation over 20% for 2011 vs. 2010:

1. Current ratio decrease as a result of the increase of loan borrowing, mainly due to financial restructure this year.
2. Quick ratio decrease as a result of the increase of loan borrowing, mainly due to financial restructure this year.
3. AR turnover day increases, mainly due to decrease of sales revenue this year.
4. Inventory turnover day increases as a result of decrease of Inventory turn over rate, mainly due to lower shipment than expectation this year.
5. Total asset turnover rate decreases, mainly due to increasing of total oversea investment this year.

6. Operation income to capital stock ratio decrease as a result of decreasing of operation income, mainly due to increase of operation expense this year.
7. Net profit margin increase as a result of increasing of after-tax profit, mainly due to increasing of investment profit this year.
8. Cash flow ration decrease as a result of increase of current liability, mainly due to decreasing of cash flow and increasing of short term liability this year.
9. Cash flow adequacy ratio decreases, mainly due to increasing of capital expenditure and cash dividend this year.
10. Cash reinvestment ratio turns to positive, mainly due to increasing of cash flow from operation activities this year.
11. Operation leverage increase, mainly due to increasing of fix operation expense and decreasing of operation income this year.

6.2.2 Consolidated Financial Ratio Analysis

Item		Financial Information for the Past Five Years									
		Year	2007	2008	2009	2010	2011	Deviation over 20% for 2011 vs. 2010	Reasons ex-planation	Q1, 2012	
Capital Structure Analysis (%)	Liabilities to Assets Ratio (%)		65.68	69.26	60.61	58.42	57.14	-2.20		55.26	
	Long-term Funds to Fixed Assets Ratio (%)		202.98	146.54	206.11	224.91	204.61	-9.03		213.61	
Liquidity Analysis (%)	Current Ratio (%)		130.85	108.28	138.75	147.59	130.87	-11.32		135.38	
	Quick Ratio (%)		86.18	74.17	96.62	101.63	94.86	-5.88		94.08	
	Interest Coverage Ratio (Times)		13.89	11.34	23.00	40.10	32.77	-18.28		24.19	
Operating Performance Analysis	Accounts Receivable Turnover Rate (Times)		4.96	5.10	4.93	5.03	4.53	-9.85		3.99	
	Accounts Receivable Turnover Days (Days)		74.00	72.00	74.00	73.00	81.00	10.93		91.00	
	Inventory Turnover Rate (Times)		5.60	5.85	5.83	6.10	5.74	-5.83		4.98	
	Sales Turnover Days (Days)		65.00	62.00	63.00	60.00	64.00	6.19		73.00	
	Accounts Payable Turnover Rate (Times)		4.97	5.55	5.01	4.93	4.85	-1.73		4.30	
	Fixed Assets Turnover Rate (Times)		8.57	8.32	7.34	7.23	6.50	-10.03		5.57	
	Total Assets Turnover Rate (Times)		1.89	1.87	1.75	1.73	1.52	-11.77		1.30	
Profitability Analysis	Return on Total Assets (%)		13.32	12.11	11.31	10.72	10.78	0.65		7.46	
	Return on Equity (%)		35.86	34.59	30.64	25.77	24.72	-4.08		16.24	
	Ratio to Capital Stock (%)	Operating Income		60.33	56.49	68.25	50.27	33.18	-34.00	1	33.43
		Net Profit before Tax		69.11	58.62	70.27	70.68	79.56	12.55		53.56
	Net Profit Margin (%)		6.56	5.99	6.19	6.05	6.86	13.36		5.46	
	Earnings per Share (NT\$) (Note 3)	Before Retroaction		5.76	5.79	6.20	6.27	6.85	9.22		1.24
		After Retroaction		5.28	5.52	5.85	6.06	6.85	13.04		1.24
Cash Flow	Cash Flow Ratio (%)		15.17	10.41	45.09	18.82	13.75	-26.96	2	-	
	Cash Flow Adequacy Ratio (%)		47.33	45.01	73.62	79.77	75.84	-4.93		-	
	Cash Reinvestment Ratio (%)		8.90	1.95	29.27	5.52	2.76	-50.08	3	-	
Leverage	Operating Leverage		2.34	3.05	2.74	3.43	5.42	58.03	4	0.90	
	Financial Leverage		1.10	1.11	1.05	1.04	1.08	4.27		1.07	

Note:

Analysis of Deviation over 20% for 2011 vs. 2010:

1. Operation income to capital stock ratio decrease as a result of decrease of operation income, mainly due to increase of operation expense this year.
2. Cash flow ratio decrease as a result of increase of current liability, mainly due to decrease of cash flow and increase of short term liability this year.
3. Cash reinvestment ratio decrease, mainly due to decrease of cash flow from operation activities and increase of capital expenditure for future operation this year.
4. Operation leverage increase, mainly due to increase of fix operation expense and decrease of operation income this year

Note 1: The aforesaid financial data in the previous five fiscal years have been audited by CPA. The numbers for the 1st quarter in fiscal year 2012 have been reviewed by CPA.

Note 2: Calculation formula for each ratio in the above table is as shown on this and the next page.

Note 3: 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 4: 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 5: 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 2011

Chicony Electronics Co., Ltd Supervisor's Audit Report

To: Shareholders' Meeting 2012

The Board of Directors of Chicony Electronics Co., Ltd prepared and presented the 2011 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

22nd March, 2012

6.4 Consolidated Financial Statements for the Years Ended December 31, 2011 and 2010 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, 2011 and 2010, 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 2011 and 2010 financial statements of certain wholly-owned consolidated subsidiaries and long-term investments in investee companies accounted for under the equity method. The total assets of those subsidiaries amounted to NT\$1,376,519 thousand and NT\$1,590,569 thousand as of December 31, 2011 and 2010, respectively, constituting 3.2% and 4.3% of total consolidated assets, and their total revenues were NT\$2,862,611 thousand and NT\$2,933,795 thousand for the years then ended, constituting 4.7% and 4.9% of the total consolidated revenues, respectively. The long-term investments in these investee companies as of December 31, 2011 and 2010 were NT\$1,573,869 thousand and NT\$573,503 thousand, respectively, and the related investment gain recognized for the years then ended were NT\$18,945 thousand and NT\$86,138 thousand, respectively. These statements were audited by other auditors whose reports thereon were furnished to us. Our opinion, 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 included 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, 2011 and 2010, 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.

PricewaterhouseCoopers, Taiwan

March 21, 2012

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)

	2011	2010
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4(1))	\$ 1,324,194	\$ 954,551
Financial assets at fair value through profit or loss - current (Note 4(2))	59,266	48,843
Available-for-sale financial assets - current (Note 4(3))	4,888,708	3,807,717
Notes receivable, net	77,970	56,938
Accounts receivable, net (Note 4(5))	14,284,864	11,993,233
Accounts receivable, net - related parties (Note 5)	55,492	71,154
Other receivables (Note 4(5))	414,418	459,891
Other financial assets - current (Note 6)	1,607	2,478
Inventories, net (Notes 4(6))	7,398,347	7,571,154
Prepayments	572,046	462,832
Deferred income tax assets - current (Note 4(19))	42,330	42,724
Total current assets	29,119,242	25,471,515
Funds and Investments		
Available-for-sale financial assets - non-current (Note 4(3))	985,168	1,288
Financial assets carried at cost - non-current (Note 4(4))	550,284	1,447,703
Long-term investments at equity (Note 4(7))	1,573,869	573,503
Other financial assets - non-current (Note 6)	14,758	87,013
Total funds and investments	3,124,079	2,109,507
Property, Plant and Equipment, Net (Notes 4(8) and 6)		
Cost		
Land	1,801,535	1,581,068
Buildings	3,182,426	2,857,083
Machinery equipment	4,544,878	3,544,371
Molding equipment	3,195,261	2,448,523
Testing equipment	1,157,253	960,249
Transportation equipment	68,998	66,422
Leasehold improvements	25,079	27,056
Other equipment	1,718,146	1,354,545
Revaluation increments	53,526	53,526
Cost and revaluation increments	15,747,102	12,892,843
Less: Accumulated depreciation	(6,243,171)	(4,795,192)
Construction in progress and prepayments for equipment	531,748	509,568
Total property, plant and equipment, net	10,035,679	8,607,219
Intangible assets		
Computer software cost	38,814	62,694
Goodwill	61,194	26,688
Other intangible assets - other (Notes 4(9) and 6)	251,242	134,118
Total intangible assets	351,250	223,500
Other Assets		
Refundable deposits (Note 6)	71,749	58,614
Deferred expenses (Note 4(10))	137,791	203,280
Deferred income tax assets - non-current (Note 4(19))	17,594	18,389
Other assets - other	9,541	4,453
Total other assets	236,675	284,736
TOTAL ASSETS	\$ 42,866,925	\$ 36,696,477

(Continued)

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

	2011	2010
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Short-term loans (Note 4(11))	\$ 4,122,175	\$ 2,628,247
Short-term bills (Note 4(12))	500,000	-
Financial liabilities at fair value through profit or loss - current (Note 4(2))	1,880	3,990
Notes payable	2,464	16,978
Accounts payable	10,258,940	10,073,375
Accounts payable - related parties (Note 5)	409,513	374,819
Income tax payable (Note 4(19))	783,572	686,632
Accrued expenses	3,743,666	2,687,110
Other payables	459,067	379,517
Long-term liabilities - current portion (Notes 4(13) and 6)	1,834,580	300,000
Other current liabilities (Note 10)	134,310	108,109
Total current liabilities	22,249,888	17,258,777
Long-term Liabilities		
Long-term loans (Notes 4(13) and 6)	2,160,000	4,102,210
Reserves		
Land value incremental reserve (Note 4(8))	21,756	21,756
Other Liabilities		
Accrued pension liabilities (Note 4(14))	38,239	35,377
Guarantee deposits received	8,767	7,102
Deferred income tax liabilities - non-current (Note 4(19))	14,724	14,656
Total other liabilities	61,730	57,135
Total liabilities	24,493,374	21,439,878
Stockholders' Equity		
Capital (Note 4(15))		
Common stock	6,444,436	6,256,144
Capital Reserves (Notes 4(16))		
Additional paid-in capital	951,235	641,709
Capital reserve from treasury stock	177,269	437,571
Capital reserve from long-term investments	126,509	109,750
Retained Earnings (Note 4(17))		
Legal reserve	1,890,782	1,525,776
Undistributed earnings	6,786,686	5,673,246
Other Adjustments to Stockholders' Equity		
Cumulative translation adjustments	430,717	(637,052)
Net loss not recognized as pension cost	(220)	(477)
Unrealized gain or loss on financial instruments (Note 4(3))	335,796	755,203
Unrealized revaluation increment (Note 4(8))	31,771	31,771
Treasury stock (Notes 4(18) and 6)	(311,277)	(816,568)
Minority interest	1,536,847	1,279,526
Total stockholders' equity	18,373,551	15,256,599
Commitments and Contingent Liabilities (Note 7)		
Significant Subsequent Events (Note 9)		
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 42,866,925	\$ 36,696,477

The accompanying notes are an integral part of these consolidated financial statements.
See report of independent accountants dated March 21, 2012.

CHICONY ELECTRONICS CO. LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Retained earnings										Total	
	Common stock	Capital reserves	Legal reserve	Special reserve	Undistributed earnings	Unrealized revaluation increments	Unrealized gain or loss on financial instruments	Cumulative translation adjustments	Net loss not recognized as pension cost	Treasury stock		Minority interest
Year 2010												
Balance at January 1, 2010	\$ 5,912,778	\$ 547,067	\$ 1,192,684	\$ 41,016	\$ 4,640,321	\$ 31,771	\$ 267,676	\$ 230,754	\$ -	(\$ 840,421)	\$ 1,049,022	\$ 13,072,668
Appropriation of 2009 earnings (Note 1)	-	-	333,092	-	(333,092)	-	-	-	-	-	-	-
Transfer of undistributed earnings to special reserve	-	-	-	(41,016)	41,016	-	-	-	-	-	-	-
Distribution of stock dividends	290,633	-	-	-	(290,633)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(2,034,434)	-	-	-	-	-	-	(2,034,434)
Appropriation of employee bonuses	52,841	310,494	-	-	-	-	-	-	-	-	-	363,335
Net income for 2010	-	-	-	-	3,650,068	-	-	-	-	-	-	3,650,068
Transfer of long-term equity investment to capital reserve	-	75,975	-	-	-	-	487,527	(477)	-	-	-	75,498
Unrealized gain on financial instruments	-	-	-	-	-	-	-	(867,806)	-	-	-	(867,806)
Cumulative translation adjustment derived from long-term foreign investments	-	112,277	-	-	-	-	-	-	-	-	-	112,277
Paid to the subsidiaries	-	143,924	-	-	-	-	-	-	-	23,038	-	166,962
Treasury stock sold by subsidiaries	-	(707)	-	-	-	-	-	-	-	815	-	-
Treasury stock transactions	(108)	-	-	-	-	-	-	-	-	-	-	-
Minority interest adjustment	-	-	-	-	-	-	-	-	-	-	68,332	68,332
Minority interest net loss	-	-	-	-	-	-	-	-	-	-	162,172	(162,172)
Balance at December 31, 2010	\$ 6,256,144	\$ 1,189,030	\$ 1,525,776	\$ -	\$ 5,673,246	\$ 31,771	\$ 755,203	(\$ 637,052)	(\$ 477)	(\$ 816,568)	\$ 1,279,526	\$ 15,256,599

(Continued)

CHICONY ELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010 (CONTINUED)
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Retained Earnings										Total	
	Common stock	Capital reserves	Legal reserve	Undistributed earnings	Unrealized revaluation increments	Unrealized gain or loss on financial instruments	Cumulative translation adjustments	Net loss not recognized as pension cost	Treasury stock	Minority interest		
Year 2011												
Balance at January 1, 2011	\$ 6,256,144	\$ 1,189,030	\$ 1,525,776	\$ 5,673,246	\$ 31,771	\$ 755,203	\$ 637,052	\$ 477	(\$ 816,568)	\$ 1,279,526	\$ 15,256,599	
Appropriation of 2010 earnings (Note 2)	-	-	365,006	(365,006)	-	-	-	-	-	-	-	
Appropriation of legal reserve	215,465	-	-	(215,465)	-	-	-	-	-	-	-	
Distribution of stock dividends	-	-	-	(2,462,458)	-	-	-	-	-	-	(2,462,458)	
Cash dividends	72,827	319,783	-	-	-	-	-	-	-	-	392,610	
Appropriation of employee bonuses	-	-	-	4,156,369	-	-	-	-	-	-	4,156,369	
Net income for 2011	-	-	-	-	-	-	-	-	-	-	-	
Transfer of long-term equity investment to capital reserves	-	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	
Paid to the subsidiaries	-	134,732	-	-	-	-	-	-	-	-	134,732	
Treasury stock sold by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	
Treasury stock transactions	(100,000)	(405,291)	-	-	-	-	-	-	505,291	-	34,480	
Minority interest adjustment	-	-	-	-	-	-	-	-	-	222,841	222,841	
Minority interest net income	-	-	-	-	-	-	-	-	-	-	-	
Balance at December 31, 2011	\$ 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	

Note 1: The employees' stock bonus of \$30,388 and the directors' and supervisors' remuneration of \$486,215 for the year ended December 31, 2009 has been subtracted from the statement of income.

Note 2: The employees' stock bonus of \$32,851 and the directors' and supervisors' remuneration of \$525,610 for the year ended December 31, 2010 has been subtracted from the statement of income.

The accompanying notes are an integral part of these consolidated financial statements.
See report of independent accountants dated March 21, 2012.

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

	2011	2010
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Consolidated net income	\$ 4,379,210	\$ 3,812,240
Adjustments to reconcile consolidated net income to net cash provided by operating activities		
Depreciation	1,390,979	1,020,007
Amortization	192,223	173,199
Provision of(reversal of) allowance for doubtful accounts	21,218	(3,136)
Provision of inventory price decline and obsolescence, net	529,647	573,468
Loss on investments	(2,662,152)	(735,600)
Gain on valuation of financial assets	(375,074)	(290,043)
Loss on valuation of financial liabilities	1,964	3,990
Investment gain recognized under the equity method	(18,945)	(86,138)
Cash dividends from long-term investments at equity	76,323	11,697
Loss(gain) on disposal of property, plant and equipment, net (net)	(19,133)	52,071
Changes in assets and liabilities		
Financial liabilities at fair value through profit or loss - current	360,577	224,982
Notes receivable	(21,032)	(15,805)
Accounts receivable	(2,311,988)	(394,293)
Accounts receivable, net - related parties	15,662	(51,146)
Other receivables	45,473	(51,465)
Other financial assets - current	871	913
Inventories	(272,654)	(1,080,820)
Prepayments	(109,214)	(219,390)
Deferred income tax assets	1,257	(23,540)
Notes payable	(14,514)	10,702
Accounts payable	185,565	204,948
Accounts payable - related parties	34,694	10,701
Accrued expenses	1,422,523	137,954
Income tax payable	96,940	25,241
Other payables	79,550	(206,475)
Other current liabilities	25,922	38,903
Accrued pension liabilities	2,862	2,392
Net cash provided by operating activities	3,058,754	3,248,487

(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)

	2011	2010
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of available-for-sales financial assets	\$ 974,129	(\$ 751,410)
Increase in financial assets carried at cost – non-current	(30,000)	(225,350)
Decrease in financial assets carried at cost-non-current	32,119	-
Increase in long-term investments at equity – non subsidiaries	(1,042,345)	(161,547)
Proceeds from disposal of long-term investments at equity	-	626,559
Decrease in other financial assets - non-current	72,255	35,050
Acquisition of property, plant and equipment	(2,804,864)	(1,935,110)
Proceeds from disposal of property, plant and equipment	86,558	45,020
Increase in other intangible assets	(174,337)	(87,462)
Increase in deferred expense	(65,641)	(131,171)
Increase in refundable deposits	(13,135)	(17,880)
Increase in other assets - other	(5,088)	(2,582)
Net cash used in investing activities	(2,970,349)	(2,605,883)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term loans	1,493,928	635,044
Proceeds from short-term bonds payable	500,000	-
Increase in long-term loans	2,771,440	1,140,000
Repayment of long-term loans	(3,179,070)	(337,790)
Increase (decrease) in guarantee deposits received	1,665	(316)
Payment of cash dividends	(2,327,726)	(1,922,157)
Proceeds from disposal of treasury stock	-	166,962
Changes in minority interest	(25,842)	30,337
Net cash used in financing activities	(765,605)	(287,920)
Effect of change in foreign exchange rate	1,046,843	(857,226)
Net increase(decrease) in cash and cash equivalents	369,643	(502,542)
Cash and cash equivalents at beginning of year	954,551	1,457,093
Cash and cash equivalents at end of year	\$ 1,324,194	\$ 954,551
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	\$ 156,719	\$ 122,534
Income tax paid	\$ 649,414	\$ 584,431
INVESTING AND FINANCING ACTIVITIES NOT AFFECTING CASH FLOW		
Distribution of stock dividends	\$ 215,465	\$ 290,633
Convertible bonds transferred to common stock	\$ 505,291	\$ 815

The accompanying notes are an integral part of these consolidated financial statements.
See report of independent accountants dated March 21, 2012.

CHICONY ELECTRONICS CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(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, 2011, the Company had approximately 600 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 2011

<u>Investor</u>	<u>Subsidiary</u>	<u>Main activities</u>	<u>Ownership (%)</u>		<u>Description</u>
			<u>Dec. 31, 2011</u>	<u>Dec. 31, 2010</u>	
Chicony Electronics Co., Ltd. (CEC)	Chicony Overseas Inc. (COI)	Sales of computer peripherals and management of overseas acquisitions & investments	100%	100%	
Chicony Electronics	Unikey Electronics Co., Ltd.	Manufacturing and sales of computer	100%	100%	

<u>Investor</u> Co., Ltd. (CEC)	<u>Subsidiary</u> (UNIKEY)	<u>Main activities</u> and computers peripherals	<u>Ownership (%)</u>		<u>Description</u>
			<u>Dec. 31, 2011</u>	<u>Dec. 31, 2010</u>	
"	Hipro Overseas (BVI) Inc.(HOI)	Sales of switching power supplies and other electronic parts and management of overseas acquisitions & 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 the 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	68%	70%	
"	Had Eri Iou Industrial Inc. Ltd. (HEI)	Manufacturing and sales of the 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 & 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, 2011</u>	<u>Dec. 31, 2010</u>	
COI	Hipro Electronics Public Company Limited (HET)	Manufacturing and sales of switching power supplies and other electronic parts	-	100%	Note A
"	Global Faith Inc.(GFI)	Sales of computer peripherals Management of overseas acquisitions & investments	60%	60%	
"	Suzhou Mao-Qun Electronics Co., Ltd.	Manufacturing of electronic parts, keyboards and plastic products	60%	60%	
"	Suzhou Qun-Yang Electronics Co., Ltd.	Manufacturing and sales of electronic parts, keyboard and plastic products	60%	-	
"	Chicony Electronics Japan Co., Ltd. (CEJ)	Sales of computer peripherals	100%	100%	
"	Kuang Mao International Inc.	Sales of computer peripherals and management of overseas acquisitions & investments	100%	100%	
"	Chicony America Group Inc.	Internet solution for E-Commerce solution	100%	100%	
"	Chicony Electronics (Chong-Qing) Co., Ltd. (CEM5)	Manufacturing and sales of computer peripherals	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.	Design and sales of computer peripherals and management of overseas acquisitions & investments	100%	100%	

<u>Investor</u>	<u>Subsidiary</u>	<u>Main activities</u>	<u>Ownership (%)</u>		<u>Description</u>
			<u>Dec. 31, 2011</u>	<u>Dec. 31, 2010</u>	
HOI	Hipro Electronics (Shang Hai) Co., Ltd.	Manufacturing and sales of switching power supplies and other electronic parts	-	100%	
HEC	Quansun Investment Corp. Ltd.	Investment holdings	100%	100%	
"	Qun-Jing Power Co.,Ltd	Sales of computer peripherals and consumer equipment	100%	100%	
CP	Chicony Power Holdings Inc. (CPH)	Investment holdings	100%	100%	
"	Chicony Power International Inc. (CPI)	Manufacturing and sales of switching power supplies and other electronic parts	100%	100%	
"	Chicony Power 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%	-	
"	Chicony Energy Saving Technology (Shanghai) Co., Ltd.	Sales of LED lighting equipments	100%	-	
XAVi	Directmax International Ltd.	Management of overseas acquisitions & investments	100%	100%	

<u>Investor</u>	<u>Subsidiary</u>	<u>Main activities</u>	<u>Ownership (%)</u>		<u>Description</u>
			<u>Dec. 31, 2011</u>	<u>Dec. 31, 2010</u>	
XAVi	XAVi Overseas Ltd.	Sales of DSL Bridges and Routers Management of overseas acquisitions & investments	100%	100%	
"	Systemax Development Ltd.	Sales of DSL Bridges and Routers	100%	100%	
"	XAVi Technologies (Suzhou) Co., Ltd.	Manufacturing and sales of DSL Bridges and Routers	100%	100%	
"	Blitzz Technology Inc.	Wholesaler	-	-	Note C
"	BLITZZ Technology Corp.	Manufacturing and sales of DSL Bridge and Router	-	-	Note D
HEI	GUIDWAY GLOBAL LIMITED	Sale of plastic goods and computer parts	100%	100%	
"	HAD ERI IOU INTERNATIONAL Co., LIMITED.	Sale of plastic goods	100%	100%	
"	HOLYU INTERNATIONAL Co.,Ltd.	Investment	81%	100%	Note E
"	Dong Guan Had Eri Iou Plastics Corporation	Manufacturing and sales of plastic goods and computer parts	81%	100%	

Note A : Liquidation was completed in August 2011.

Note B : Liquidation was completed in June 2011.

Note C : Liquidation was completed in February 2010.

Note D : Liquidation was completed in September 2010.

Note E : 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 and GUIDEWAY GLOBAL LIMITED separately increased their investment in HOLYU International Co., Ltd. by \$2,424 thousand dollars in January 2011 and \$2,000 thousand dollars in May 2011, respectively.

- b) COI increased its investment in CEM2 by \$160,000 in April, 2011.
- c) COI invested \$4,500,000 to set up CEM5 in April, 2011.
- d) CPHK invested \$3,300,000 to set up CPCQ in April 2011.
- e) CPSZ invested RMB \$10,000,000 to set up Chicony Energy Saving Technology (Shanghai) Co., Ltd.
- f) CPI increased its investment in Chicony Power Technology Hong Kong Limited by HKD \$39,000,000 in September, 2011.
- g) COI increased its investment in Kuang Mao International Inc. by USD \$1,284,000 in November, 2011.
- h) Suzhou Mao-Qun Electronics Co., Ltd. invested RMB \$1,000,000 to set up Suzhou Qun-Yang Electronics Co., Ltd.

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. Effective January 1, 2011

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.

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.

B. Before January 1, 2011

Accounts receivable are claims resulting from sale of goods or services. The fair value of accounts receivable is calculated based on the imputed interest rate. Accounts receivable which are collectible within one year, and where the difference between the fair value and the value maturity is insignificant are measured at carrying value. Allowance for doubtful accounts is provided according to the evaluation of the collectability of notes and accounts receivable and other receivables, taking into account the bad debts in prior years and the aging analysis of the receivables.

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.
- 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 2-55 years and for other fixed assets are 1-15 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

Computer software expenditures are stated at cost and amortized on a straight-line basis over 1 to 8 years.

12) Deferred charges

Deferred charges, including the cost of patents, are stated at cost and amortized on a straight-line basis over 1 to 10 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 income tax expense (benefit) for income from continuing operations in the current period.

- 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 a 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) Revenue, cost and expense

Revenue is 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 Segment", 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, "Accounting for Financial Instruments". 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, 2011.

2) Operating segments

Effective January 1, 2011, the Company adopted the newly issued R.O.C. SFAS No. 41, "Operating Segment" 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, 2011.

4. DETAILS OF SIGNIFICANT ACCOUNTS

1) CASH AND CASH EQUIVALENTS

	<u>December 31,</u>	
	<u>2011</u>	<u>2010</u>
Cash on hand	\$ 101,545	\$ 81,272
Time deposits	469,532	244,610
Checking and demand deposits	<u>753,117</u>	<u>628,669</u>
	<u>\$ 1,324,194</u>	<u>\$ 954,551</u>

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

	<u>December 31,</u>	
	<u>2011</u>	<u>2010</u>
Financial assets held for trading		
Derivatives:		
Forward exchange contracts	\$ 44,016	\$ 17,025
SWAP	7,575	31,818
Futures contracts	<u>7,675</u>	<u>-</u>
Total	<u>\$ 59,266</u>	<u>\$ 48,843</u>
Financial liabilities held for trading		
Derivatives:		
Forward exchange contracts	\$ 1,097	\$ 1,075
SWAP	<u>783</u>	<u>2,915</u>
Total	<u>\$ 1,880</u>	<u>\$ 3,990</u>

A) The Group recognized net gain of \$373,110 and \$286,035 for the years ended December 31, 2011 and 2010, respectively.

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

	December 31, 2011		
	<u>Contract Amount</u>	<u>Due Date</u>	
	(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

	<u>December 31, 2010</u>		
	<u>Contract Amount</u>	<u>Due Date</u>	
	(In thousands)		
Forward exchange contract-E. Sun Bank (5 items)	USD	21,000	2011.02.16~2011.04.29
Forward exchange contract-DBS (4 items)	USD	30,560	2011.01.05~2011.03.25
Forward exchange contract-China Citic Bank (2 items)	USD	3,500	2011.01.13~2011.01.25
Forward exchange contract-CCB (5 items)	USD	22,500	2011.01.04~2011.01.28
Forward exchange contract-ICBC	USD	4,000	2011.01.14
Forward exchange contract-CREDIT AGRICOLE Corporate and Investment Bank (3 items)	USD	16,000	2011.02.15~2011.03.29
	CZK	37,974	2011.01.13
Forward exchange contract-HSBC	USD	1,000	2011.01.28
SWAP- Ta Chong Bank (5 items)	USD	11,900	2011.01.25~2011.03.29
SWAP- E. Sun Bank (3 items)	USD	10,950	2011.01.25~2011.03.15
SWAP-Taiwan Cooperative Bank	USD	8,900	2011.03.29
SWAP-China Development Financial Bank	USD	3,000	2011.03.29
SWAP- Taiwan Business Bank	USD	4,000	2011.03.29
SWAP- First Bank	USD	5,000	2011.01.20

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 the method of hedging accounting because it does not conform to all the condition 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 on December 31, 2011 and 2010 is as follows:

	<u>December 31, 2011</u>	<u>December 31, 2010</u>
Listed (TSE or OTC) stocks	\$ 932,546	\$ 1,341,121
Convertible bonds	108,723	119,002
	<u>\$ 1,041,269</u>	<u>\$ 1,460,123</u>

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

	<u>For the year ended December 31, 2011</u>	<u>For the year ended December 31, 2010</u>
	Gain recognized in equity	Gain recognized in equity
Listed (TSE or OTC) stocks	(\$ 377,162)	\$ 590,259
Convertible bonds	(10,240)	61,420
	<u>(\$ 387,402)</u>	<u>\$ 651,679</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	(\$ 359,397)
For the year ended December 31, 2009	547,488
For the year ended December 31, 2010	214,306
For the year ended December 31, 2011	<u>(387,402)</u>
	<u>\$ 14,995</u>

3) AVAILABLE-FOR-SALE FINANCIAL ASSETS

	<u>December 31,</u>	
	<u>2011</u>	<u>2010</u>
Current items:		
Listed stocks	\$ 3,888,367	\$ 2,572,988
Convertible bonds	463,846	478,402
Subtotal	4,352,213	3,051,390
Adjustment of available-for-sale financial assets	536,495	756,327
Total	<u>\$ 4,888,708</u>	<u>\$ 3,807,717</u>
Non-current items:		
Listed stocks	\$ 1,282,883	\$ 1,029
Adjustment of available-for-sale financial assets	(297,715)	259
Total	<u>\$ 985,168</u>	<u>\$ 1,288</u>

4) FINANCIAL ASSETS CARRIED AT COST – NON-CURRENT

	December 31,	
	2011	2010
OTC stocks – Alcor Micro Corp.	\$ 98,375	\$ 98,375
Listed stocks – TPK Holding Co., Ltd.	-	873,450
Listed stocks – ShunOn Electronic Co., Ltd.	187,500	187,500
Listed stocks – Genesis Photonics Inc.	-	21,850
Unlisted stocks	<u>264,409</u>	<u>266,528</u>
	<u>\$ 550,284</u>	<u>\$ 1,447,703</u>

A) For the year ended December 31, 2011, 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 its fair value cannot be measured reliably.

5) ACCOUNTS RECEIVABLE, NET - THIRD PARTIES

	December 31,	
	2011	2010
Accounts receivable	\$ 14,454,732	\$ 12,142,743
Less: Allowance for doubtful accounts	(169,868)	(149,510)
	<u>\$ 14,284,864</u>	<u>\$ 11,993,233</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.

B. As of December 31, 2011 and 2010, the outstanding accounts receivable sold were as follows:

	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>

December 31, 2010

Purchaser of accounts receivable	Accounts receivable sold	Limit	Amount advanced	Interest rate	Amount retained
Fubon Bank	\$ 24,517	\$ 45,000	\$ 20,818	1.24%~1.30%	\$ 3,699
SinoPac Bank	26,130	291,150	23,444	1.34%	2,686
SMBC	222,864	349,380	222,147	1.13%~1.16%	717
Taishin Bank	84,590	200,690	67,240	1.32%~1.52%	17,350
	<u>\$ 358,101</u>	<u>\$ 886,220</u>	<u>\$ 333,649</u>		<u>\$ 24,452</u>

C. As of December 31, 2011 and 2010, the Group had issued promissory notes to guarantee for the sale of accounts receivable, please see Note 7 (2).

5) INVENTORIES, NET

	<u>December 31,</u>	
	<u>2011</u>	<u>2010</u>
Raw materials and supplies	\$3,199,606	\$3,180,109
Work in process	1,567,598	1,497,761
Finished goods	3,726,506	3,816,960
Less: Allowance for price decline and obsolescence	(1,514,588)	(1,327,196)
	6,979,122	7,167,634
Inventory in transit	419,225	403,520
	<u>\$7,398,347</u>	<u>\$7,571,154</u>

Expense and loss incurred on inventories for the years ended December 31, 2011 and 2010 were as follows:

	<u>For the years ended December 31,</u>	
	<u>2011</u>	<u>2010</u>
Cost of inventories sold	\$ 51,176,716	\$ 50,986,042
Loss on market price decline	529,647	573,468
Loss (gain) on physical inventory	(18,054)	106
	<u>\$ 51,688,309</u>	<u>\$ 51,559,616</u>

The inventory gain was mainly the 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, 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	68,938	29.00%	(15,368)
	<u>\$ 1,573,869</u>		<u>\$ 18,945</u>

<u>Investee company</u>	<u>December 31, 2010</u>		<u>2010</u>
	<u>Amount</u>	<u>Percentage Of Ownership</u>	<u>Investment Income (Loss)</u>
Skanhex Technology Inc. (Skanhex)	\$ -	28.98%	\$ -
Newmax Technology Co., Ltd. (Newmax)	531,723	21.35%	101,131
Sky Fine Investment Limited	41,780	24.00%	(14,993)
	<u>\$ 573,503</u>		<u>\$ 86,138</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, 2011</u>			
	<u>Cost</u>	<u>Appraisal increment</u>	<u>Accumulated depreciation</u>	<u>Net book value</u>
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	-	(852,013)	2,343,248
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	-	(1,869,724)	(151,578)
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>

	December 31, 2010			
	Cost	Appraisal increment	Accumulated depreciation	Net book value
Land	\$ 1,581,068	\$ 53,526	\$ -	\$1,634,594
Plant and buildings	2,857,083	-	(874,302)	1,982,781
Machinery equipment	3,544,371	-	(1,268,895)	2,275,476
Tooling equipment	2,448,523	-	(1,261,209)	1,187,314
Test equipment	960,249	-	(595,923)	364,326
Transportation equipment	66,422	-	(31,615)	34,807
Leasehold improvements	27,056	-	(15,058)	11,998
Miscellaneous equipment	1,354,545	-	(748,190)	606,355
Prepayment for equipment	509,568	-	-	509,568
	<u>\$13,348,885</u>	<u>\$ 53,526</u>	<u>(\$4,795,192)</u>	<u>\$8,607,219</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, 2010, the reserve balance was \$31,771.

B. No interest was capitalized in 2011 and 2010.

9) INTANGIBLE ASSETS

	December 31,	
	2011	2010
Land use rights	\$ 287,356	\$ 163,238
Less: accumulated amortization	(36,114)	(29,120)
	<u>\$ 251,242</u>	<u>\$ 134,118</u>

10) DEFERRED CHARGES

	December 31,	
	2011	2010
Trademarks	\$ 84	\$ 190
Patents	7,031	10,180
Others	130,676	192,910
	<u>\$ 137,791</u>	<u>\$ 203,280</u>

11) SHORT-TERM LOANS

	<u>December 31,</u>	
	<u>2011</u>	<u>2010</u>
Secured short-term bank loans	\$ 256,589	\$ 45,926
Unsecured short-term bank loans	<u>3,865,586</u>	<u>2,582,321</u>
	<u>\$ 4,122,175</u>	<u>\$ 2,628,247</u>
Interest rates	<u>1.22%~1.75%</u>	<u>0.79%~3.98%</u>

As of December 31, 2011 and 2010, the Group had issued promissory notes to guarantee the short-term loans, please see Notes 6 and 7(2).

12) SHORT-TERM BILLS

	<u>December 31,</u>	
	<u>2011</u>	<u>2010</u>
Commercial Papers	<u>\$ 500,000</u>	<u>\$ -</u>
Interest rates	<u>1.06%~1.36%</u>	<u>0.79%~3.98%</u>

13) LONG-TERM LOANS

<u>Bank</u>	<u>Period</u>	<u>Interest</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>

<u>Bank</u>	<u>Period</u>	<u>Interest</u>	<u>December 31, 2010</u>
E Sun Bank(Series A)	2009.2~2012.2	2.00%	\$ 1,700,000
E Sun Bank (Series B)(Note)	2010.10~2011.3	2.00%	400,000
E Sun Bank (Series B)(Note)	2010.10~2011.3	2.00%	400,000
SinoPac Bank	2009.8~2011.8	1.77%	150,000
SinoPac Bank	2009.10~2011.10	1.77%	150,000
Industrial Bank of Taiwan	2010.12~2011.3	0.90%	30,000
TCB BANK(Note)	2010.11~2011.2	1.81%	815,220
TCB BANK(Note)	2010.12~2011.3	1.82%	465,840
TCB BANK(Note)	2010.12~2011.3	1.83%	291,150
Less: Current portion			<u>(300,000)</u>
			<u>\$ 4,102,210</u>

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

A) As of December 31, 2011 and 2010, the Group had issued promissory notes to guarantee 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: USD96,000,000, credit revolving) for three years was signed by the Company, with E. Sun Commercial Bank as the lead bank in July, 2011. It will be used for mid-term operations. Repayments will be in accordance with contract requirements. As of December 31, 2011, \$2,160,000 was drawdown. The main contents of the contract are as follows:

a. Annual consolidated reports should maintain financial ratios 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%,
- iv) Net tangible assets are above \$11,000,000,

If the Company does not conform to the contract, the Company should modify within nine months.

b. The Company should use the debts for its intended purpose (not for treasury stock, capital expenditure, cash dividends and investments) and prepare the appropriate books and records of outlay for examinations. 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 supply by 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.

- 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 amounting to \$4,000,000 (Series A: \$2,400,000 can finance in batches but credit revolving; Series B: \$1,600,000, credit revolving;) for three years was signed by the Company, with E. Sun Commercial Bank as the lead bank in January, 2009. It will be used for mid-term operations. The main contents of the contract are as follows:
- a. Semi-annual and annual consolidated financial reports should maintain financial ratios as follows:
 - i) Current ratio is above 100%,
 - ii) Financial liabilities which divide by net tangible assets after subtracting from cash and cash equivalents is under 140%,
 - iii) Time interest earned is above 300%,
 - iv) Net tangible assets are above \$6,000,000,
 - v) Liability ratio is under 320% on June 30, 2009, December 31, 2009 and June 30, 2010; under 300% on December 31, 2010 and June 30, 2011; under 250% on December 31, 2011.

If the Company does not conform to the contract, the Company should modify within nine months.

- b. The Company should use the debts for its intended purpose (not for treasury stock, capital expenditure, cash dividends and investments) and prepare the appropriate books and records of outlay for examinations. 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 supply by 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.
- d. Parts of the credit rights of qualified accounts receivable of the Company are 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 100% of the facility of Series B.

- e. As of December 31, 2011, the Company has repaid all the loans mentioned above.
- D) A long-term syndicated construction loan facility amounting to \$3,500,000 (credit revolving) for three years was signed by CP, with Taiwan Cooperative Bank as the lead bank in October 2009. It is to be used for mid-term operations. As of December 31, 2011, \$1,834,580 was drawdown and repayments will be in accordance with contract requirements. The main contents of the contract are as follows:
- a. CP's semi-annual and annual consolidated financial reports should maintain financial ratios as follows:
 - i) Current ratio is above 100%,
 - ii) Financial liabilities which divided by net tangible assets after subtracting from cash and cash equivalents is under 270%,
 - iii) Time interest earned is above 300%,
 - 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 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 immaturity, or,
 - iii) Deposit in compensation accounts.
 - c. The commitment fee should be calculated every three months, and begins in six months after CP drawdowns the credit for the first time.
 - d. The Company and 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".

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 \$218,885 and \$241,048 as of December 31, 2011 and 2010, respectively.
- B. The Company used December 31, 2011 and 2010 as the measurement date for the pension actuary valuation and the related information are as follows:

	<u>2011</u>	<u>2010</u>
Discount rate	1.90%~2.00%	1.75%~2.25%
Expected fund return rate	1.90%~2.00%	2.00%~3.00%
Expected salary increase rate	2.00%~3.00%	1.75%~2.75%

- C. Reconciliation of funded status:

	<u>December 31,</u>	
	<u>2011</u>	<u>2010</u>
Benefit obligations:		
Vested benefit obligation	(\$ 72,375)	(\$ 55,595)
Non-vested benefit obligation	(137,627)	(133,880)
Accumulated benefit obligation	(210,002)	(189,475)
Additional benefits based on future salaries	(65,901)	(65,245)
Projected benefit obligation	(275,903)	(254,720)
Fair value of plan assets	<u>218,885</u>	<u>214,048</u>
Funded status	(57,018)	(40,672)
Unrecognized net transition obligation	732	2,113
Unrecognized gain	<u>18,047</u>	<u>3,182</u>
Accrued pension liabilities	<u>(\$ 38,239)</u>	<u>(\$ 35,377)</u>

- D. Pension cost consisted of the following:

	<u>2011</u>	<u>2010</u>
Service cost	\$ 5,371	\$ 5,426
Interest cost	5,082	4,838
Expected return on pension assets	(4,273)	(4,349)
Amortization of unrecognized net transition obligation	1,381	2,244
Amortization of unrecognized pension gain	(375)	(420)
Gain or loss from curtailment or settlement	<u>1,186</u>	<u>-</u>
Net periodic pension cost	<u>\$ 8,372</u>	<u>\$ 7,739</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, 2011 and 2010 amounted to \$45,989 and \$44,700, 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, 2011 and 2010 amounted to \$7,349 and \$5,008, 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, 2011 and 2010 amounted to \$338,417 and \$199,017, 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 incorporated to the Article of Incorporation on July 26, 2011. Additionally, the paid-in capital was \$6,444,436 and \$6,256,144, and the outstanding common stock was 644,444 and 625,614 thousand shares, respectively.
- B. The stockholders at their meeting on June 10, 2011 had approved to issue common stock dividends amounting to \$215,645 and employees’ stock bonus amounting to \$392,610 at a price of \$53.91 (in dollars) based on the previous closing price of \$59.8(in dollars) at the day of the stockholders’ meeting on June 9, 2011, issuing 7,283 thousand shares. This capitalization had issued 28,829 thousand shares and obtained a letter of approval from the appropriate authorities. The issued date was set on July 15, 2011, and the Company had completed related registration on July 26, 2011.

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. Security Exchange Act and the related R.O.C. SFCs regulations;
- c) 1% as directors' and supervisors' remuneration;
- d) 16% as employees' bonus;

- e) 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>2011</u>	<u>2010</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	2,612,450	2,005,311
- Undistributed earnings not subject to the 10% additional tax	<u>4,156,369</u>	<u>3,650,068</u>
	<u>\$6,786,686</u>	<u>\$5,673,246</u>

(3) Tax Credit

As of December 31, 2011, the imputation tax credit account balance was \$425,119 and the estimated creditable tax ratio was 11.52%.

- (4) The actual creditable tax ratio of distributed earnings in 2009 was 5.86% for cash dividends and 5.97% for stock dividends.

- (5) Subsequent events: The appropriation of 2011 earnings had been proposed at the Board of Directors' meeting on March 21, 2012, and is awaiting the approval of the shareholders at the shareholders' meeting. Details are summarized below:

	<u>2011</u>	
	<u>Amount</u>	<u>Dividends per share (in dollars)</u>
Legal reserve	\$ 415,637	\$ -
Stock dividends	225,555	0.35
Cash dividends	2,577,774	4.00
Directors' and supervisors' remuneration	37,407	
Employees' bonus	<u>598,517</u>	
Total	<u>\$3,854,890</u>	

- (6) The appropriation of 2010 and 2009 earnings has been passed at the shareholders' meeting on June 10, 2011 and June 9, 2010, 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	\$ 365,006	\$ -	\$ 333,092	\$ -
Stock dividends	215,465	0.35	290,633	0.5
Cash dividends	2,462,458	4.00	2,034,434	3.5
Directors' and supervisors' remuneration	32,851		30,388	
Employees' stock bonus	392,610		363,335	
Employees' cash bonus	<u>133,000</u>		<u>122,880</u>	
Total	<u>\$3,601,390</u>		<u>\$3,174,762</u>	

- (7) On December 31, 2011 and 2010, the Company estimated employees' stock bonus and directors' and supervisors' remuneration are as follows:

	<u>2011</u>	<u>2010</u>
Employees' stock bonus	\$ 598,517	\$ 525,610
Directors' and supervisors' remuneration	<u>37,407</u>	<u>32,851</u>
Total	<u>\$ 635,924</u>	<u>\$ 558,461</u>

The estimate was based on net income after tax and legal reserve during this period using the contract's ratio. The information regarding the Board of Directors approval of earnings distribution will be posted to the Market Observation Post System of the Taiwan Stock Exchange Corporation website when it is available.

- (8) The above mentioned 2010 earnings appropriation and capitalization of capital reserve was issued amounting to 7,283 shares at \$53.91 (in dollars) per share. The employees' stock bonus and directors' and supervisors' remuneration recognized in the 2010 financial statements were \$525,610 and \$32,851, respectively. There was no difference between the amount as resolved at the shareholders' meeting and the amount recognized in the financial statements.
- (9) 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
<u>Purpose of reacquisition</u>	Shares (in	<u>Additions</u>	<u>Disposals</u>	Shares (in
	thousands)			thousands)
To be reissued to employees	<u>10,000</u>	<u>-</u>	<u>(10,000)</u>	<u>-</u>

	<u>For the year ended December 31, 2010</u>			
	Beginning			Ending
<u>Purpose of reacquisition</u>	Shares (in	<u>Additions</u>	<u>Disposals</u>	Shares (in
	thousands)			thousands)
To be reissued to employees	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>10,000</u>
To be transferred from bonds	<u>11</u>	<u>-</u>	<u>(11)</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, 2011 and 2010, the amount of treasury stock the Company bought back was \$0 and \$505,291, respectively.

- B) According to the R.O.C. Securities Exchange Act, 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 buyback. 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:
- (1) On April 7, 2011, the Board of Directors had approved to cancel 10,000,000 shares of treasury stocks that had not been transferred by the end of 2009. The amendment registration had been approved by the relevant Authority on January 27, 2010.
- (2) On January 19, 2010, the Board of Directors had approved to cancel 10,822 shares of treasury stock that had not been transferred by the end of 2009. The amendment registration had been approved by the relevant Authority on January 27, 2010.
- 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, 2011 and 2010 follows:

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

<u>For the year ended December 31, 2010</u>								
<u>Subsidiary</u>	<u>Beginning balance</u>		<u>Stock dividend</u>		<u>Disposal</u>		<u>Ending balance</u>	
	Cost		Market					
	Shares (in thousands)	value/share (in dollars)	Shares (in thousands)	value/share (in dollars)	Share	Selling price/shares	Shares (in thousands)	value/share (in dollars)
UNIKEY	20,195	\$ 11.32	909	2,015	\$ 81.52	19,089	\$ 65.00	
HEC	13,929	7.59	695	30	89.65	14,594	65.00	

E) As of December 31, 2011 and 2010, the total cost of the Company's shares held by its subsidiaries, was as follows:

<u>Subsidiary</u>	<u>December 31,</u>	
	<u>2011</u>	<u>2010</u>
UNIKEY	\$205,795	\$205,795
HEC	<u>105,482</u>	<u>105,482</u>
	<u>\$311,277</u>	<u>\$311,277</u>

19) INCOME TAX

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

	<u>2011</u>	<u>2010</u>
Income tax payable	\$783,572	\$686,632
Adjustment of income tax payable	(333,836)	(103,841)
Over provision of prior year's income tax	(1,310)	(221,905)
Prepaid tax	<u>297,981</u>	<u>272,326</u>
Current income tax expense	746,407	633,212
Net change in deferred income tax	<u>1,257</u>	<u>(23,540)</u>
Income tax expense	<u>\$747,664</u>	<u>\$609,672</u>

A. Pursuant to the R.O.C. Income Tax Act, the 10% tax on unappropriated earnings were \$61,410 and \$71,377, respectively, for the years ended December 31, 2010 and 2009.

B. Deferred income tax assets and liabilities:

	<u>December 31,</u>	
	<u>2011</u>	<u>2010</u>
Deferred income tax assets	<u>\$194,827</u>	<u>\$172,695</u>
Valuation allowance for deferred income tax assets	<u>\$133,898</u>	<u>\$106,851</u>
Deferred income tax liabilities	<u>\$ 15,729</u>	<u>\$ 19,387</u>

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

	<u>December 31,</u>			
	<u>2011</u>		<u>2010</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	\$223,881	\$ 38,060	\$180,569	\$ 30,697
Unrealized intercompany profit	18,429	3,133	6,912	1,175
Provision for inventory price decline and obsolescence	114,877	20,120	73,055	12,695
Allowance for doubtful accounts in excess of tax limit	180,201	18,608	119,859	20,570
Unrealized gain on disposal of fixed assets	533	94	2,324	395
Unrealized accrued expense	129,682	22,046	-	-

	December 31,			
	2011		2010	
<u>Current deferred income tax assets</u>	<u>Amount</u>	<u>Tax effect</u>	<u>Amount</u>	<u>Tax effect</u>
Others	51,006	10,591	87,559	14,979
Unrealized gain on financial assets	(5,912)	(1,005)	(27,829)	(4,731)
Allowance on deferred income tax assets		(69,317)		(33,056)
		<u>\$ 42,330</u>		<u>\$ 42,724</u>
<u>Non-current deferred income tax assets</u>				
Unrealized gain on disposal of fixed assets	\$ 13,788	\$ 2,344	\$ 16,124	\$ 2,741
Unfunded pension expense	41,275	7,017	39,728	6,754
Long-term investment loss	220,235	37,440	201,912	34,325
Tax benefit resulting from operating loss carryforwards	105,451	17,926	148,084	25,773
Others	67,858	13,331	28,773	5,622
Investment tax credits		4,117		16,969
Allowance on deferred income tax assets		(64,581)		(73,795)
		<u>\$ 17,594</u>		<u>\$ 18,389</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)	(2,519)	(12,253)	(2,451)
		<u>(\$ 14,724)</u>		<u>(\$ 14,656)</u>

- D. As of December 31, 2011, the Company's income tax returns for the years through 2009 have been assessed and approved by the R.O.C Tax Authority.
- E. As of December 31, 2011, the subsidiaries' balance of tax benefits resulting from operating loss carryforwards amounted to \$105,451 with the final year tax credits due in 2021.
- F. Some of the Company's subsidiaries were incorporated in an economic development area of Mainland China. Based on the related laws, such subsidiaries are entitled to an exemption from income tax in the first and second profit-making years and a 50% reduction during the third to fifth profit-making years.

20) EARNINGS PER SHARE

	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	606,547	\$ 8.09	\$ 6.85
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	624,246	\$ 7.86	\$ 6.66

	For the year ended December 31, 2010				
	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	\$ 4,259,740	\$3,650,068	602,117	\$ 7.07	\$ 6.06
Dilutive effect of common stock equivalents					
Employee bonus	-	-	9,509		
Diluted earnings per share:					
Net income plus dilutive effect of common stock equivalents	\$ 4,259,740	\$3,650,068	611,626	\$ 6.96	\$ 5.97

The above weighted-average outstanding shares of common stock in 2011 and 2010 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 be increased 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,					
	2011			2010		
	<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	\$ 4,724,478	\$2,521,335	\$7,245,813	\$ 3,667,373	\$2,239,446	\$5,906,819
Insurance	60,014	129,408	189,422	22,507	102,716	125,223
Pension	128,883	271,244	400,127	73,406	183,058	256,464
Others	74,164	73,762	147,926	45,145	107,775	152,920
Depreciation	982,860	408,119	1,390,979	729,698	290,309	1,020,007
Amortization	44,255	147,968	192,223	35,699	137,500	173,199

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)	Common Chairman
Newmax Technology Inc. (Newmax)	Investee company accounted for under the equity method
Skanhex Technology Inc. (Skanhex)	Investee company accounted for under the equity method
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
ShunOn Electronics Co. (ShunOn)	Corporate director

2) Significant related party transactions and balances

A. Sales

	<u>For the years ended December 31,</u>			
	<u>2011</u>		<u>2010</u>	
	<u>Amount</u>	<u>% of net sales</u>	<u>Amount</u>	<u>% of net sales</u>
Kai Bo Kunshan	\$ 68,652	-	\$ 115,658	-
Jim Yu	63,150	-	30,810	-
Buynow Xuhui Branch	2,850	-	-	-
Clevo	835	-	200	-
Others	1,006	-	-	-
	<u>\$ 136,493</u>	<u>-</u>	<u>\$ 146,668</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>2011</u>		<u>2010</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	\$ 29,990	-	\$ 58,248	-
Jim Yu	24,363	-	12,906	-
Clevo	565	-	-	-
Others	574	-	-	-
	<u>\$ 55,492</u>	<u>-</u>	<u>\$ 71,154</u>	<u>-</u>

C. Purchases

	<u>For the years ended December 31,</u>			
	<u>2011</u>		<u>2010</u>	
	<u>Amount</u>	<u>% of net purchases</u>	<u>Amount</u>	<u>% of net purchases</u>
ShunOn	\$ 700,408	1	\$ 561,892	1
Jim Yu	614,414	1	500,108	1
Newmax	527,360	1	681,750	1
Farwin	363,243	1	395,223	1
	<u>\$2,205,497</u>	<u>4</u>	<u>\$2,138,973</u>	<u>4</u>

All purchases were made in the normal course of business.

D. Accounts payable

	<u>December 31,</u>			
	<u>2011</u>		<u>2010</u>	
	<u>Amount</u>	<u>% of total accounts payable</u>	<u>Amount</u>	<u>% of total accounts payable</u>
Jim Yu	\$216,993	2	\$77,671	1
Farwin	92,067	1	84,319	1
Newmax	74,166	1	106,010	1
ShunOn	25,140	-	105,716	1
Skanhex	1,147	-	1,103	-
	<u>\$409,513</u>	<u>4</u>	<u>\$374,819</u>	<u>4</u>

E) Service charges

ShunOn and SkyFine charged the Company \$50,563 in 2011 for offering technical support related to product promotion and selling.

F) 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>2011</u>	<u>2010</u>
Salaries	\$ 53,819	\$ 56,564
Bonuses	82,702	78,910
Earnings assignment	201,287	175,324
Total	<u>\$ 337,808</u>	<u>\$ 310,798</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 assignment included directors' and supervisors' remuneration and employee bonuses. (The earnings assignment of 2010 has been adjusted based on actual information.)

e) 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>2011</u>	<u>2010</u>	
Pledged bank deposit (shown as other financial assets-noncurrent)	\$ 14,758	\$ 87,013	Guarantee for tariff
Time deposits (shown as other financial assets-current)	1,607	2,478	Guarantee for tariff and social insurance
Land, plant and equipment and land use rights (shown as other intangible assets)	-	997,530	Guarantee for short-term and long-term loans
Refundable deposits	<u>71,749</u>	<u>58,614</u>	Guarantee for rental
	<u>\$ 88,114</u>	<u>\$1,145,635</u>	

(2) As of December 31, 2011, 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, 2011, the Group had the following significant contingent liabilities and commitments:

- 1) The Group had unused letters of credit for purchases of raw materials approximating \$276,171.
- 2) For bank loans, issuance of commercial paper, financing forward exchange contracts and accounts receivable factoring purposes, the Group provided standby promissory notes totaling \$31,436,774 as security.
- 3) The subsidiaries, XAVi, CP, UNIKEY, Mao-Ray, DongGuan Haderiou Plastic Corporation, CAI, CEG, CPSZ, GSE, CPHK and CPUS had leasing commitments, which are summarized below:

	<u>Amount</u>
First Year	\$ 91,701
Second Year	72,896
Third Year	66,021
Forth Year	65,776
Fifth Year and Thereafter	<u>397,514</u>
Total	<u>\$ 693,908</u>

- 4) Mao-Ray and Dong Guan Haderiou Plastic Corporation have aggregate minimum commitments under the agreements with local government for leasing land from 1998 to 2042. The related leasing and management fee each year is \$33,394.

8. MAJOR CATASTROPHE

None.

9. SUBSEQUENT EVENTS

Please see Note 4 (17) C. (5) for the details on appropriation of the 2011 earnings.

10. OTHERS

- 1) Certain accounts in the 2010 financial statements have been reclassified to conform to the presentation adopted in the 2011 financial statements.
- 2) Fair value of financial instruments:

		<u>December 31, 2011</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	\$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	19,504,592	-	19,504,592
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	-
Futures contracts	7,675	7,675	-
Liabilities			
Forward exchange contracts	1,097	1,097	-
SWAP	783	783	-

	December 31, 2010		
	<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	\$13,683,872	\$ -	\$13,683,872
Available-for-sale financial assets	3,809,005	3,809,005	-
Financial assets carried at cost	1,447,703	-	-
Liabilities			
Financial liabilities with book value equal to fair value	16,167,148	-	16,167,148
Long-term loans	4,402,210	-	4,402,210
<u>Derivative financial instruments</u>			
Assets			
Forward exchange contracts	17,025	17,025	-
SWAP	31,818	31,818	-
Liabilities			
Forward exchange contracts	1,075	1,075	-
SWAP	2,915	2,915	-

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>2011</u>	<u>2010</u>
	<u>Contract value</u>	<u>Contract value</u>
	(in thousands)	(in thousands)
Guarantees for certain subsidiaries	EUR 1,000	EUR 1,000
"	USD 26,800	USD 26,800
"	\$ 3,000	\$ -

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.

- 3) For available-for-sale financial assets, during the years ended December 31, 2011 and 2010, the amount of gain recognized directly in equity was \$419,407 in debit and \$487,527 in credit, respectively.

4) 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.

5) 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,					
	2011			2010		
Financial Assets	Currency	Value	Rate	Currency	Value	Rate
<u>Monetary items</u>						
USD:TWD	USD	302,305	30.27	USD	333,391	29.115
USD:RMB	USD	92,754	6.3009	USD	98,897	6.6228
Financial Liabilities						
<u>Monetary items</u>						
USD:TWD	USD	86,797	30.27	USD	137,136	29.115
USD:RMB	USD	270,198	6.3009	USD	277,484	6.6228

B. Accounts receivable:

a) Market risk

The Group'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(5)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 Group 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 (liabilities) (financial assets at fair value through profit or loss, available-for-sale financial assets and financial assets carried at cost)

a) Market risk:

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

b) Credit risk

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

The maximum loss to the Group is the total amount of book value.

c) Liquidity risk

(i) The Group has prudent liquidity risk management which includes maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

(ii) Due to the dynamic nature of the underlying businesses, Group Treasury aims to maintain flexibility in funding by keeping committed credit lines available since it was not negotiable based on related laws.

d) Cash flow risk

No significant interest rate related risks are expected because the Group does not undertake derivative financial instruments, such as interest rate swaps.

D. Financial instrument liabilities

a) Market risk

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

b) Credit risk

The Group has no credit risk for financial liability instruments.

c) Liquidity risk

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

d) Cash flow risk of interest

Because the Group'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 Group's accounts payable are due in one year. No material market risks are expected, please see Note 10(5)A.

b) Credit risk

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

c) Liquidity risk

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

d) Cash flow risk

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

E. Loans:

a) Market risk

The Group's short-term loans are due in one year.

Generally, the Group raises long-term borrowings at fixed rates. No material market risk is expected.

b) Credit risk

No material credit risk is expected.

c) Liquidity risk

The Group's short-term loans are due in one year, and the long-term loans are due in two to three years. The liquidity risk exposure is low.

d) Cash flow risk

The Group'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, 2011.

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, 2011	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	\$1,800,000	\$1,000,000	\$730,000	1.35%-1.68%	b Working capital		\$ -	\$ -	\$ -	\$5,051,011	\$ 6,734,682
0	The Company	Quansun	Other receivables	1,200,000	600,000	600,000	1.36%-1.68%	b Working capital		-	-	-	5,051,011	6,734,682
0	The Company	Qun-Jing	Other receivables	1,200,000	600,000	181,000	1.35%-1.68%	b Working capital		-	-	-	5,051,011	6,734,682
0	The Company	Xavi	Other receivables	200,000	-	-	-	-		-	-	-	5,051,011	6,734,682

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/purchase 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 natures of financing activities are as follows:

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

Note 3: The maximum balance is the maximum outstanding balance during the year ended December 31, 2011.

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	The maximum guarantee balance	Outstanding guarantee amount at December 31, 2011	The amount of collateral placed	The ratio of accumulated guarantee	Maximum aggregating total (Note 2)
0	The Company	HEI	c	\$ 4,209,176	\$ 40,000	\$ 30,000	\$ -	0.18%	\$ 8,418,352
0	"	CEG	c	4,209,176	EUR 1,000	EUR 1,000	-	0.23%	8,418,352
0	"	Real Young	c	4,209,176	USD 3,000	USD 3,000	-	0.54%	8,418,352
0	"	CEZ	c	4,209,176	USD 8,000	USD 8,000	-	1.43%	8,418,352
0	"	CEM3	c	4,209,176	USD 15,800	USD 15,800	-	2.83%	8,418,352
								<u>5.22%</u>	

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

- 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 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.

- a. the total guarantee amount, except the above mentioned restriction, to any individual party should not exceed the amount of sales/purchase during the year for the purpose of business.
- b. 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, 2011:

		December 31, 2011							
The Company or the subsidiaries	Type of marketable securities	Name of marketable securities	The relationship of the issuers with the Company	General ledger accounts	Shares	Book value	Percentage	Market value	Note
The Company	Common stock	Clevo Co.	Common chairman	Available-for-sale financial assets	24,247,776	\$ 1,126,281	3.80%	\$ 1,161,468	-
The Company	Convertible bonds	Everlight Co., The third unsecured convertible bonds	-	"	1,107,000	111,175	0.50%	108,763	-
The Company	Convertible bonds	The fourth unsecured convertible bonds	-	"	1,500,000	154,981	0.60%	153,000	-
The Company	Convertible bonds	Career Technology (MFG.) Co., Ltd. The third unsecured convertible bonds	-	"	10,000	1,010	0.13%	960	-
The Company	Common stock	ShunOn Electronic Co.	-	"	604,812	14,156	0.57%	3,750	-
The Company	Common stock	Alcor Micro Corp.	-	"	1,099,879	60,000	1.34%	43,170	-
The Company	Common stock	TPK Holding Co., Ltd.	-	"	12,100	9,903	0.01%	4,773	-
The Company	Common stock	Genesis Photonics Inc.	-	"	17,523,048	859,750	6.43%	670,157	-
				Less: Allowance for decline in market value		(191,115)			-
						\$ 2,146,141			-
The Company	Common stock	ShunOn Electronic Co.	-	Investments carried at cost	15,000,000	\$ 187,500	14.17%	-	-
The Company	Common stock	Maxima Ventures I, Inc.	-	"	13,125	131	2.35%	-	-
The Company	Common stock	Maxima Ventures II, 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	3.04%	-	-
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%	-	-
						\$ 341,006			-
The Company	Common stock	COI	Wholly-owned subsidiary	Investee company accounted for under the equity method	1,000	\$ 12,490,614	100%	\$ 12,421,922	-
The Company	Common stock	HOI	"	"	12,560,000	2,140,741	100%	2,140,741	-
The Company	Common stock	UNIKEY	"	"	15,000,000	276,897	100%	1,053,631	-
The Company	Common stock	HEC	"	"	4,660,000	66,549	100%	711,040	-
The Company	Common stock	HEI	"	"	15,076,445	194,324	50.25%	177,873	-
The Company	Common stock	XAVI	"	"	21,532,012	250,059	64.56%	255,900	-
The Company	Common stock	CGI	"	"	1,000,000	1,348,653	100%	1,607,202	-
The Company	Common Stock	CP	"	"	177,673,441	2,489,658	64.33%	2,497,291	-
The Company	Common Stock	CET	Investee company co-owned by the Company and COI	"	322,427	193	15.27%	2,142	-
The Company	Common Stock	Newmax Technology Co., Ltd.	Investee company co-owned by the Company and UNIKEY	"	1,950,000	293,469	2.27%	78,975	-
			Less: common stock of the Company held by subsidiaries			(311,277)			-
						\$ 19,239,880			-

4) Marketable securities acquired or sold during 2011 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, 2011		Addition		Disposal		Balance as at December 31, 2011		
					Number of Shares (in thousands)	Amount (Note 2)	Number of Shares (in thousands)	Amount	Number of Shares (in thousands)	Amount	Gain on disposal	Number of Shares (in thousands)	Amount
The Company	Genesis Photonics Inc.	Available-for-sale financial assets - noncurrent	-	-	1,692	\$ 55,607	16,523 (Note 3)	\$837,900	692	\$ 62,469	\$ 28,712	17,523	\$ 859,750
The Company	Clevo Co.	Available-for-sale financial assets - current	-	-	19,082	835,560	5,166	290,721	-	-	-	24,248	1,126,281
The Company	Green Energy Technology	"	-	-	-	-	3,050	299,719	3,050	404,827	299,719	105,108	-
The Company	TPK Holding Co, Ltd.	"	-	-	-	-	254	207,959	242	171,269	198,056	(26,787)	12
The Company	Taiwan Surface Mounting Technology Corp.	"	-	-	-	-	1,140	101,090	1,140	101,795	101,090	705	-
The Company	TAIFLEX Scientific Co., Ltd	"	-	-	-	-	2,930	183,033	2,930	158,928	183,033	(24,105)	-
The Company	Fubon Financial Holding Co., Ltd.	"	-	-	-	-	3,710	170,622	3,710	170,596	170,622	(26)	-
The Company	Newmax Technology Co., Ltd.	"	(Note 4)	(Note 5)	-	-	1,950	297,755	-	-	-	1,950	297,755

Note 1: Long-term investments applicable, others not.

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

Note 3: The Company held stocks of ShunOn Electronic Co. as Available-for-sale financial assets at the beginning of this year, totaling 604,812 shares, with cost amounting to 14,157.

Note 4: Take the new issued common stock of the subsidiary.

Note 5: Co-owned by the Company and the affiliate.

5) Real estate acquired for the year exceeding \$100,000 or 20% of paid-in capital:

Property acquired by	Date of transaction	Transaction amount	Status of payment	Original owner	Relationship of the original owner with the company	Date of the original transaction	Amount	Basis or reference price in setting the Fair value	Reason for acquisition of properties and status of the properties
The Company The land in Sanchong Dist., New Taipei City	April 26, 2011	\$108,306	\$108,306	Property Administration	Relationship with the original owner with the company	-	\$ -	Set up the operational headquarter	Other commitments -

6) Disposal of real estate for the year exceeding \$100,000 or 20% of paid-in capital balance: None

7) Purchases or sales transactions with related parties exceeding \$100,000 or 20% of paid-in capital balance:

The Company or investee company	Name of counter party	Relationship with the Company	Type of transactions	Conditions of transactions		Terms of transactions		Accounts receivable / (payable)	
				Amount	Percentage of sales/ (purchases)	Unit price	Payment terms	Balance	% of total accounts receivable/ (payable)
The Company	CEM2	Wholly-owned subsidiary of COI	Purchases	\$ 7,003,195	46%	(Note 1)	30-60 days	(\$ 4,235,281)	84%
The Company	CEM3	Wholly-owned subsidiary of Mao-Feng	Purchases	3,284,776	21%	(Note 1)	30-60 days	(534,620)	11%
The Company	Mao-Ray	Wholly-owned subsidiary of Real Young	Purchases	2,758,771	18%	(Note 1)	30-60 days	(95,841)	2%

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, 2011	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	\$ 233,080	-	-	-	\$ -	-
<u>Other receivables</u>								
The Company	UNIQUEY	Subsidiary	731,059	-	-	-	-	-
The Company	Quansun	Wholly owned Subsidiary of HEC	600,813	-	-	-	-	-
The Company	Qun-Jing	Wholly owned Subsidiary of HEC	181,269	-	-	-	-	-

9) Derivative financial instruments undertaken during the year ended December 31, 2011:

The Company undertook forward exchange contracts in 2011, and the contract amount was \$32,000,000. Because the counterparties have good credit, the related financial risk and future need for cash is not expected. The main purpose is to hedge the change of exchange rate due to imports and exports. As of December 31, 2011, the forward exchange contracts mentioned above had recognized a net loss of \$346, which was classified as non-operating expenses and losses.

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 & investments	\$ 265,326	\$ 265,326	1,000	100%	\$12,490,614	\$ 2,710,571	\$ 2,713,734
	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%	71,102	97,001	23,397
	HEI	Taipei County, Taiwan R.O.C.	Manufacturing and selling the plastic goods	212,139	212,139	15,076,455	50.25%	194,324	(9,767)	(5,151)
	HOI	BVI	(1) Sales of switching power supplies and other electronic parts (2) Management of overseas acquisitions & investments	412,003	412,003	12,560,000	100%	2,140,741	113,775	113,775
	HEC	Taipei City, Taiwan R.O.C.	Sales of switching power supplies and other electronic parts	2,330	2,330	4,660,000	100%	(38,933)	66,732	8,354
	XAVi	Taipei County, Taiwan R.O.C.	Researching, manufacturing and selling the DSL Bridges and Routers	199,313	208,151	21,532,012	64.56%	250,059	9,056	4,197
	CGI	BVI	(1) Sales of computer peripherals (2) Management of overseas acquisitions & investments	33,027	33,027	1,000,000	100%	1,348,653	294,711	239,649
	CP	Taipei County, Taiwan R.O.C.	Manufacturing and sales of computer peripherals	1,517,397	1,522,180	177,673,441	64.33%	2,489,658	827,891	544,484
	Newmax	Taichung county, Taiwan R.O.C.	Manufacturing and sales of lenses	297,755	-	1,950,000	2.27%	293,469	133,042	1,660
									<u>\$ 19,239,880</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 & investments	\$ 41,490	\$ 41,490	1,275,000	13.95%	\$ 50,040	\$ 3,786	\$ -
	Newmax	Taichung county, Taiwan R.O.C.	Manufacturing and sales of lenses	\$ 438,182	\$ 438,182	18,089,489	21.1%	513,989	133,042	-
COI	CAI	U.S.A.	Sales of computer peripherals	US\$ 3,250	US\$ 3,250	3,250,000	100%	77,672	3,378	-
	CEG	Germany	Sales of computer peripherals	US\$ 1,584	US\$ 1,584	3,000	100%	30,922	(1,449)	-
	CEM2	Dong Guan, PRC	Manufacturing and sales of computers and computer peripherals	US\$ 9,760	US\$ 9,600	-	100%	2,082,329	248,771	-
	CAGI	U.S.A.	Internet solution for E-Commerce solution	US\$ 3,105	US\$ 3,105	12,400,000	100%	(884)	(47)	-
	HET	Thiland	Manufacturing and sales of switching power supplies and other electronics parts	US\$ -	US\$ 21,616	-	-	-	(3,049)	-
	Mao-Feng	BVI	(1) Sales of computer peripherals (2) Management of overseas acquisitions & investments	US\$ 2,294	US\$ 2,294	2,294,000	100%	5,585,864	238,250	-
	CET	Thailand	Manufacturing and sales of computers and computer peripherals	US\$ 7,823	US\$ 7,823	1,789,141	85%	32,569	-	-
	KUM	Samoa	(1) Sales of computer peripherals (2) Management of overseas acquisitions & investments	US\$ 2,271	US\$ 987	2,284,142	100%	(124,806)	(17,937)	-

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		
COI	CEZ	Czech Republic	Sales of computer peripherals	US\$ 7	US\$ 7	\$ -	100%	\$ 58,880	\$ 28,507	-
	Global Faith	Cayman Island	(1) Sales of computer peripherals (2) Management of overseas acquisitions & investments	US\$ 2,392	US\$ 2,392	2,310,000	60%	(35,412)	(62,007)	-
	Real Young	BVI	(1) sales of computer peripherals (2) Management of overseas acquisitions & investments	US\$ 8,072	US\$ 8,072	7,864,780	86%	317,078	3,786	-
	CEJ	Japan	(1) Sales of computer peripherals (2) Management of overseas acquisitions & investments	US\$ 95	US\$ 95	-	100%	6,334	943	-
	HOLYU International Co., Ltd.	Samoa	Investment	US\$ 2,424	US\$ -	2,423,921	16.72%	72,678	(13,929)	-
	CEM5	Chong-Qing, PRC	Manufacturing and sales of computer peripherals	US\$ 4,500	US\$ -	-	100%	142,550	969	-
HOI	HET	Thailand	Manufacturing and sales of switching power supplies and other electronics parts	US\$ -	US\$ 9,400	-	-	-	(3,049)	-
	HSH	Shanghai, PRC	Manufacturing and sales of switching power supplies and other electronics parts	US\$ -	US\$ 800	-	-	-	(573)	-

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		
CP	CPH	BVI	Manufacturing and sales of switching power supplies and other electronics parts	US\$ 10,000	US\$ 10,000	10,000,000	100%	\$ 752,678	\$ 75,944	\$ -
CPH	Newmax	Taichung county, Taiwan R.O.C.	Manufacturing and sales of lenses	\$ 299,521	\$ -	2,085,000	2%	296,312	133,042	-
CPH	CPI	Cayman	Investment	US\$ 10,000	US\$ 10,000	10,000,000	100%	730,320	76,008	-
CPI	CPUS	U.S.A.	Manufacturing and sales of switching power supplies and other electronic parts	US\$ 317	US\$ 317	50,000	100%	(12,653)	(12,357)	-
CPHK	CPHK	Hong Kong, PRC	Research & Development Center	HKD 85,800	HKD 46,800	46,80,000	100%	820,950	156,821	-
CPHK	Quang Sheng (Nanchang) HDG	Nanchang PRC	Manufacturing of electronic parts	US\$ 4,000	US\$ 4,000	-	100%	185,163	23,855	-
		Dong Guan, PRC	Manufacturing and sales of switching power supplies and other electronic parts	US\$ 20,230	US\$ 20,230	-	100%	822,903	65,069	-
	CPSZ	Suzhou, PRC	Manufacturing of electronic parts	US\$ 3,320	US\$ 3,320	-	100%	487,661	21,267	-
	CPCQ	Chong-Qing, PRC	Manufacturing of electronic parts	US\$ 8,750	US\$ -	-	100%	342,934	70,071	-
CPSZ	Chicony Energy Saving Technology (Shanghai) Co., Ltd.	Shanghai, PRC	Sales of LED lighting equipments	RMB 10,000	RMB -	-	100%	46,983	(999)	-
Real Young	Mao-Ray	Dong Guan, PRC	Manufacturing of electronic parts, keyboard and plastic products	US\$ 8,445	US\$ 8,445	-	100%	565,328	51,990	-

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		
GFI	Mao-Qun	Suzhou, PRC	Manufacturing of electronic parts, keyboard and plastic products	US\$ 3,850	US\$ 3,850	-	100%	(\$ 39,944)	\$ 58,821	\$ -
MQ	Qun-Yang	Suzhou, PRC	Manufacturing of electronic parts, keyboard and plastic products	RMB 1,000	RMB -	-	100%	4,804	-	-
KUM	Sky-Fine	BVI	Sales of computer peripherals	US\$ 2,493	US\$ 1,209	310,423	29%	68,938	(64,032)	-
Sky Fine	Farwin	Samoa	Manufacturing of printed circuit parts and sensor parts.	US\$ 3,000	US\$ 3,000	-	100%	63,704	(64,032)	-
Mao-Feng	CEM3	Suzhou, PRC	Manufacturing and sales of computer peripherals	US\$ 9,929	US\$ 9,929	-	100%	5,568,965	566,779	-
HEC	Quansun	Taipei City 100, Taiwan R.O.C.	Investment	\$ 80,000	\$ 80,000	8,000,000	100%	31,103	(2,954)	-
	Qun Jing	Taipei City 100, Taiwan R.O.C.	Manufacturing and sales of computer peripherals	\$ 1,000	\$ 1,000	100,000	100%	(33,736)	1,719	-
	CP	Taipei City 100, Taiwan R.O.C.	Manufacturing and sales of computer peripherals	\$ 81,000	\$ 81,000	10,433,000	3.78%	147,016	827,891	-
	Newmax	Taichung county, Taiwan R.O.C.	Manufacturing and sales of lenses	\$ 127,694	\$ -	873,000	1.02%	125,788	133,042	-
Quansun	Newmax	Taichung county, Taiwan R.O.C.	Manufacturing and sales of lenses	\$ 278,504	\$ -	2,036,000	2.38%	275,373	133,042	-
XAVi	Directmax	B.V.I	Management of overseas acquisitions & investments	\$ 91,803	\$ 91,803	2,750,000	100%	(124,073)	(18,325)	-
Directmax	XAVi Overseas	B.V.I	(1)Sales of DSL Bridges and Routers (2)Management of overseas acquisitions & investments	US\$ 2,500	US\$ 2,500	2,500,000	100%	(38,294)	(34,533)	-
Systemax	Systemax	B.V.I.	Sales of DSL Bridges and Routers	US\$ 250	US\$ 250	250,000	100%	(85,780)	16,208	-

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		
XAVi Overseas	XAVi Suzhou	Suzhou PRC	Manufacturing and sales of DSL Bridges and Routers	US\$ 2,500	US\$ 2,500	-	100%	(\$ 35,338)	\$ -	
HEI	Guideway HAD ERI IOU	B.V.I Kwun Rong, HK	Sale of plastic goods Sale of plastic goods	\$ 1,746 \$ 45	\$ 1,746 \$ 45	50,000 10,000	100% 100%	248,485 (2,058)	- -	
	INTERNATI ONAL CO., LIMITED									
	HOLYU International Co., Ltd.	Samoa	Investment	\$ 187,421	\$ 187,421	6,497,308	44.81%	103,268	(13,929)	
Guideway	HOLYU International Co., Ltd.	Samoa	Investment	US\$ 3,603	US\$ 1,603	3,602,500	24.84%	57,245	(13,929)	
Haderiou HK	HOLYU International Co., Ltd.	Samoa	Investment	US\$ 1,603	US\$ 1,603	1,602,500	11.05%	25,465	(13,929)	
HOLYU International Co., Ltd.	Dong Guan Had Eri Iou Plastics Corporation	Dong Guan PRC.	Manufacturing and sales of plastic goods	US\$ 12,069	US\$ 9,545	-	100%	244,610	6,921	

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 period	Ending balance end of period	Outstanding balance at December 31, 2011	Interest rates	Nature of finance	The yearly amount of sales to (purchase from) the borrower	The reason for lending purpose	Bad debt allowance provided	Collateral and its value	The credit limit for the respective Borrower	The ceiling for total amount
1	COI	CEC	Receivable from related party	\$ 2,593,775 (US \$ 85,000)	\$ 2,572,950 (US \$ 85,000)	\$ 2,025,668 (US \$ 66,920)	1.36%~1.54%	2	\$ -	Operation purpose	\$ -	\$ -	US\$ 164,148	US\$ 164,148
1	COI	CGI	"	1,220,600 (US \$ 40,000)	1,210,800 (US \$ 40,000)	509,141 (US \$ 16,820)	1.39%~1.68%	2	-	"	-	-	\$5,051,011	\$6,734,682
1	COI	CEM3	"	529,200 (US \$ 18,000)	272,430 (US \$ 9,000)	272,430 (US \$ 9,000)	1.54%	2	-	"	-	-	\$5,051,011	\$6,734,682
1	COI	CET	"	38,220 (US \$ 1,300)	30,270 (US \$ 1,000)	11,993 (US \$ 396)	1.35%~1.68%	2	-	"	-	-	US\$ 164,148	US\$ 164,148
1	COI	KUM	"	183,090 (US\$ 6,000)	181,620 (US \$ 6,000)	181,620 (US \$ 6,000)	1.54%~1.68%	2	-	"	-	-	\$5,051,011	\$6,734,682
1	COI	HEC	"	394,160 (US \$ 13,000)	393,510 (US \$ 13,000)	393,510 (US \$ 13,000)	1.35%~1.36%	2	-	"	-	-	US\$ 164,148	US\$ 164,148
1	COI	CEM5	"	302,700 (US \$ 10,000)	302,700 (US \$ 10,000)	204,323 (US \$ 6,750)	1.36%	2	-	"	-	-	\$5,051,011	\$6,734,682
2	Mao-Feng	CEM3	"	244,120 (US \$ 8,000)	242,160 (US \$ 6,000)	181,620 (US \$ 6,000)	1.20%	2	-	"	-	-	\$5,051,011	\$6,734,682
3	CEM3	Mao-Qun	"	216,185 (RMB45,000)	216,185 (RMB45,000)	187,360 (RMB39,000)	7.00%	2	-	"	-	-	RMB463,686	RMB463,686
3	CEM3	XAVi Suzhou	"	96,036 (RMB20,000)	-	-	-	2	-	"	-	-	RMB463,686	RMB463,686
3	CEM3	CEM5	"	144,123 (US \$ 30,000)	144,123 (US \$ 30,000)	-	-	2	-	"	-	-	\$5,051,011	\$6,734,682
4	Guideway	HEI	"	33,781 (US \$ 1,149)	30,270 (US \$ 1,000)	30,270 (US \$ 1,000)	-	2	-	"	-	-	US\$ 3,298	US\$ 3,298
4	Guideway	Haderiou DG	"	\$ 70,560 (US \$ 2,400)	\$ 65,081 (US \$ 2,150)	\$ 65,081 (US \$ 2,150)	-	2	-	"	-	-	US\$ 3,298	US\$ 3,298
5	Haderiou HK	HEI	"	23,161 (US \$ 759)	22,067 (US \$ 729)	22,067 (US \$ 729)	-	2	-	"	-	-	US\$ 1,246	US\$ 1,246
5	Haderiou HK	Haderiou DG	"	11,760 (US \$ 400)	10,595 (US \$ 350)	10,595 (US \$ 350)	-	2	-	"	-	-	US\$ 1,246	US\$ 1,246

Number	Name	Name of the borrower	General ledger	Maximum balance during the period	Ending balance end of period	Outstanding balance at December 31, 2011	Interest rates	Nature of finance	The yearly amount of sales to (purchase from) the borrower	The reason for lending purpose	Bad debt allowance provided	Collateral and its value	The credit limit for the respective Borrower	The ceiling for total amount
6	CP	CPHK	Receivable from related party	1,806,866 (US \$ 60,000)	1,271,340 (US \$ 42,000)	972,151 (US \$ 31,116)	1.71%~2.45%	2	-	Operation	-	-	\$1,552,800	\$1,552,800
6	CP	CPCQ	"	274,635 (US \$ 9,000)	-	-	-	2	-	"	-	-	\$1,552,800	\$1,552,800
7	HEC	Quansun	"	160,000	160,000	92,500	1.35%~1.68%	2	-	"	-	-	\$ 284,416	\$ 284,416
8	HOI	CGI	"	1,129,055	1,119,990	937,765	1.36%~1.68%	2	-	"	-	-	\$5,051,011	\$6,734,682
8	HOI	Real Young	"	94,597 (US \$ 3,100)	93,837 (US \$ 3,100)	90,810 (US \$ 3,000)	1.68%	2	-	"	-	-	\$5,051,011	\$6,734,682
8	HOI	HEC	"	122,060	121,080	121,080	1.35%~1.68%	2	-	"	-	-	US\$ 28,289	US\$ 28,289
9	XAVi	Systemax	"	116,020	60,540	30,270	1.2%~1.54%	2	-	"	-	-	\$ 158,550	\$ 158,550
10	CGI	Real Young	"	122,060 (US \$ 4,000)	121,080 (US \$ 4,000)	121,080 (US \$ 4,000)	1.36%~1.68%	2	-	"	-	-	\$5,051,011	\$6,734,682
10	CGI	HEC	"	396,695 (US \$ 13,000)	-	-	1.68%	2	-	"	-	-	US\$ 21,238	US\$ 21,238
10	CGI	CEM3	"	152,575 (US \$ 5,000)	151,350 (US \$ 5,000)	-	-	2	-	"	-	-	\$5,051,011	\$6,734,682
10	CGI	Mao-Qun	"	61,030 (US\$ 2,000)	-	-	-	2	-	"	-	-	US\$ 21,238	US\$ 21,238
11	CEM2	CEM5	"	144,123 (RMB30,000)	144,123 (RMB30,000)	52,845 (RMB 11,000)	1.31%	2	-	"	-	-	\$5,051,011	\$6,734,682
12	HOLYU International Co., Ltd.	HEI	"	36,618	36,324	19,948	-	2	-	"	-	-	US\$ 3,045	US\$ 3,045
13	HIDG	CPCQ	"	240,205 (RMB50,000)	240,205 (RMB50,000)	(US \$ 659)	-	2	-	"	-	-	RMB 68,520	RMB 68,520
14	CPSZ	CPCQ	"	120,103 (RMB25,000)	120,103 (RMB25,000)	-	-	2	-	"	-	-	RMB 40,606	RMB 40,606

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

a. 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.

b. 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

c. except for the financing period should not exceed one year.

d. The natures of financing activities are as follow:

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

B. Guarantee information:

Number	Name	Name of parties being guaranteed	Relationship with the Company (Note 1)	The limit of guarantee of such party	The maximum outstanding guarantee amount	The outstanding guarantee amount at December 31, 2011	The amount of guarantee with collateral placed	The ratio of accumulated guarantee	Maximum aggregating total (Note 2)
1	CP	CPI	c	\$ 970,500	\$ 152,575 (US\$ 5,000)	\$ 151,350 (US\$ 5,000)	\$ -	3.90%	\$ 1,902,180

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, 2011:

		December 31, 2011							
Name	Type of marketable securities	Name of marketable securities	The 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)	59,936	\$ 875	-	\$ 875	-
CP	Common Stock	Genesis Photonics Inc.	"	"	8,210,099	314,036	3.01%	314,036	-
CP	Common Stock	Everlight Co.,	"	Available-for-sale financial assets(current)	300,000	15,810	0.07%	15,810	-
CP	Bonds	Unity Opto Technology Co., Ltd.	"	"	1,400,000	129,990	-	129,990	-
		The third unsecured convertible bonds							
CP	Common Stock	TPK Holding Co., Ltd.	"	"	490,000	193,423	0.21%	193,423	-
CP	Common Stock	Clevo. Co	Common Chairman	"	4,538,000	217,370	0.71%	217,370	-
Qun Jing	Common Stock	Clevo. Co	"	"	3,061,000	146,622	0.48%	146,622	-
HEC	Common Stock	Clevo. Co	"	"	11,370,823	544,663	1.78%	544,663	-
HEC	Common Stock	CEC	The Company	"	15,105,196	749,973	2.34%	749,973	Note A
UNIKEY	Common Stock	CEC	"	"	19,756,821	980,926	3.07%	980,926	Note B
UNIKEY	Common Stock	ShunOn Electronic Co. Everlight Co.,	Corporate director	"	3,628,878	22,499	3.43%	22,499	-
		The fourth unsecured convertible bonds							
UNIKEY	Common Stock	Clevo. Co	Common Chairman	"	525,000	51,581	0.24%	51,581	-
UNIKEY	Common Stock	TPK Holding Co., Ltd.	None	"	8,353,000	400,109	1.31%	400,109	-
Quansun	Common Stock	Clevo. Co	None	"	6,000	2,367	0.00%	2,367	-
		Clevo. Co	Common Chairman	"	5,007,000	239,835	0.78%	239,835	-
HOI	Common Stock	TPK Holding Co., Ltd.	None	"	2,376,096	937,370	1.01%	937,370	-
COI	Common Stock	TPK Holding Co., Ltd.	"	"	1,295,778	511,185	0.55%	511,185	-
Quansun	Common Stock	Hungkuan	"	Investments carried at cost	8,140,000	209,278	20.62%	209,278	-
		CAI	Wholly-owned subsidiary	Long-term equity investments accounted for under the equity method	3,250,000	77,672	100%	77,672	-
COI	Common Stock	CEG	Wholly-owned subsidiary	"	3,000	30,922	100%	30,922	-
COI	Common Stock	CET	Investee company accounted for under the equity method	"	1,789,141	32,569	84.73%	11,886	-
COI	Common Stock	CAGI	Wholly-owned subsidiary	"	12,400,000	(884)	100%	(884)	-

December 31, 2011

<u>Name</u>	<u>Type of marketable securities</u>	<u>Name of marketable securities</u>	<u>The relationship of the issuers with the subsidiaries</u>	<u>General ledger accounts</u>	<u>Shares</u>	<u>Book value</u>	<u>Percentage</u>	<u>Market value</u>	<u>Note</u>
COI	Common Stock	Mao-Feng	Wholly-owned subsidiary	Long-term equity investments accounted for under the equity method	2,294,000	\$ 5,585,864	100%	\$ 5,585,864	-
COI	Common Stock	Real Young	Investee company accounted for under the equity method	"	7,864,780	317,078	86.05%	317,078	-
COI	Common Stock	KUM	Wholly-owned subsidiary	"	2,284,142	(124,806)	100%	(124,806)	-
COI	Common Stock	GFI	60% owned subsidiary	"	2,310,000	(35,412)	60%	(35,412)	-
COI	Common Stock	Samoa	Investee company accounted for under the equity method	"	2,423,921	72,678	16.72%	38,531	-
UNIKEY	Common Stock	Real Young	Investee company accounted for under the equity method	"	1,275,000	50,040	13.95%	50,040	-
UNIKEY	Common Stock	Newmax	Related Parties	"	18,089,489	513,989	21.10%	469,154	-
CP	Common Stock	Newmax	Related Parties	"	2,085,000	296,312	2.44%	84,443	-
HEC	Common Stock	Newmax	Related Parties	"	873,000	125,788	1.02%	544,662	-
Quansun	Common Stock	Newmax	Related Parties	"	2,036,000	275,373	2.38%	275,373	-
HEC	Common Stock	Qun Jing	Wholly-owned subsidiary	"	100,000	(33,736)	100%	(33,736)	-
HEC	Common Stock	Quansun	Wholly-owned subsidiary	"	8,000,000	31,103	100%	31,103	-
HEC	Common Stock	CP	Investee company accounted for under the equity method	"	10,433,000	146,740	3.86%	146,740	-
XAVI	Common Stock	Directmax	Wholly-owned subsidiary	"	2,750,000	(124,073)	100%	(124,073)	-
Directmax	Common Stock	XAVI Overseas Ltd.	Wholly-owned subsidiary	"	2,500,000	(38,294)	100%	(38,294)	-
Directmax	Common Stock	Systemax	Wholly-owned subsidiary	"	250,000	(85,780)	100%	(85,780)	-
CP	Common Stock	CPH	Wholly-owned subsidiary	"	10,000,000	752,678	100%	730,340	-
CPH	Common Stock	CPI	Wholly-owned subsidiary	"	10,000,000	730,320	100%	730,320	-
CPI	Common Stock	CPUS	Wholly-owned subsidiary	"	50,000	(12,653)	100%	(12,653)	-
CPI	Common Stock	CPHK	Wholly-owned subsidiary	"	46,800,000	820,950	100%	880,474	-
HEI	Common Stock	Guideway	Investee company accounted for under the equity method	"	50,000	248,485	100%	249,588	-
HEI	Common Stock	Haderriou HK	Investee company accounted for under the equity method	"	10,000	100,220	100%	94,325	-
HEI	Common Stock	Samoa	Investee company accounted for under the equity method	"	6,497,308	103,268	44.81%	103,268	-
Guideway	Common Stock	Samoa	Investee company accounted for under the equity method	"	3,602,500	57,245	24.84%	57,245	-

December 31, 2011

The Company	Name of investee	Type of marketable securities	Name of marketable securities	The relationship of the issuers with the subsidiaries	December 31, 2011				Ending balance at December 31, 2011							
					Shares	Amount (NOTE A)	Shares (NOTE B)	Amount	Proceeds from disposal	Gain on disposal	Shares	Amount (NOTE A)				
Haderiou HK		Common Stock	Samoa	Investee company accounted for under the equity method				Long-term equity investments accounted for under the equity method								
					1,042	\$52,800	3,496	\$208,815	-	\$-	1,750	222,005	182,081	39,924	4,538	\$ 261,615
CP	Clevo. Co				-	-	1,750	182,081			225	127,405	144,849	(17,444)	490	315,643
CP	Green Energy Technology				-	-	715	460,492			2,565	224,378	127,116	97,262	8,210	422,100
CP	TPK Holding Co., Ltd.				3,215	173,427	5,138	298,742			-	-	-	-	8,353	472,169
UNIKEY	Genesis Photonics Inc.				-	-	36,831	179,340			36,831	171,629	179,340	(7,711)	-	-
CEM2	Clevo. Co				4,725 (Note C)	580,944	121	-			3,550	2,825,608	429,199	2,396,409	1,296	151,745
COI	Ivesco Fund															
CP	TPK Holding Co., Ltd.															
CP	Newmax															
HEC																
Quansun																

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 2011 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, 2011		Addition		Disposal		Gain on disposal		Ending balance at December 31, 2011					
			Shares	Amount (NOTE A)	Shares (NOTE B)	Amount	Shares	Amount	Shares	Amount	Shares	Amount (NOTE A)				
CP	Clevo. Co	Available-for-sale financial assets	1,042	\$52,800	3,496	\$208,815	-	\$-	-	\$-	1,750	222,005	182,081	39,924	4,538	\$ 261,615
CP	Green Energy Technology	"	-	-	1,750	182,081					225	127,405	144,849	(17,444)	490	315,643
CP	TPK Holding Co., Ltd.	"	-	-	715	460,492					2,565	224,378	127,116	97,262	8,210	422,100
UNIKEY	Genesis Photonics Inc.	"	3,215	173,427	5,138	298,742					-	-	-	-	8,353	472,169
CEM2	Clevo. Co	"	-	-	36,831	179,340					36,831	171,629	179,340	(7,711)	-	-
COI	Ivesco Fund	"	4,725 (Note C)	580,944	121	-					3,550	2,825,608	429,199	2,396,409	1,296	151,745
CP	Newmax	Long-term equity investments accounted for under the equity method	-	-	2,085	299,521					-	-	-	-	2,085	299,521
HEC		"	-	-	873	127,694					-	-	-	-	873	127,694
Quansun		"	-	-	2,036	278,504					-	-	-	-	2,036	278,504

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

Note B: Includes the stock dividend from the investee.

Note C: Reclassified from the financial assets carried at cost. Note D: Investees

E. Real estate acquired during 2011 with amounts in excess of \$100,000,000 or over 20% of paid-in capital: None.

F. Disposal of real estate during 2011 with amounts in excess of \$100,000,000 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 counterparty	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	\$7,003,195	74	30-60 days	(Note B)	30-60 days	\$ 4,235,281	100
Mao-Ray	The Company	The parent company	Sales	2,758,771	82	30-60 days	(Note B)	30-60 days	95,841	2
CEM3	The Company	The parent company	Sales	3,284,776	19	30-60 days	(Note B)	30-60 days	534,620	12
CPI	CP	Affiliate	Sales	20,452,534	92	60 days	(Note B)	60 days	2,079,258	-
CP	CPI	Affiliate	Purchase	(20,452,534)	98	60 days	(Note A)	60 days	(2,079,258)	100
CP	CEZ	Affiliate	Sales	271,601	1	60 days	(Note B)	60 days	103,509	2
CEZ	CP	Affiliate	Purchase	(271,601)	19	60 days	(Note A)	60 days	(103,509)	23
CP	CPUS	Affiliate	Sales	161,819	1	60 days	(Note B)	60 days	186,496	3
CPUS	CP	Affiliate	Purchase	(161,819)	100	60 days	(Note A)	60 days	(186,496)	3
HDG	CPI	Affiliate	Sales	11,819,957	94	60 days	(Note B)	60 days	327,130	34
CPI	HDG	Affiliate	Purchase	(11,819,957)	53	60 days	(Note A)	60 days	(327,130)	15
CPI	CPSZ	Affiliate	Sales	1,122,079	5	60 days	(Note B)	60 days	-	-
CPSZ	CPI	Affiliate	Purchase	(1,122,079)	14	60 days	(Note A)	60 days	-	-
CPI	HDG	Affiliate	Sales	779,266	3	60 days	(Note B)	60 days	-	-
HDG	CPI	Affiliate	Purchase	(779,266)	100	60 days	(Note A)	60 days	-	-
CPSZ	CPI	Affiliate	Sales	8,497,268	93	60 days	(Note B)	60 days	880,092	86
CPI	CPSZ	Affiliate	Purchase	(8,497,268)	27	60 days	(Note A)	60 days	(880,092)	41
QS	CPI	Affiliate	Sales	1,775,444	98	60 days	(Note B)	60 days	260,988	95
CPI	QS	Affiliate	Purchase	(1,775,444)	6	60 days	(Note A)	60 days	(260,988)	12
XAVi Suzhou	XAVi	Wholly-owned subsidiary	Sales	1,292,990	92	45-180 days	(Note B)	45-180 days	225,566	87
XAVi	XAVi Suzhou	The parent company	Purchase	(1,292,990)	6	45-180 days	(Note A)	45-180 days	(225,566)	75
CGI	CAI	Affiliate	Sales	1,206,668	13	60-90 days	(Note B)	60-90 days	362,492	15
CAI	CGI	Affiliate	Purchase	(1,206,668)	100	60-90 days	(Note A)	60-90 days	(362,492)	100
CGI	CEZ	Affiliate	Sales	1,200,567	13	60-90 days	(Note B)	60-90 days	340,500	14
CEZ	CGI	Affiliate	Purchase	(1,200,567)	83	60-90 days	(Note A)	60-90 days	(340,500)	76
CGI	CEG	Affiliate	Sales	200,142	2	60-90 days	(Note B)	60-90 days	57,844	2
CEG	CGI	Affiliate	Purchase	(200,142)	62	60-90 days	(Note A)	60-90 days	(57,844)	100
CEM2	CGI	Affiliate	Sales	2,352,773	25	60-90 days	(Note A)	60-90 days	-	-
CGI	CEM2	Affiliate	Purchase	(2,352,773)	28	60-90 days	(Note B)	60-90 days	-	-
Real Young	Real Young	Affiliate	Sales	398,688	96	60-90 days	(Note B)	60-90 days	38,704	79
CEM2	Real Young	Affiliate	Purchase	(398,688)	5	60-90 days	(Note A)	60-90 days	(38,704)	2
Real Young	Mao-Ray	Affiliate	Sales	417,201	100	60-90 days	(Note B)	60-90 days	35,758	-
Mao-Ray	Real Young	Affiliate	Purchase	(417,201)	30	60-90 days	(Note A)	60-90 days	(35,758)	-
CEM2	Newmax	Affiliate	Purchase	(122,082)	1	60-90 days	(Note A)	60-90 days	(12,821)	1
Mao-Ray	CGI	Affiliate	Sales	141,300	4	60-90 days	(Note B)	60-90 days	52,270	24
CGI	Mao-Ray	Affiliate	Purchase	(141,300)	2	60-90 days	(Note A)	60-90 days	(52,270)	6
CEM3	CGI	Affiliate	Sales	5,504,343	31	60-90 days	(Note B)	60-90 days	825,869	19
CGI	CEM3	Affiliate	Purchase	(5,504,343)	67	60-90 days	(Note A)	60-90 days	(825,869)	92

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
MQ	CEM3	Affiliate	Sales	582,866	91	60~90 days	(Note B)	60~90 days	114,792	82
CEM3	MQ	Affiliate	Purchase	(582,866)	4	60~90 days	(Note A)	60~90 days	(114,792)	1
CEM3	Newmax	Affiliate	Purchase	(405,155)	3	60~90 days	(Note A)	60~90 days	(61,318)	1
CEM3	Jim Yu	Affiliate	Purchase	(439,295)	3	60~90 days	(Note A)	60~90 days	(162,741)	5
CEM3	Farwin	Affiliate	Purchase	(363,243)	2	60~90 days	(Note A)	60~90 days	(93,535)	3
CEM3	ShunOn	Affiliate	Purchase	(700,480)	4	60~90 days	(Note A)	60~90 days	(25,141)	1
MQ	Jim Yu	Affiliate	Purchase	(175,119)	26	60~90 days	(Note A)	60~90 days	(65,612)	56
HOI-DG	HOI-Samoa	Affiliate	Sales	209,421	80	60~90 days	(Note B)	60~90 days	78,582	92
HOI-Samoa	HOI-DG	Affiliate	Purchase	(209,421)	3	60~90 days	(Note A)	60~90 days	(78,582)	71
HOI-Samoa	CEM2	Affiliate	Sales	140,713	59	60~90 days	(Note B)	60~90 days	80,150	61
CEM2	HOI-Samoa	Affiliate	Purchase	(140,713)	2	60~90 days	(Note A)	60~90 days	(80,150)	5
CGI	CEM5	Affiliate	Sales	136,016	1	60~90 days	(Note B)	60~90 days	103,904	4
CEM5	CGI	Affiliate	Purchase	(136,016)	94	60~90 days	(Note A)	60~90 days	(103,904)	95

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 counter parties	Relationship with the Company	Type and balance of receivable from related parties on December 31, 2011	Turnover rate	Overdue receivable		Allowance For bad debts
					Amount	Action adopted for overdue accounts	
<u>Accounts receivables</u>							
CEM2	The Company	Parent company	\$ 4,235,281	1.72	\$ -	\$ -	\$ -
CEM3	The Company	Affiliate	534,620	6.62	-	-	-
CGI	CAI	Affiliate	362,492	3.63	-	-	-
CGI	CEZ	Affiliate	340,500	3.40	-	-	-
CGI	CEM5	Affiliate	103,904	2.62	-	-	-
CEM3	CGI	Affiliate	825,869	7.49	-	-	-
MQ	CEM3	Affiliate	114,792	2.60	-	-	-
CP	CPUS	Affiliate	186,496	0.51	-	-	-
CP	CEZ	Affiliate	103,509	1.57	-	-	-
CPI	CP	Affiliate	2,079,258	4.92	-	-	-
CPSZ	CPI	Affiliate	880,092	5.68	-	-	-
QS	CPI	Affiliate	260,988	4.05	-	-	-
HDG	CPI	Affiliate	327,130	37.21	-	-	-
XAVi Suzhou	XAVi	Affiliate	225,566	7.90	-	-	-
<u>Other receivables</u>							
COI	The Company	Affiliate	\$ 2,268,787	-	\$ -	\$ -	\$ -
COI	CGI	Affiliate	524,698	-	-	-	-
COI	HEC	Affiliate	394,090	-	-	-	-
COI	CEM3	Affiliate	274,828	-	-	-	-
COI	CEM5	Affiliate	204,415	-	-	-	-
COI	KUM	Affiliate	189,009	-	-	-	-
Mao-Feng	CEM3	Affiliate	184,120	-	-	-	-
CEM3	MQ	Affiliate	1,189,204	-	-	-	-
CP	CPHK	Affiliate	972,151	-	-	-	-
HOI	HEC	Affiliate	121,080	-	-	-	-
CGI	Real Young	Affiliate	121,327	-	-	-	-
CGI	CEM2	Affiliate	2,382,840	-	-	-	-
XAVi	XAVi Suzhou	Affiliate	398,323	-	-	-	-
HOI	CGI	Affiliate	937,765	-	-	-	-

I. Transaction of derivative financial instruments:

A. As of December 31, 2011, the Company entered into several forward foreign exchange contracts with a bank to reduce foreign exchange risk. Details are as follows:

	December 31, 2011	
	Contract value	Contract Amount (in thousands)
Shown in "financial assets at fair value through profit or loss-current"		
Forward exchange contracts	\$ 44,016	USD 220,500
SWAP	\$ 7,575	USD 53,300
Futures contracts	\$ 7,675	USD 5,792
Shown in "financial liabilities at fair value through profit or loss-current"		
Forward exchange contracts	\$ 1,097	USD 19,500
SWAP	\$ 783	USD 20,000

B. The Company entered into forward foreign exchange contracts, futures contracts, and SWAP with Taishin Bank, Ta Chong Bank, E. Sun Bank, DBS, TCB Bank, Corporate and Investment Bank, CCB, Far Eastern International Bank, TBB, En Tie Bank, YuanTa Bank, and MF Global during the year ended December 31, 2011. During 2011, the contracts cash inflow is expected to be about US\$2,508,688 thousand and recognized profit was \$373,456.

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 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, 2011 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	Ending investment balance from Taiwan	Shares held by the Company (Direct or indirect)	Investment (loss)/ gain	Investment amount as of December 31, 2011	Accumulated remittance
Chichony Electronics (Dong Guan) Co., Ltd.	Manufacturing and sales of computer keyboards	\$ 322,150	Invested by Real	\$ 317,555	-	\$ 317,555	100%	\$ 248,771	\$ 2,082,329	\$ -
Mao-Ray Electronics (Dong Guan) Co., Ltd.	Manufacturing of electronics parts, keyboards and plastic products	277,550	Invested by Real Young	236,374	-	236,374	100%	51,990	565,328	-
Chichony Electronics (Suzhou) Co., Ltd.	Manufacturing and sales of computer keyboards	463,352	Invested by Mao-Feng	329,424	-	329,424	100%	566,779	5,568,965	-
Hipro Electronics (Dong Guan) Co., Ltd.	Manufacturing of switching power supplies and other electronics parts	401,343	Invested by HOI	286,935	-	286,935	68.11%	65,069	822,903	-
Chichony Power Electronics (Suzhou) Co., Ltd.	Manufacturing of switching power supplies and other electronics parts	239,442	Invested by HOI	194,245	-	194,245	68.11%	21,267	487,661	-
XAVi Technology (Suzhou) Co., Ltd.	Manufacturing and sales of DSL Bridges	83,954	Invested by XAVi	83,954	-	83,954	64.56%	(34,542)	(35,338)	-
Haderiou (DongGuan)	Manufacturing and sales of plastic goods	375,838	Invested by Holyu	303,352	-	303,352	57.27%	6,921	244,610	-
Mao-Qun	Manufacturing and sales of computer keyboards	124,911	Invested by GFI	93,661	-	93,661	60%	(58,821)	(39,944)	-
Suzhou Qun-Yang Electronics Co., Ltd.	Manufacturing and sales of computer keyboards	4,804	Invested by Mao-Qun	-	-	-	60%	-	4,804	-
Guan Sheng electronics (Nanchang) Co.,	Manufacturing and sales of electronics parts	131,175	Invested by HOI	97,602	-	97,602	68.11%	23,855	185,163	-
Far win (Kunshan) Co, Ltd	Manufacturing of printed circuit parts and sensor parts	146,759	Invested by Sky-Fine	-	-	-	29%	(64,032)	63,704	-
Chichony Power Technology (Chong-Qing) Co., Ltd.	Manufacturing and sales of electronic parts	95,210	Invested by CPHK	-	95,210	95,210	68.11%	70,071	342,934	-
Chichony Electronics (Chong-Qing) Co., Ltd.	Manufacturing and sales of computer peripherals	129,240	Invested by COI	-	-	-	100%	969	142,550	-
Chichony Energy Saving Technology (Shanghai) Co., Ltd.	Sales of LED lighting equipment	44,379	Invested by CPSZ	-	36,896	36,896	68.11%	(999)	46,983	-

Accumulated investment balance from Taiwan to Mainland China	<u>\$ 2,602,292</u> (US\$86,564 thousand)	Amount approved by MOEA	<u>\$ 3,196,633</u> (US\$105,604 thousand)	The ceiling amount of investment in Mainland China	<u>\$ 10,102,022</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, 2011 and 2010

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

Only discloses the transactions over 1% of consolidated total operating revenues or total assets.

No. (Note 1)	Name	Counter party	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 6	1.71%
"	CEC	QS	1	Other receivable	600,813	Note 6	1.40%
1	CEM2	CEC	2	Sales	7,003,195	Notes 4 & 5	11.54%
"	CEM2	CEC	2	Accounts receivable	4,235,281	Notes 4 & 5	9.88%
"	CEM2	CGI	3	Sales	2,352,773	Note 5	3.88%
2	CEM3	CEC	2	Sales	3,284,776	Notes 4 & 5	5.41%
"	CEM3	CEC	2	Accounts receivable	534,620	Notes 4 & 5	1.25%
"	CEM3	CGI	3	Sales	5,504,343	Note 5	9.07%
"	CEM3	CGI	3	Accounts receivable	825,869	Note 5	1.93%
"	CEM3	Mao-Qun	3	Other receivable	1,189,204	Note 6	2.77%
3	HDG	CPI	3	Sales	11,819,957	Note 5	19.48%
4	CPI	CP	3	Sales	20,452,534	Note 5	33.70%
"	CPI	CP	3	Accounts receivable	2,079,258	Note 5	4.85%
"	CPI	HDG	3	Sales	779,266	Note 5	1.28%
"	CPI	CPSZ	3	Sales	1,122,079	Note 5	1.85%
5	COI	CEC	2	Other receivable	2,268,787	Note 6	5.29%
"	COI	CGI	3	Other receivable	524,698	Note 6	1.22%
6	CGI	CAI	3	Sales	1,206,668	Note 5	1.99%
"	CGI	CEZ	3	Sales	1,200,567	Note 5	1.98%
"	CGI	CEM2	3	Other receivable	2,382,840	Note 6	5.56%
7	HOI	CGI	3	Other receivable	937,765	Note 6	1.55%
8	CPSZ	CPI	3	Sales	8,497,268	Note 5	14.00%
"	CPSZ	CPI	3	Accounts receivable	880,092	Note 5	2.05%

No. (Note 1)	Name	Counter party	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets
				Account	Amount	Transaction terms	
9	CP	CPHK	3	Other receivable	\$ 972,151	Note 6	2.27%
10	Mao-Ray	CEC	2	Sales	2,758,771	Notes 4 & 5	4.55%
11	GSE	CPI	3	Sales	1,775,444	Note 5	2.93%
12	XAVi(Suzhou)	XAVi	3	Sales	1,292,990	Note 5	2.13%

2. Subsidiaries included in the consolidated financial statements of 2010:

Only discloses the transactions over 1% of consolidated total operation revenues or total assets.

No. (Note 1)	Name	Counter party	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets
				Account	Amount	Transaction terms	
0	CEC	CEM3	1	Guarantee	\$ 460,017	Follow Company's policy	1.25%
1	CEM2	CEC	2	Sales	10,715,102	Note 7	17.73%
"	CEM2	CEC	2	Accounts receivable	3,930,621	Note 7	10.71%
"	CEM2	CGI	3	Sales	2,651,304	Note 7	4.39%
2	CEM3	CEC	2	Sales	1,624,525	Note 7	2.69%
"	CEM3	CEC	2	Accounts receivable	457,773	Note 7	1.25%
"	CEM3	CGI	3	Sales	4,603,026	Note 7	7.62%
"	CEM3	CGI	3	Accounts receivable	643,303	Note 7	1.75%
3	CPI	CPSZ	3	Sales	1,145,549	Note 7	1.90%
"	CPI	HDG	3	Sales	11,476,320	Note 7	18.99%
"	CPI	CP	3	Sales	20,241,638	Note 7	33.49%
"	CPI	CP	3	Accounts receivable	1,657,828	Note 7	4.52%
4	HDG	CPI	3	Sales	24,156,104	Note 7	39.97%
5	CPSZ	CPI	3	Sales	6,194,704	Note 7	10.25%
"	CPSZ	CPI	3	Accounts receivable	635,904	Note 7	1.73%
6	Mao-Ray	CEC	2	Sales	2,740,346	Note 7	4.53%
7	CGI	CAI	3	Sales	1,097,926	Note 7	1.82%
"	CGI	CEZ	3	Sales	1,308,426	Note 7	2.16%

No. (Note 1)	Name	Counter party	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets
				Account	Amount	Transaction terms	
8	XAVi(Suzhou)	XAVi	3	Sales	\$ 1,446,469	Note 7	2.39%
9	QS	CPI	3	Sales	1,954,090	Note 7	3.23%
10	HOI	CGI	3	Other receivable	1,078,758	Note 8	2.94%
11	CP	CPHK	3	Other receivable	832,398	Note 8	2.27%

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 2011 and 2010.

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, 2011 and 2010 is as follows:

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 (loss) income (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>
2010	ROC	Asia	America	Europe	Consolidated
Revenue from third parties	\$41,930,895	\$ 15,163,559	\$ 1,261,068	\$2,081,794	\$ 60,437,316
Revenue from the Company and its subsidiaries	<u>1,326,261</u>	<u>60,405,591</u>	<u>33,479,623</u>	<u>5,522</u>	<u>95,216,997</u>
Segment revenue	<u>\$ 43,257,156</u>	<u>\$ 75,569,150</u>	<u>\$ 34,740,691</u>	<u>\$ 2,087,316</u>	<u>\$ 155,654,313</u>
Segment (loss) income (Note)	<u>\$ 1,813,356</u>	<u>\$ 2,395,755</u>	<u>\$ 74,433</u>	<u>\$ 66,980</u>	<u>\$ 4,350,524</u>
Net income before income tax	<u>(\$ 157,829)</u>	<u>(\$ 917,030)</u>	<u>(\$ 114,632)</u>	<u>(\$ 3,715)</u>	<u>(\$ 1,193,206)</u>
Segment assets	<u>\$ 20,946,176</u>	<u>\$28,906,116</u>	<u>\$ 3,994,721</u>	<u>\$ 766,594</u>	<u>\$ 54,613,607</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, 2011</u>	<u>For the year ended December 31, 2010</u>
Segmental income	\$ 3,666,403	\$ 4,350,524
Depreciation	(1,390,979)	(1,020,007)
Amortization	(192,223)	(173,199)
Elimination and adjustment	<u>55,205</u>	<u>(12,131)</u>
Income from continuing operations before income tax	<u>\$ 2,138,406</u>	<u>\$ 3,145,187</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. Investment 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, 2011</u>	<u>December 31, 2010</u>
Segment assets	\$ 58,070,266	\$ 54,613,607
Elimination and adjustment	<u>(23,260,636)</u>	<u>(23,796,184)</u>
	34,809,630	30,817,423
Financial assets at fair value through profit or loss	59,266	48,843
Available-for-sale financial assets	5,873,876	3,809,005
Financial assets carried at cost	550,284	1,447,703
Long-term investments at equity	<u>1,573,869</u>	<u>573,503</u>
Total assets	<u>\$ 42,866,925</u>	<u>\$ 36,696,477</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>2011</u>	<u>2010</u>
Computer peripheral products	\$ 39,473,339	\$ 36,255,015
Consumer electronic products	15,602,583	18,216,410
Other electronic products	<u>5,515,880</u>	<u>5,846,561</u>
Total	<u>\$ 60,591,802</u>	<u>\$ 60,317,986</u>

5) Information by geographic area

Revenue from third parties

<u>Areas</u>	<u>2011</u>	<u>2010</u>
ROC	\$ 41,246,843	\$ 41,930,895
Asia	16,139,589	15,163,559
America	1,481,065	1,261,068
Europe	<u>1,818,549</u>	<u>2,081,794</u>
Total	<u>\$ 60,686,046</u>	<u>\$ 60,437,316</u>

Revenue from third parties calculated based on collections.

Non-current assets

<u>Areas</u>	<u>2011</u>	<u>2010</u>
ROC	\$ 2,209,774	\$ 2,007,137
Asia	8,138,714	6,707,513
America	173,444	310,468
Europe	<u>12,329</u>	<u>13,334</u>
Total	<u>\$ 8,324,487</u>	<u>\$ 7,031,315</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>2011</u>		<u>2010</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Company A	\$ 8,095,708	13	\$ 5,433,953	9
Company B	5,289,387	9	2,250,724	4
Company C	3,821,725	6	3,110,083	5
Company D	3,487,251	6	3,556,540	6
Company E	<u>549,455</u>	<u>1</u>	<u>4,604,123</u>	<u>8</u>
	<u>\$21,243,526</u>	<u>35</u>	<u>\$18,955,423</u>	<u>31</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:

The Company has formed an IFRSs group headed by the Company’s general manager, which 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	In progress
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

- A. 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 are set forth below:

1. Functional currency

Pursuant to current accounting standards in R.O.C., as the Company is not a foreign company, it does not need to determine its functional currency. However, in accordance with IAS 21, “The Effects of Changes in Foreign Exchange Rates”, each of the Group’s entities (including parent company) included in the consolidated financial statements should determine its functional currency.

2. Financial assets: equity instruments

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.

3. Business combinations

- (i) In accordance with current accounting standards in R.O.C., when the fair value of identifiable net assets acquired exceeds the acquisition cost, the difference should be assigned to non-current assets acquired proportionate to their respective fair values. If the book values of those non-current assets are reduced to zero, the remaining excess should be recorded as extraordinary gains. However, in accordance with IFRS 3, “Business Combinations”, the difference should be directly recognized in profit or loss.
- (ii) In accordance with current accounting standards in R.O.C., the minority interest on the consolidated financial statements should be measured based on the book value of the acquired corporation. In accordance with IFRS 3, “Business Combinations”, the non-controlling interest in the acquired corporation should be measured at fair value (or at the non-controlling interest’s proportionate share of the acquired corporation’s identifiable net assets).
- (iii) In accordance with current accounting standards in R.O.C., where the distribution of additional consideration may be contingent on maintaining or achieving specified future earnings level for the acquired corporation and it is reasonably certain that the event is likely to occur and the amount can be reasonably estimated, such contingent consideration should be included in the acquisition cost; where additional consideration may be contingent on the market price of a particular security issued as a result of a business combination, then the acquiring corporation should record the current fair value of the additional securities issued and simultaneously reduce the book value of the securities issued at acquisition date. In accordance with IFRS 3, “Business Combinations”, the acquiring corporation should recognize the contingent consideration at fair value at acquisition date as part of the consideration transferred to acquire a business. The acquiring corporation should classify the obligation to pay contingent consideration as a liability or as equity, and shall classify as an asset the right to the return of previously transferred consideration when certain criteria are met.

4. Consolidated financial statements

In accordance with current accounting standards in R.O.C., in case the parent company changes its share ownership of the subsidiary but does not lose

control over the subsidiary after control was obtained, the purchase method of accounting is used to account for the increase in ownership interest, while the decrease in ownership interest is regarded as disposal of shares and the related disposal gain or loss is recognized in profit or loss. In accordance with IAS 27, “Consolidated and Separate Financial Statements”, changes in a parent company’s ownership interest that do not result in the parent company losing control of the subsidiary are equity transactions, which would not affect profit or loss. Goodwill is not remeasured.

5. Investments in associates/long-term equity investments accounted for under equity method

(i) Current accounting standards in R.O.C. do not prescribe that the investor and the associate should use uniform accounting policies in the preparation of financial statements. However, in accordance with IAS 28, “Investments in Associates”, an associate should use uniform accounting policies as the investor in the preparation of its financial statements for like transactions and other events in similar circumstances; otherwise, the associate’s financial statements should be adjusted to reflect the investor’s accounting policies for the purpose of applying the equity method.

(ii) In accordance with current accounting standards in R.O.C., for long-term equity investment under equity method, if an investor company loses its significant influence over an investee company because of a decrease in ownership or other reasons and therefore ceases using the equity method, the cost of investment will be the book value at the time of change. If there is a balance on additional paid-in capital or other equity adjustment items from the long-term equity investment, then an investor company shall calculate its share when the investment is sold, so that the pro-rata gains or losses from the disposal of the long-term investment can be accounted for. In accordance with IAS 28, “Investments in Associates”, when an investment ceases to be an associate, the fair value of the remaining investment at the date when it ceases to be an associate should be regarded as its fair value on initial recognition of the financial asset. If there is a balance on additional paid-in capital or other equity adjustment items from the long-term equity investment, it shall be written off totally by the investor company when the investment is sold, so that the gains or losses from the disposal of the long-term investment can be accounted for.

(iii) In accordance with current accounting standards in R.O.C., if an investee company issues new shares and original shareholders do not purchase or acquire new shares proportionately, but the investor company does not lose its significant influence over the investee company, the investment percentage, and therefore the equity in net assets for the investment that an investor company has invested, will be changed. Such difference shall be used to adjust the 'Additional paid-in capital' and the 'Long-term equity investments' accounts. However, in accordance with IAS 28, "Investments in Associates", increase in investment percentage is accounted for as an acquisition of investment; while, decrease in investment percentage is accounted for as a disposal of investment and any related disposal gain or loss is recognized.

6. Property, plant and equipment revaluation increments

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..

7. 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) 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.

8. Employee benefits

The current accounting standards in R.O.C. do not specify the rules on the cost recognition for accumulated unused compensated absences. The Company recognizes such costs as expenses upon actual payment. However, IAS 19, “Employee Benefits”, requires that the costs of accumulated unused compensated absences should be accrued as expenses at the end of the reporting period.

9. Share-based payment

The share-based payment arrangements of the Company include treasury stock transferred to employees, cash capital increase reserved for employee preemption and employees’ bonus. Compensation cost of treasury stock transferred to employees and cash capital increase reserved for employee preemption incurred before December 31, 2007 was not recognized as an expense by the Company. Employees’ bonus distributed before. However, according to IFRS 2, “Share-based Payment”, the cost of the share-based payment arrangements stated above should be expensed at the fair value of the equity instruments over the vesting period.

10. Income taxes

- (i) 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, 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.
- (ii) In accordance with current accounting standards in R.O.C., when evidence shows that part or whole of the deferred tax asset with 50% probability or above will not be realized, an entity should reduce the amount of deferred tax asset by adjusting the valuation allowance account. In accordance with IAS 12, “Income Taxes”, a deferred tax asset should be recognized if, and only if, it is considered highly probable that it will be realized.

Some of the above differences may not have a material effect 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.

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	2011	2010	Variation in amount		
			Amount	%	
Current Assets	\$8,302,602	\$7,542,579	760,023	10	
Long-term Investments	20,290,076	15,118,483	5,171,593	34	Detail (2)1
Fixed Assets	2,023,403	1,774,608	248,795	14	
Intangible Assets	20,701	39,512	(18,811)	(48)	Detail (2)2
Other Assets	56,994	80,026	(23,032)	(29)	Detail (2)3
Total Assets	30,693,776	24,555,208	6,138,568	25	Detail (2)4
Current Liabilities	11,604,672	7,995,409	3,609,263	45	Detail (2)5
Long-term Liabilities	2,160,000	2,530,000	(370,000)	(15)	
Land Value incremental Reserve	21,756	21,756	0	0	
Other Liabilities	70,644	30,970	39,674	128	Detail (2)6
Total Liabilities	13,857,072	10,578,135	3,278,937	31	Detail (2)7
Capital Stock	6,444,436	6,256,144	188,292	3	
Capital Reserves	1,255,013	1,189,030	65,983	6	
Retained Earnings	8,677,468	7,199,022	1,478,446	21	Detail (2)8
Other Adjustment to Shareholders' Equity	459,787	-667,123	1,126,910	(169)	Detail (2)9
Total Shareholders' Equity	16,836,704	13,977,073	2,859,631	20	Detail (2)10

Note: Deviation more than 20% and \$10 million are listed and analyzed.

7.1.2 Analysis & explanation:

1. Long term investment increased, mainly due to increase of net value of equity method investment this year.
2. Intangible asset decrease, mainly due to recognition of amortization for ERP system software expense implemented in 2009.
3. Other asset decrease, mainly due to recognition of amortization for ERP system consultant expense implemented in 2009.
4. Total asset increased, mainly due to well operation profit of objectives that Company invest with equity method this year.
5. Total current liability increase as a result of increase of bank and related party loans, mainly due to operation expansion.
6. Total other liability increase, mainly due to operation loss of objectives that Company invests with equity method this year.
7. Total liability increase as a result of increase of current liability, mainly due to borrowing from bank and related parties for operation expansion.
8. Retain earning increase as a result of increase of net profit
9. Other adjustments to stockholders' equity increase as a result of increase of cumulative translation adjustments, mainly due to appreciation of foreign currency this year
10. Total stockholders equity increase as a result of increase of net profit and cumulative translation adjustments.

7.2 Operating Results

7.2.1 Comparison & analysis

Unit: \$thousands

Item	Year		2011		2010		Increasing (decreasing) Amount	Deviation Ratio (%)	Analysis for the deviation of increasing (decreasing) ratio
Sales			17,853,464		19,747,668		(1,894,204)	(10)	
Sales Returns			(136,239)		(98,424)		37,815	38	Detail (2) 1
Sales Discounts			(177,440)		(166,492)		10,948	7	
Net Sales			17,539,785		19,482,752		(1,942,967)	(10)	
Other Operating Revenues			495,424		679,260		(183,836)	(27)	Detail (2) 2
Total Sales			18,035,209		20,162,012		(2,126,803)	(11)	
Cost of Goods Sold			(15,083,347)		(16,758,586)		(1,675,239)	(10)	
Gross Profit			2,951,862		3,403,426		(451,564)	(13)	
Gross Profit , Net			2,951,862		3,403,426		(451,564)	(13)	
Sales and Marketing Expenses			(828,908)		(851,631)		(22,723)	(3)	
General and Administrative Expenses			(689,239)		(580,755)		108,484	19	
Research and Development Expenses			(670,349)		(667,178)		3,171	0	
Total Operating Expenses			(2,188,496)		(2,099,564)		88,932	4	
Operating Income			763,366		1,303,862		(540,496)	(41)	Detail (2) 3
Interest Income			17,211		12,483		4,728	38	
Investment Income Recognized Under Equity Method			3,644,099		2,415,813		1,228,286	51	Detail (2) 4
Dividends Income			62,197		38,161		24,036	63	Detail (2) 5
Gain on Disposal of Fixed Assets			1,549		3,251		(1,702)	(52)	
Investment Gain			92,970		76,473		16,497	22	Detail (2) 6
Foreign Exchange Gain			0		9,565		(9,565)	(100)	
Rent Income			1,852		3,490		(1,638)	(47)	
Gain on Valuation of Financial Assets			1,618		6,486		(4,868)	(75)	
Miscellaneous Income			76,838		49,721		27,117	55	Detail (2) 7
Total non-Operating Income			3,898,334		2,615,443		1,282,891	49	Detail (2) 8
Interest Expenses			(91,511)		(67,457)		24,054	36	Detail (2) 9
Foreign Currency Exchange Loss			(153,716)		0		153,716		Detail (2)10
Loss on Evaluation of Financial Liability			(1,964)		0		1,964		
Miscellaneous Expenses			(11,938)		(1,733)		10,205	589	Detail (2)11
Total non-Operating Expenses			(259,129)		(69,190)		189,939	275	Detail (2)12
Continuing Operating Income before tax			4,402,571		3,850,115		552,456	14	
Income Tax Expenses			(246,202)		(200,047)		46,155	23	Detail (2) 13
Continuing Operating Income after tax			4,156,369		3,650,068		506,301	14	
Cumulative Effect of Changes in Accounting Principles			0		0		0	0	
Current net profit			4,156,369		3,650,068		506,301	14	

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 21,958 in ten thousands units, and consumer electronic products and other electronic products will be 8,453 in ten thousands units.

7.2.2 Analysis of main reasons for deviation from each account balance:

- (1) An increase of customer's sales returns
- (2) A decrease in royalty and service charges collected from subsidiaries
- (3) A decrease of sales and increase of expenses
- (4) A increase of investment benefit from recognized profit from equity investment
- (5) Stock bonus of short term investment was distributed.
- (6) An increase of profit from disposal of short-term investments as a result of correct investment strategy
- (7) An increase in consulting service charges from subsidiaries
- (8) An increase of investment profit from equity method investment
- (9) An increase of loan this year.
- (10) Unrealized exchange loss of foreign currency liability position caused by US dollar appreciation.
- (11) Recognition loss of non-deductable VAT tax
- (12) Increase of exchange loss and interest expense compare to the last year
- (13) Increase of effective income tax rate because of tax benefit decrease

7.3 Cash Flow

7.3.1 Analysis of Cash Flow in the Past Two Years

Year	Dec.31 st , 2011	Dec. 31 st , 2010	Increase (decrease) ratio
Cash Flow Ratio	24.21%	15.38%	57.41%
Cash Flow Adequacy Ratio	90.44%	113.57%	-20.36%
Cash Reinvestment Ratio	1.80%	-4.82%	-137.45%

Analysis for the deviation of increase (decrease) ratio

a. Cash Flow Ratio decreased mainly due to decrease of cash flow from operating activities and increase of current Liabilities as a result of increase of short-term loans.

b. Cash adequacy ratio decrease mainly due to increase of capital expenditure and cash dividends.

c. Cash Reinvestment Ratio is positive 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
\$212,948	\$2,800,000	\$2,812,948	\$200,000	-	-

1. Analysis for the deviation of Cash Flow:

(1) Operating activities: Net Cash inflow as a result of increase of profit, mainly due to dedicating to high value-added products.

(2) Investment activities: There will be no significant investment activities projection in this year.

(3) Financing activities: Net Cash outflow as a result of cash dividends.

2. Remedial measure and cash flow analysis for estimated cash deficit: None

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	2011 Investment Income (loss)	Main Reasons for Income or Loss	Improve-ment Plan	Future Investment Plan
Chicony Overseas Inc.	265,326	Holding company	2,713,734	Recognized profit from subsidiary companies and Gain from disposal of investment	None	None
Chicony Global Inc.	33,027	Increasing operations	239,649	Increasing sales weight for niche products, and well management and control on expenditure and cost	None	None
Chicony Power Technology Co., Ltd.	1,517,397	Increasing product lines to enhance overall profit	544,484	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 overall profit	113,775	Dividends Income and gain from disposal of investment	None	None
Hipro Electronics Co., Ltd.	2,330	Holding company	8,354	Dividends Income and recognized profit from subsidiary companies	None	None

Invested Company Name	Investment (Note 1)	Purpose	2011 Investment Income (loss)	Main Reasons for Income or Loss	Improvement Plan	Future Investment Plan
UniKey Electronics Co., Ltd.	150,000	Holding company	23,397	Dividends Income from stock bonus and gain from disposal of investment	None	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	(5,151)	Sales was not as good as expected and write off inventory loss	Expanding unrelated customers to increase sales revenue	None
XAVi Technologies Corporation	199,313	Increasing products for overall profit	4,197	Well management and control on expenditure, cost and Factory	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.

2. 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 2011 and as of 31st March, 2012, 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 increased approximately \$1,59billion from year-end 2010 to year-end 2011, and consolidated net interest expense increased approximately \$37,543,000. The average consolidated interest rate of the first quarter of 2012 is approximately equal to that of the first quarter of 2011. Based on the consolidated bank loan balance of \$6,866,539,000 as at 31st March, 2012, 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 \$17,166,000.

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 2011 was \$218,801,000 for 2011 and \$59,072,000 for the first quarter of 2012.

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 2011 and as of 31st March, 2012, the gain of short term investment for Company and subsidiaries is NTD\$2,662,152,000 and NTD\$301,138,000.
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 2011 and as of 31st March, 2012, 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 high-end computer output/input equipment, digital video products, computer peripherals, ultra-thin notebook keyboards, and tablet computer's external keyboards to integrate with wireless communication, internet, multimedia and information appliances. Chicony Power Technology Co., Ltd, an investment holding company, will focus on R&D in the field of high-power, LCD TV, printer power supply unit, 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.

7.6.5 Financial Impact to the Company by Change of Technology and Industries, and Company's Response / Measures

In 2011 and as of 31st March, 2012, there was no significant financial impact to the Company from technological changes. However, high oil price, increasing 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, accelerating entry to the Chinese market, conduct vertical integration with main suppliers, and appropriately adjust prices 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, 2012, 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, 2012, 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 the fiscal year 2011 end up to 31st March, 2012, Company indirectly invest USD\$8 million dollars in Chicony Electronics (Chong Qing) Co., Ltd.and invest USD\$10 million dollars, through Chicony Power Technology Co.,Ltd., in Chicony Power Technology (Chong Qing) Co., Ltd. Both factories are under construction and dedicated to the manufacturing sales of computer keyboards, digital image products, and power supply and LED illumination products. The purpose of both constructions is to expand production capacity and low manufacturing costs. It is predicted that total about from NTD\$700 to 800 million dollars be injected for both construction and related production facilities, around 5% of consolidated net

value of Company as of 31st December, 2011.

7.6.9 Risks Associated with Purchase or Sales Concentration, and Response/Measures

In the fiscal year 2011 end up to 31st March, 2012, 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 2011 and as of 31st March, 2012, 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 2011 and as of 31st March, 2012, 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:

Defective products, from raw material supplier Pan Jit International Inc. directly caused damages to Hipro Overseas (BVI) Inc., a wholly-owned subsidiary of the Company. On 23rd March, 2007, Hipro Overseas (BVI) Inc. filed a lawsuit against Pan Jit International Inc. for indemnity of US\$ 11,510,532 with 5% annual interest for the time period from the date of such an indictment pitched to settlement date.

7.6.13 Other Significant Risks and Response/Measures: None

7.7 Other Important Matters: None

Notes : 29.20% shares stocks of New Max are jointly hold by Company and subsidiaries Guang Sheng Investment Co., Ltd , Hipro Electronics Co.,Ltd. , Chicony Power Technology Co., Ltd, and Unikey Electronics Co., Ltd.

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, Takhon 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\$ 2,761,839,420	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	Oehleckerstr 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	No 2379, North Zhongshan RD., Songlin Town, Wujian, Suzhou, Jiang Su Province, China	US\$ 14,078,269 (RMB 113,679,370)	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
Mao Qun Electronics Co., Ltd	2004.4.4	No.68, She Li RD., Wu Jiang Economic and Technology Development zone	US\$ 3,850,000	2. Management of overseas acquisitions & investments 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
Chicony Electronics Japan Co., Ltd.	2008.11	4B Iwasaki, 3-1-15 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
Chicony 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
Chicony Electronics (Chong Qing) Co., Ltd.	2011.4.12	NO.18 JIUJIANG ROAD, STREET OFFICE OF SHUANGFU,JIANGJIN DISTRICT,CHONGQING,CHINA.	US\$ 4,500,000	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 Gaun 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
Chicony Power Holdings Inc.	2009.7	Portcullis TrustNet Chambers, P.O. Box, 3444 Road Town, Tortola, British Virgin Islands	US\$ 10,000,000	Investment holdings
Chicony 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
Chicony 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
Chicony 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\$ 20,430,000 (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
Chicom Technology (Suzhou) Co., Ltd	2002.12.11	No2379, North Zhongshan RD., Songlin Town, Wujian, Suzhou, Jiang Su Province, China	US\$ 3,320,000 (RMB 53,493,569)	Manufacturing and sales of special electronic equipment(keyboard, 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)
Chicom Technology (Chong Qing) Co., Ltd.	2011.4	NO.18 JIUJIANG ROAD, STREET OFFICE OF SHUANGFU,JIANGJIN DISTRICT,CHONGQING,CHINA.	US\$ 8,750,010	Management and Sales of switching power supplies and other electronic parts
Chicom 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	524,533	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)	Kent Hsu	-	-
	Vice Chairman(Legal Representative) /GM	M.K. Lin	-	-
	Director of Legal Representative	Roger Lu	176,723,441	63.99%
	Legal Representative mentioned above is for Chicony Electronics CO., Ltd. Supervisor of Legal Representative Legal Representative mentioned above is for Hipro Electronics Co., Ltd	James Wei	-	3.78%
Chicony Global Inc.	Director	Kent Hsu	-	-
Had Eri Lou Industrial Inc. Ltd.	Chairman(Legal Representative)/GM	Allen Huang	-	-
	Director of Legal Representative	M.K. Lin	-	-
	Director of Legal Representative	James Wei	-	-
	Legal Representative mentioned above is for Chicony Electronics CO., Ltd.	Maxwell Liu	15,076,445	50.25%
	Vice Chairman	Mike Hong	1,715,360	5.72%
	Director	Chun Yin Chen	1,658,523	5.53%
	Supervisor	Molly Lin	1,308,432	4.36%
	Supervisor		-	-
Chicony America Inc.	Director	Kent Hsu	-	-
	Director/ CEO	MK Lin	-	-
	Director	Roger Lu	-	-
	CFO/Director/Secretary	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	Kent Hsu	-	-
Chicony Electronics CEZ s.r.o	Director	MK Lin	-	-
	Director	Roger Lu	-	-
	Director	Robert Chen	-	-
	Director	Molly Lin	-	-
	Director	Kent Hsu	-	-
Global Faith Inc.	Director	Roger Lu	-	-
	Director	James Wei	-	-
	Director	Li Chu Chen	-	-
	Director	Hei Hu Lian	-	-
	Director	Hank Liu	-	-
Mao Qun Electronics Co.,Ltd	Chairman/GM	Roger Lu	-	-
	Director	James Wei	-	-
	Director	Li Chu Chen	-	-
	Director	Hei Hu Lian	-	-
	Supervisor	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	Li 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	MK Lin	-	-
	Director	Roger Lu	-	-
	Director/Secretary	Bruce Chang	-	-
	Chairman	Kent Hsu	-	-
CHICONY ELECTRONICS (CHONGQING)CO.,LTD.	Director	MK Lin	-	-
	Director/GM	Hank Liu	-	-
	Supervisor	Roger Lu	-	-
	Director	Kent Hsu	-	-
Real Young Elec. Co., Ltd.	Director	MK 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	MK 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	-	-
Supervisor of Legal Representative	James Wei	-	-	
Legal Representative mentioned above is for Hipro Electronics Co., Ltd			8,000,000	100%
Chun Chin Power Technology Co., Ltd	Chairman(Legal Representative)	Kent Hsu	-	-
	Vice Chairman(Legal Representative)/GM	M.K. Lin	-	-
	Director of Legal Representative	Roger Lu	-	-
	Supervisor of Legal Representative	James Wei	-	-
Legal Representative mentioned above is for Hipro Electronics Co., Ltd			100,000	100%
Chicony Power Holdings Inc.	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		-	-
Chicony Power Technology Hong Kong Limited	Director	Kent Hsu	-	-
	Director	M.K. Lin	-	-
	Director	MH Huang	-	-
	Director	TY Lee	-	-
	Director	Frank Jih	-	-
	Director		-	-
Chicony Power Technology(Suzhou) Co.,Ltd	Chairman	Kent Hsu	-	-
	Director	M.K. Lin	-	-
	Director	Michael Lu	-	-
	Director	TY Lee	-	-
	Director	Frank Jih	-	-
	GM Supervisor	Steve Wu	-	-
	Supervisor	Mike Wang	-	-

Subsidiaries	Title	Name or Representative	Shareholding	
			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	-	-
	Chairman	Kent Hsu	-	-
	Director	M.K. Lin	-	-

Directmax International Ltd.	Director Director Director Director Director	M.K. Lin Kent Hsu James Wei Wenston Lee Jerry Lin	- - - - -	- - - - -
XAVi Overseas Ltd.	Director Director Director Director Director	M.K. Lin Kent Hsu James Wei Wenston Lee Jerry Lin	- - - - -	- - - - -
Sytemax Development Ltd.	Director Director Director Director Director	M.K. Lin Kent Hsu James Wei Wenston Lee Jerry Lin	- - - - -	- - - - -
Xavi Technologies (Suzhou) Co., Ltd	Chairman Director Director Director Director GM	Kent Hsu M.K. Lin James Wei Wenston Lee Jerry Lin 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.,LIMITED	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	-	-

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	\$12,529,024	\$ 107,102	\$12,421,922	\$ -	\$(356,869)	\$2,710,571	\$2,710,571
Unikey Electronics Co., Ltd	NT\$ 150,000,000	2,022,459	968,827	1,053,632	-	(2,520)	97,001	6.47
Hipro Overseas (BVI) Inc.	US\$ 12,560,000	2,161,658	20,917	2,140,741	(47)	(3,258)	113,775	9.06
Hipro Electronics Co., Ltd	NT\$ 46,600,000	1,663,846	952,807	711,039	-	(4,713)	66,732	14.32
XAVi Technology Co, Ltd,	NT\$ 333,500,000	832,552	436,177	396,375	1,539,510	18,772	9,056	0.27
Chicony Electronics (Thailand) Co., Ltd.	Bath 211,157,500	29,235	15,227	14,008	-	(3,054)	(26,882)	(12.73)
Chicony Global Inc.	US\$ 1,000,000	5,288,459	3,681,256	1,607,202	9,031,963	248,378	294,711	294.71
Chicony Power Technology Co., Ltd.	NT\$ 2,761,839,420	9,658,649	5,776,649	3,882,000	22,733,041	760,698	827,891	2.99
Had Eri Lou Industrial Inc. Ltd.	NT\$ 300,000,000	457,604	103,629	353,975	10,464	3,725	(9,767)	(0.32)
Chicony America Inc.	US\$ 3,250,000	504,025	426,353	77,672	1,205,562	4,462	3,378	1.04
Chicony Electronics GmbH	EUR 1,533,876	117,772	86,850	30,922	331,273	216	(1,449)	(483.00)
Chicony Electronics (Dongguang) Co., Ltd	US\$ 9,760,000	6,427,765	4,345,436	2,082,329	9,437,847	317,358	248,771	-
Chicony Electronics (Suzhou)Co., Ltd.	US\$ 14,078,269	10,344,109	4,775,414	5,568,695	17,484,838	674,855	566,779	-
	(RMB 113,679,370)							
Chicony Electronics CEZ s.r.o	US\$ 6,555	664,095	605,215	58,880	1,489,137	45,590	28,507	-
	(CZK 200,000)							
Global Faith Inc.	US\$ 3,850,000	(\$ 39,894)	\$ 19,126	(\$ 59,020)	\$ -	(\$ 3,186)	(\$ 62,007)	(\$ 16.10)
Mao Qun Electronics Co.,Ltd	US\$ 3,850,000	327,317	367,261	(39,944)	626,361	(40,927)	(58,521)	-
	(RMB 28,431,966)							
Suzhou Qun Yang Electronics Co.,Ltd	RMB 1,000,000	4,804	-	4,804	-	-	-	-
Chicony Electronics Japan Inc.	JPY 10,000,000	7,200	866	6,334	22,488	1,071	943	-
Kuang Mao International Inc.	US\$ 2,284,142	69,279	194,085	(124,806)	-	(29)	(17,937)	(7.85)
Chicony America Group Inc.	US\$ 6,200,000	248	2,243	(1,996)	-	(47)	(47)	(0.01)
Chicony Electronics (Chong Qing) Co.,Ltd	US\$ 4,500,000	546,504	403,954	142,550	107,337	(25,224)	969	-
Real Young Elec. Co.,Ltd.	US\$ 9,139,780	624,451	265,740	358,711	417,211	(45,867)	3,786	0.41
Mao-Feng International Inc.	US\$ 2,294,000	5,864,096	278,232	5,585,864	18,946	(250,503)	238,250	103.86
MaoRui Electronics (Dong Guang) Co.,Ltd	US\$ 8,445,283	1,312,262	746,934	565,328	3,335,733	41,637	51,990	-
Guang Sheng Investment Co., Ltd	NT\$ 80,000,000	724,976	693,873	31,103	-	(236)	(2,954)	(0.36)
Chun Chin Power Technology Co., Ltd	NT\$ 1,000,000	147,623	181,359	(33,736)	213	(218)	1,719	17.19
Chicony Power Holdings Inc.	US\$ 10,000,000	730,340	-	730,340	-	(63)	75,944	7.59

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 Power International Inc,	US\$ 10,000,000	3,007,022	2,276,702	730,320	22,363,037	(18,551)	76,008	7.60
Chicony Power USA, Inc.	US\$ 500,000	179,123	191,776	(12,653)	213,419	(28,006)	(12,357)	(247.13)
Chicony Power Technology Hong Kong Limited (CPHK)	HK\$ 46,800,000 (US\$ 6,000,000)	\$1,867,582	\$ 987,108	\$ 880,474	\$ 125,068	\$ 2,186	\$ 156,821	\$ 3.35
Hipro Electronics (Dongguang) Co., Ltd	US\$ 20,430,000	3,766,446	2,943,543	822,903	11,824,560	38,352	65,069	-
Chicony Power Technology(Suzhou) Co.,Ltd	(RMB 120,823,705)	2,431,597	1,943,936	487,661	9,125,658	2,640	21,267	-
Guang Sheng Electronics (Nanchang), Co., Ltd	US\$ 3,320,000 (RMB 53,493,569)	515,452	322,670	192,782	1,804,385	26,775	23,855	-
Chicony Power Technology (Chong Qing) Co., Ltd.	US\$ 31,170,839	356,172	13,238	342,934	-	(2,257)	70,071	-
Chicony Energy Saving Technology (Shanghai) Co., Ltd.	US\$ 8,750,010	47,240	257	46,983	1,430	(1,169)	(999)	-
Directmax International Ltd.	US\$ 2,750,000	(124,073)	-	(124,073)	-	-	(18,325)	(6.66)
XAVI Overseas Ltd.	US\$ 2,500,000	(35,284)	3,010	(38,294)	-	-	(34,533)	(13.91)
Systemax Development Ltd.	US\$ 250,000	5,888	91,668	(85,780)	3,835	12,786	16,208	64.83
Xavi Technologies (Suzhou) Co., Ltd	US\$ 2,500,000 (RMB 20,692,685)	526,477	561,815	(35,338)	1,334,543	(46,561)	(34,532)	-
Guideway Global Limited	US\$ 50,000	284,122	34,534	249,588	23,787	(9,176)	(11,885)	(237.70)
Had Eri Iou International Co.,Limited	HK\$ 10,000 (US\$ 1,282)	\$ 94,398	\$ 73	\$ 94,325	\$ 10,865	(\$ 413)	(\$ 2,058)	(\$ 205.83)
HOLYU International Co., Ltd	US\$ 14,500,000	447,755	217,299	230,456	237,575	(21,916)	(13,929)	(0.96)
Dong Guan Had Eri Lou Plastics Corporation	RMB 91,122,674 (US\$ 12,068,779)	526,923	297,522	229,401	261,375	1,917	6,921	-

Note 1 : Adopt mid price on 2011/12/31 of Hua Nan Commercial Bank

Note 2 : Adopt average price of year 2011 of Hua Nan Commercial Bank

2. Corporation's Consolidated Financial Statement : Please see the page 199 of Declaration of Consolidated Financial Statements of Affiliated Enterprises, and page 85~173 of consolidated financial statements audited by CPA for last year.

3. Relationship Report of Affiliated Enterprises: Not Applicable.

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 2011 (Jan.1st, 2011 ~Dec.31st, 2011) 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

21st March, 2012

8.2 Issuance of Private Placement Securities

In the fiscal year 2011 end up to 31st March, 2012, 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%	2010 2011 31 st March 2012	908,986 668,105 -	- - -	2,015 -	22,810 -	141,462 -	-	19,088.716 19,756.821 19,756.821	205,795 205,795 205,795	None Note4 Note5	- -	- 730,000 733,000
Hipro Electronics Co.	46,600	Debt	100%	2010 2011 31 st March 2012	694,971 510,803 -	- -	30 -	227 -	2,462 -	-	14,594.393 15,105.196 15,105.196	105,483 105,483 105,483	Note 6 Note 7 Note 8	- -	- -

Note 1: Shares acquired by capital increase from earnings

Note 2: The aforesaid investment income (loss) includes the current period disposal income, excluded unrealized investment income.

Note 3: Sale of the Company's shares by subsidiaries has no influence on the operating result but reduces the group debt ratio

Note 4: 10,000,000 shares held by UniKey Electronics Co., Ltd were pledged in a bank loan on 31st December, 2011

Note 5: 10,000,000 shares held by UniKey Electronics Co., Ltd were pledged in a bank loan on 31st March 2012

Note 6: 11,000,000 shares held by Hipro Electronics Co., Ltd were pledged in a bank loan on 31st December, 2010

Note 7: 12,600,000 shares held by Hipro Electronics Co., Ltd were pledged in a bank loan on 31st December, 2011

Note 8: 12,600,000 shares held by Hipro Electronics Co., Ltd were pledged in a bank loan on 31st March, 2012

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 2012 June 12th

