

**CHICONY ELECTRONICS CO., LTD. AND
SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT ACCOUNTANTS
DECEMBER 31, 2019 AND 2018**

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of CHICONY ELECTRONICS CO., LTD.

Opinion

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

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

Basis for opinion

We conducted our audits in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants” and generally accepted auditing standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. Based on our audits and reports of other auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

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

Appropriateness of warehouse operating revenue cut-off

Description

Refer to Notes 4(32) and 6(25) for policies on revenue recognition and details of revenue.

The Group's revenue arises from sales of goods, consisting mainly of factory direct shipment and warehouse sales revenue. Warehouse sales revenue is recognised when the goods are dispatched from the warehouses (transfer of control of products) and it is based on the reports and other relevant information provided by the warehouse custodians. The Group's warehouses are located in multiple countries, and the revenue recognition process involves several manual operations. Thus, we determine the warehouse sales revenue cut off as one of the key areas of focus for this fiscal year's audit.

How our audit addressed the matter

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

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

Valuation of inventory

Description

Refer to Notes 4(12), 5(2) and 6(7) for the description of accounting policy, critical accounting estimates, uncertainty of assumptions and details of accounts.

The Group's main inventories are keyboard, power supplies, camera modules and other electronic products. The prices of such inventories are affected by market demand and the rapid technological changes. Therefore, there is higher risk of market decline. As the assessment of net realisable value of inventories is subject to management judgement, we consider the valuation of inventory as a key audit matter.

How our audit addressed the matter

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

1. Assessed whether the Group's accounting policies comply with the relevant standards and the Group's industry practice and the reasonableness of management's evaluation process, including the determination of net realisable value of inventories, the sales expenses and the judgement of obsolete inventories. Checked whether the provision policies were consistently adopted in the reporting periods.
2. Obtained net realisable value statement of inventories to confirm whether the calculation logic was adopted consistently, and tested the data sources of selected samples which includes inventory price or purchase price to verify whether the net realisable value used by the management was in compliance with its policies, and recalculated the accuracy of allowance for inventory valuation losses.

Other matter - Audit by other auditors

We did not audit the financial statements of certain consolidated subsidiaries and investments accounted for under the equity method, which statements reflect total assets (including investments accounted for under the equity method) of NT\$1,605,559 thousand and NT\$1,450,280 thousand, constituting 2.25% and 2.10% of consolidated total assets as of December 31, 2019 and 2018, respectively, and total sales revenue of NT\$2,763,206 thousand and NT\$2,815,523 thousand, constituting 2.99% and 3.23% of consolidated total sales revenue for the years then ended, respectively. Those financial statements were audited by other auditors, whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included in the financial

statements and the information disclosed in Note 13 relative to these subsidiaries and investees, is based solely on the reports of other auditors.

Other matter - Parent company only financial reports

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

Responsibilities of management and those charged with governance for the consolidated financial statements

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

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

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

Auditor’s responsibilities for the audit of the consolidated financial statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
2. Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Chen, Chin-Chang Weng, Shih-Jung
For and on behalf of PricewaterhouseCoopers, Taiwan
March 10, 2020

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

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

CHICONY ELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2019	December 31, 2018
Current assets			
1100	Cash and cash equivalents	\$ 4,136,522	\$ 1,952,439
1110	Financial assets at fair value through profit or loss - current	3,922,064	4,316,587
1120	Financial assets at fair value through other comprehensive income - current	2,983,854	2,920,108
1150	Notes receivable, net	153,736	360,995
1170	Accounts receivable, net	20,184,038	17,615,816
1180	Accounts receivable - related parties	332,350	314,182
1200	Other receivables	160,242	314,508
130X	Inventories, net	13,847,346	15,078,468
1410	Prepayments	1,453,360	1,591,001
1460	Non-current assets classified as held for sale, net	-	1,956,546
1470	Other current assets	6,974	1,493
11XX	Total current assets	<u>47,180,486</u>	<u>46,422,143</u>
Non-current assets			
1510	Financial assets at fair value through profit or loss - non-current	1,658,144	1,993,760
1517	Financial assets at fair value through other comprehensive income - non-current	523,618	858,124
1535	Financial assets at amortised cost - non-current	482,573	-
1550	Investments accounted for using equity method	205,522	31,755
1600	Property, plant and equipment, net	12,821,680	12,371,429
1755	Right-of-use assets	891,285	-
1760	Investment property, net	6,447,876	5,537,730
1780	Intangible assets	142,341	233,688
1840	Deferred income tax assets	152,339	97,958
1900	Other non-current assets	938,393	1,385,321
15XX	Total non-current assets	<u>24,263,771</u>	<u>22,509,765</u>
1XXX	Total assets	<u>\$ 71,444,257</u>	<u>\$ 68,931,908</u>

(Continued)

CHICONY ELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity	Notes	December 31, 2019	December 31, 2018	
Current liabilities				
2100	Short-term borrowings	6(15) and 8	\$ 895,000	\$ 5,643,630
2120	Financial liabilities at fair value through profit or loss - current	6(2)	550,620	70,777
2130	Contract liabilities - current	6(25)	147,815	145,243
2150	Notes payable		26,342	1,720
2170	Accounts payable	6(16)	23,736,390	22,713,760
2180	Accounts payable - related parties	7	415,577	300,503
2200	Other payables	6(17)	10,871,450	8,307,849
2230	Income tax liabilities		1,207,284	1,490,003
2280	Lease liabilities - current		117,066	-
2300	Other current liabilities	6(18)	275,194	508,717
21XX	Total current liabilities		<u>38,242,738</u>	<u>39,182,202</u>
Non-current liabilities				
2540	Long-term borrowings	6(18) and 8	100,000	1,006,224
2570	Deferred income tax liabilities	6(31)	583,333	297,554
2580	Lease liabilities - non-current		365,703	-
2600	Other non-current liabilities	6(19)	258,456	264,404
25XX	Total non-current liabilities		<u>1,307,492</u>	<u>1,568,182</u>
2XXX	Total liabilities		<u>39,550,230</u>	<u>40,750,384</u>
Equity attributable to owners of parent				
Share capital				
3110	Share capital - common stock	6(21)	7,344,975	7,303,799
Capital surplus				
3200	Capital surplus	6(22)	6,114,005	5,633,933
Retained earnings				
3310	Legal reserve	6(23)	4,976,270	4,617,199
3320	Special reserve		3,105,405	1,861,304
3350	Unappropriated retained earnings		9,370,658	8,455,531
Other equity interest				
3400	Other equity interest	6(24)	(3,331,661)	(3,065,027)
3500	Treasury stocks	6(21) and 8	(311,277)	(728,584)
31XX	Equity attributable to owners of the parent		<u>27,268,375</u>	<u>24,078,155</u>
36XX	Non-controlling interest	4(3)	<u>4,625,652</u>	<u>4,103,369</u>
3XXX	Total equity		<u>31,894,027</u>	<u>28,181,524</u>
Significant contingent liabilities and unrecognised contract commitments				
Significant events after the balance sheet date				
3X2X	Total liabilities and equity		<u>\$ 71,444,257</u>	<u>\$ 68,931,908</u>

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

CHICONY ELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except earnings per share)

Items	Notes	Years ended December 31,		
		2019	2018	
4000	Sales revenue	6(25) and 7	\$ 92,552,325	\$ 87,260,406
5000	Operating costs	6(7)(29)(30) and 7	(76,270,837)	(74,643,642)
5900	Net operating margin		16,281,488	12,616,764
	Operating expenses	6(29)(30)		
6100	Selling expenses		(3,708,989)	(3,140,664)
6200	General and administrative expenses		(2,970,822)	(2,162,176)
6300	Research and development expenses		(3,369,287)	(2,515,632)
6450	Impairment gain (loss) determined in accordance with IFRS 9	12(2)	37,075	(148,756)
6000	Total operating expenses		(10,012,023)	(7,967,228)
6900	Operating profit		6,269,465	4,649,536
	Non-operating income and expenses			
7010	Other income	6(26)	706,268	799,617
7020	Other gains and losses	6(27)	1,321,223	(255,145)
7050	Finance costs	6(28)	(123,131)	(143,035)
7060	Share of profit or loss of associates and joint ventures accounted for under equity method	6(8)	14,911	(15,501)
7000	Total non-operating income and expenses		1,919,271	385,936
7900	Profit before income tax		8,188,736	5,035,472
7950	Income tax expense	6(31)	(1,385,984)	(1,056,563)
8200	Profit for the year		\$ 6,802,752	\$ 3,978,909

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CHICONY ELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except earnings per share)

Items	Notes	Years ended December 31,	
		2019	2018
Other comprehensive income			
Components of other comprehensive income (loss) that will not be reclassified to profit or loss			
8311	Actuarial loss on defined benefit plan	6(19)	(\$ 15,311) (\$ 13,253)
8312	Gain on revaluation	6(9)	- 155,281
8316	Unrealised gain (loss) on equity instruments at fair value through other comprehensive income	6(3)	368,798 (493,547)
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss		- (161,893)
8310	Other comprehensive income (loss) that will not be reclassified to profit or loss		<u>353,487 (513,412)</u>
Components of other comprehensive income (loss) that will be reclassified to profit or loss			
8361	Financial statements translation differences of foreign operations		(1,232,704) (5,217)
8370	Share of other comprehensive (loss) income of associates and joint ventures accounted for using equity method	6(8)	(7,726) 1,537
8360	Other comprehensive loss that will be reclassified to profit or loss		(1,240,430) (3,680)
8300	Total other comprehensive loss for the year		<u>(\$ 886,943) (\$ 517,092)</u>
8500	Total comprehensive income for the year		<u>\$ 5,915,809 \$ 3,461,817</u>
Profit attributable to:			
8610	Owners of the parent		<u>\$ 5,838,817 \$ 3,590,711</u>
8620	Non-controlling interest		<u>\$ 963,935 \$ 388,198</u>
Comprehensive income attributable to:			
8710	Owners of the parent		<u>\$ 5,018,523 \$ 3,203,987</u>
8720	Non-controlling interest		<u>\$ 897,286 \$ 257,830</u>
Earnings per share (in NT dollars)			
9750	Basic earnings per share	6(32)	<u>\$ 8.45 \$ 5.22</u>
9850	Diluted earnings per share		<u>\$ 8.33 \$ 5.15</u>

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

CHICONY ELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in thousands of New Taiwan dollars)

Equity attributable to owners of the parent												
	Retained Earnings					Other Equity Interest						
Notes	Share capital - common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Asset revaluation increment	Treasury stocks	Total	Non-controlling interest	Total equity
Year ended December 31, 2018												
	\$ 7,206,051	\$ 5,136,660	\$ 4,215,046	\$ 433,524	\$ 9,144,208	(\$ 1,009,474)	(\$ 2,203,492)	\$ 1,388,279	(\$ 517,165)	\$ 23,793,637	\$ 4,481,758	\$ 28,275,395
	-	-	-	-	860,203	-	(905,391)	-	-	(45,188)	(8,690)	(53,878)
	<u>7,206,051</u>	<u>5,136,660</u>	<u>4,215,046</u>	<u>433,524</u>	<u>10,004,411</u>	<u>(1,009,474)</u>	<u>(3,108,883)</u>	<u>1,388,279</u>	<u>(517,165)</u>	<u>23,748,449</u>	<u>4,473,068</u>	<u>28,221,517</u>
	-	-	-	-	3,590,711	-	-	-	-	3,590,711	388,198	3,978,909
6(24)	-	-	-	-	(8,143)	23,660	(395,629)	(6,612)	-	(386,724)	(130,368)	(517,092)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,582,568</u>	<u>23,660</u>	<u>(395,629)</u>	<u>(6,612)</u>	<u>-</u>	<u>3,203,987</u>	<u>257,830</u>	<u>3,461,817</u>
6(23)												
	-	-	402,153	-	(402,153)	-	-	-	-	-	-	-
	-	-	-	1,427,780	(1,427,780)	-	-	-	-	-	-	-
	36,199	-	-	-	(36,199)	-	-	-	-	-	-	-
	-	-	-	-	(3,221,684)	-	-	-	-	(3,221,684)	-	(3,221,684)
	61,549	391,451	-	-	-	-	-	-	-	453,000	-	453,000
	-	-	-	-	-	-	-	-	(211,419)	(211,419)	-	(211,419)
	-	165,439	-	-	-	-	-	-	-	165,439	-	165,439
	-	-	-	-	-	-	-	-	-	-	-	-
	-	(134,690)	-	-	-	-	-	-	-	(134,690)	134,690	-
	-	73,905	-	-	-	-	-	-	-	73,905	56,433	130,338
6(3)	-	-	-	-	-	-	-	-	-	-	(630,314)	(630,314)
	-	-	-	-	(43,632)	-	43,632	-	-	-	(7,675)	(7,675)
	-	-	-	-	-	-	-	-	-	-	(180,663)	(180,663)
	-	1,168	-	-	-	-	-	-	-	1,168	-	1,168
	<u>\$ 7,303,799</u>	<u>\$ 5,633,933</u>	<u>\$ 4,617,199</u>	<u>\$ 1,861,304</u>	<u>\$ 8,455,531</u>	<u>(\$ 985,814)</u>	<u>(\$ 3,460,880)</u>	<u>\$ 1,381,667</u>	<u>(\$ 728,584)</u>	<u>\$ 24,078,155</u>	<u>\$ 4,103,369</u>	<u>\$ 28,181,524</u>
Year ended December 31, 2019												
	\$ 7,303,799	\$ 5,633,933	\$ 4,617,199	\$ 1,861,304	\$ 8,455,531	(\$ 985,814)	(\$ 3,460,880)	\$ 1,381,667	(\$ 728,584)	\$ 24,078,155	\$ 4,103,369	\$ 28,181,524
	-	-	-	-	5,838,817	-	-	-	-	5,838,817	963,935	6,802,752
6(24)	-	-	-	-	(13,143)	(1,129,577)	322,426	-	-	(820,294)	(66,649)	(886,943)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,825,674</u>	<u>(1,129,577)</u>	<u>322,426</u>	<u>-</u>	<u>-</u>	<u>5,018,523</u>	<u>897,286</u>	<u>5,915,809</u>
6(23)												
	-	-	359,071	-	(359,071)	-	-	-	-	-	-	-
	-	-	-	1,244,101	(1,244,101)	-	-	-	-	-	-	-
	-	-	-	-	(2,766,858)	-	-	-	-	(2,766,858)	-	(2,766,858)
	41,176	238,824	-	-	-	-	-	-	-	280,000	-	280,000
	-	164,322	-	-	-	-	-	-	417,307	581,629	-	581,629
	-	141,980	-	-	-	-	-	-	-	141,980	-	141,980
	-	-	-	-	-	-	-	-	-	-	-	-
	-	46,544	-	-	-	-	-	-	-	46,544	136,805	183,349
	-	-	-	-	-	-	-	-	-	-	-	-
	-	(111,598)	-	-	-	-	-	-	-	(111,598)	111,598	-
	-	-	-	-	-	-	-	-	-	-	(389,496)	(389,496)
6(3)	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	(540,517)	-	540,517	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	(233,910)	(233,910)
	<u>\$ 7,344,975</u>	<u>\$ 6,114,005</u>	<u>\$ 4,976,270</u>	<u>\$ 3,105,405</u>	<u>\$ 9,370,658</u>	<u>(\$ 2,115,391)</u>	<u>(\$ 2,597,937)</u>	<u>\$ 1,381,667</u>	<u>(\$ 311,277)</u>	<u>\$ 27,268,375</u>	<u>\$ 4,625,652</u>	<u>\$ 31,894,027</u>

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

CHICONY ELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)

	Notes	Years ended December 31,	
		2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		\$ 8,188,736	\$ 5,035,472
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(9)(10)(29)	2,251,870	2,043,512
Amortisation	6(12)(29)	74,166	78,488
Other non-current assets recognised as expenses	6(29)	106,070	57,839
Long-term prepaid rent expense	6(29)	-	10,119
Impairment (gain) loss determined in accordance with IFRS 9	12(2)	(34,119)	148,756
Share-based payments	6(20)	173,052	16,077
Interest income	6(26)	(62,299)	(50,882)
Dividend income	6(26)	(214,688)	(231,228)
Interest expense	6(28)	123,131	143,035
Net loss (gain) on financial assets and liabilities at fair value - derivative instruments	6(2)(27)	529,054	(449,292)
Net (gain) loss on financial assets and liabilities at fair value - other	6(27)	(1,181,949)	530,390
Share of (profit) loss of associates accounted for using equity method	6(8)	(14,911)	15,501
Gain on disposal of investments	6(27)	(73,665)	-
Loss on disposal of property, plant and equipment	6(27)	39,982	15,161
Gain on disposal of non-current assets held for sale	6(27)	(645,713)	-
Impairment loss of non-financial assets	6(12)(27)	71,299	-
Gain on fair value adjustment of investment property	6(10)(27)	(64,552)	(31,930)
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets and liabilities at fair value through profit or loss - current		237,721	93,580
Notes receivable		207,260	481,821
Accounts receivable		(2,534,104)	295,904
Accounts receivable - related parties		(18,168)	11,815
Other receivables		156,949	197,006
Inventories		1,231,122	(2,620,207)
Prepayments		137,641	(189,175)
Other current assets		5,481	50,230
Changes in operating liabilities			
Contract liabilities - current		2,572	(21,746)
Notes payable		24,622	(467)
Accounts payable		1,022,630	1,976,193
Accounts payable - related parties		115,074	(181,916)
Other payables		2,520,751	(78,501)
Other current liabilities		(9,369)	32,572
Other non-current liabilities		(5,948)	20,983
Cash inflow generated from operations		12,359,698	7,399,110
Interest received		59,616	50,905
Dividends received		214,688	231,228
Interest paid		(137,890)	(137,734)
Income tax paid		(1,437,305)	(1,011,559)
Net cash flows from operating activities		<u>11,058,807</u>	<u>6,531,950</u>

(Continued)

CHICONY ELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)

	Notes	Years ended December 31,	
		2019	2018
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of financial assets and liabilities at fair value through profit or loss - other		(\$ 771,302)	(\$ 4,082,081)
Disposal of financial assets and liabilities at fair value through profit or loss - other		2,367,268	3,018,862
Acquisition of financial assets through other comprehensive income		(71,867)	-
Proceeds from disposal of financial assets at fair value through other comprehensive income		721,025	67,341
Acquisition of financial assets at amortised cost		(498,303)	-
Acquisition of investments accounted for using equity method		(166,582)	-
Acquisition of property, plant and equipment	6(33)	(2,981,326)	(2,214,556)
Acquisition of investment property		(376,095)	(33,763)
Proceeds from disposal of property, plant and equipment		220,953	128,909
Proceeds from disposal of non-current assets held for sale	6(13)	2,605,512	-
Acquisition of intangible assets	6(12)	(64,363)	(62,267)
Increase in other non-current assets		(312,045)	(756,838)
Increase in refundable deposits		(15,145)	(40,305)
Proceeds from disposal of investment property received in advance		192,802	-
Net cash flows from (used in) investing activities		<u>850,532</u>	<u>(3,974,698)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
(Decrease) increase in short-term borrowings		(4,752,915)	1,397,247
Increase in long-term borrowings		100,000	-
Decrease in long-term borrowings		(1,443,449)	(480,000)
Treasury stock transferred to employees		408,578	29,119
Change in non-controlling interests		(233,910)	(296,568)
Cash dividends distributed by subsidiaries		(389,496)	(630,314)
Repayment of lease liabilities		(93,320)	-
Payment of cash dividends		(2,624,878)	(3,056,245)
Payments to acquire treasury shares		-	(211,419)
Overdue stock dividends		-	1,168
Net cash flows used in financing activities		<u>(9,029,390)</u>	<u>(3,247,012)</u>
Effect of exchange rate changes		<u>(695,866)</u>	<u>(37,742)</u>
Net increase (decrease) in cash and cash equivalents		2,184,083	(727,502)
Cash and cash equivalents at beginning of year	6(1)	1,952,439	2,679,941
Cash and cash equivalents at end of year	6(1)	<u>\$ 4,136,522</u>	<u>\$ 1,952,439</u>

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

CHICONY ELECTRONICS CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

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

1. HISTORY AND ORGANISATION

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 has been a listed company since 1999. The Company and its subsidiaries (collectively referred herein as the “Group”) are engaged in the manufacturing and sales of keyboards and other computer peripheral components.

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

These consolidated financial statements were authorised for issuance by the Board of Directors on March 10, 2020.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

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

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

IFRS 16, 'Leases'

- A. IFRS 16, 'Leases', replaces IAS 17, 'Leases' and related interpretations and SICs. The standard requires lessees to recognise a 'right-of-use asset' and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.
- B. The Group has elected to apply IFRS 16 by not restating the comparative information (referred herein as the 'modified retrospective approach') when applying "IFRSs" effective in 2019 as endorsed by the FSC. Accordingly, the Group increased 'right-of-use asset' and 'lease liability' by \$913,892 and \$470,130, respectively, and decreased 'long-term prepaid rents' (shown as 'other non-current assets') by \$443,762 with respect to the lease contracts of lessees on January 1, 2019.
- C. The Group has used the following practical expedients permitted by the standard at the date of initial application of IFRS 16:
- Reassessment as to whether a contract is, or contains, a lease is not required, instead, the application of IFRS 16 depends on whether or not the contracts were previously identified as leases applying IAS 17 and IFRIC 4.
 - The use of a single discount rate to a portfolio of leases with reasonably similar characteristics.
 - The accounting for operating leases whose period will end before December 31, 2019 as short-term leases and accordingly, rent expense of \$35,519 was recognised in 2019.
 - The exclusion of initial direct costs for the measurement of 'right-of-use asset'.
- D. The Group calculated the present value of lease liabilities by using weighted average incremental borrowing interest rate ranging from 1% to 5.65%.
- E. The Group recognised lease liabilities which had previously been classified as 'operating leases' under the principles of IAS 17, 'Leases'. The reconciliation between operating lease commitments under IAS 17 measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate and lease liabilities recognised as of January 1, 2019 is as follows:

	<u>Amount</u>
Operating lease commitments disclosed by applying IAS 17 as at December 31, 2018	\$ 568,050
Less: Short-term leases	(35,519)
Total lease contracts amount recognised as lease liabilities by applying IFRS 16 on January 1, 2019	<u>\$ 532,531</u>
Lease liabilities recognised as at January 1, 2019 by applying IFRS 16	<u><u>\$ 470,130</u></u>

Weighted average
incremental borrowing
interest rate

Incremental borrowing interest rate at the date of initial application

1%~5.65%

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

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

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

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

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards
IFRS 17, 'Insurance contracts'	January 1, 2021
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2022

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”, International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”).

(2) Basis of preparation

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

- (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
- (b) Financial assets at fair value through other comprehensive income.
- (c) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.

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

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

- (a) All subsidiaries are included in the Group’s consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
- (b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

- (c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.
- (d) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.
- (e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognised in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Description
			December 31, 2019	December 31, 2018	
Chicony Electronics Co., Ltd. (CEC)	Chicony Overseas Inc. (COI)	Sales of computer peripherals and management of overseas acquisitions and investments	100%	100%	
"	Unikey Electronics Co., Ltd. (UNIKEY)	Manufacturing and sales of computers and computer peripherals	100%	100%	
"	Hipro Overseas (BVI) Inc. (HOI)	Sales of switching power supplies and other electronic parts and management of overseas acquisitions and investments	100%	100%	
"	Hipro Electronics Ltd. (HEC)	Sales of switching power supplies and other electronic parts	100%	100%	

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Description
			December 31, 2019	December 31, 2018	
CEC	XAVi Technology Corp. (XAVi)	Researching, manufacturing and sales of DSL bridges and routers	45.94%	44.30%	Note A
"	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 plastic goods	49.59%	49.08%	Note A
COI	Chicony America Inc. (CAI)	Sales of computer peripherals	100%	100%	
"	Chicony Electronics (Dong Guan) Co., Ltd. (CEM2)	Manufacturing and sales of computers and computer peripherals	100%	100%	
"	Mao-Feng International Inc. (Mao-Feng)	Sales of computer peripherals and management of overseas acquisitions and investments	100%	100%	
"	Chicony Electronics (Suzhou) Co., Ltd. (CEM3)	Manufacturing and sales of computers and computer peripherals	100%	100%	
"	Global Faith Inc. (GFI)	Sales of computer peripherals and management of overseas acquisitions and investments	60%	60%	
"	Real Young Electronics Co., Ltd. (Real Young)	Design and sales of computer peripherals and management of overseas acquisitions and investments	100%	100%	
"	Mao-Ray Electronics (DongGuan) Co., Ltd. (Mao-Ray)	Manufacturing of electronic parts, keyboards and plastic products	100%	100%	
"	Suzhou Mao-Qun Electronics Co., Ltd. (Mao-Qun)	Manufacturing of electronic parts, keyboards and plastic products	60%	60%	
"	Chicony Electronics CEZ s.r.o. (CEZ)	Sales of computer peripherals	100%	100%	

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Description
			December 31, 2019	December 31, 2018	
COI	Suzhou Qun-Yang Electronics Co., Ltd. (Qun-Yang)	Manufacturing and sales of electronic parts, keyboard and plastic products	60%	60%	
"	Chicony Electronics Japan Co., Ltd. (CEJ)	Sales of computer peripherals	100%	100%	
"	Kuang Mao International Inc. (Kuang Mao)	Sales of computer peripherals and management of overseas acquisitions and investments	100%	100%	
"	Chicony America Group Inc. (CAGI)	Internet solution for E-Commerce solution	100%	100%	
"	Chicony Electronics (Chong-Qing) Co., Ltd. (CEM5)	Manufacturing and sales of computer peripherals	100%	100%	
"	Hikari Investment GK (Hikari)	Investment holdings	-	99%	Note B
HEC	Quansun Investment Corp. Ltd. (Quansun)	Investment holdings	100%	100%	
"	Qun-Jing Power Co., Ltd. (Qun-Jing)	Sales of computer peripherals and consumer equipment	100%	100%	
CP	Chicony Power Holdings Inc. (CPH)	Investment holdings	100%	100%	
"	Chicony Power Technology (Thailand) Co., Ltd. (CPTH)	Manufacturing and sales of switching power supplies and other electronic parts	100%	-	Note C
"	Chicony Power International Inc. (CPI)	Manufacturing and sales of switching power supplies and other electronic parts	100%	100%	

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Description
			December 31, 2019	December 31, 2018	
CP	Chicony Power USA Inc. (CPUS)	Manufacturing and sales of switching power supplies and other electronic parts	100%	100%	
"	Chicony Power Technology HongKong Limited (CPHK)	Research and development centre	100%	100%	
"	WitsLight Technology Co., Ltd. (WTS)	Design, researching and developing of LED lighting modules and investment holdings	78.125%	78.125%	
WTS	WitsLight Technology Co., Ltd. (WT)	Design, research and development of LED lighting modules and international trade	-	100%	Note D
"	WitsLight Technology (Kunshan) Co., Ltd. (WTK)	Manufacturing and sales of LED lighting modules	100%	100%	
"	Zhuzhou Torch Auto Lamp CO., Ltd. (Zhuzhou Torch)	Production and sales of automotive and motorcycle components, electric machine and device, lamps and plastic products	100%	100%	
"	Carlight Technology Co., Ltd. (CT)	Design, researching and developing and sales of automotive and motorcycle lamps and other components	100%	100%	
CPHK	Chicony Power Technology (DongGuan) Co., Ltd. (CPDG) (Formerly Hipro Electronics (Dong Guan) Co., Ltd.)(HDG)	Manufacturing and sales of switching power supplies and other electronic parts	100%	100%	

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Description
			December 31, 2019	December 31, 2018	
CPHK	Chicony Power Technology (Suzhou) Co., Ltd. (CPSZ)	Production and sales of electronic equipment (high-performance power supply, power module and voltage transformer) and LED lighting equipment	100%	100%	
"	Quang Sheng Electronics (Nanchang) Co., Ltd. (GSE)	Production and sales of electronic equipment (magnetic element, circuit board and keyboard) and voltage transformer	100%	100%	
"	Chicony Power Technology (Chong-Qing) Co., Ltd. (CPCQ)	Production and sales of electronic equipment (high-performance power supply, power module and voltage transformer) and LED lighting equipment	100%	100%	
"	Chicony Energy Saving Technology (Shanghai) Co., Ltd. (CPSH)	Sales of LED lighting equipments	100%	100%	
"	Chicony Power Technology Trading (Dong Guan) Co., Ltd. (CPDGT)	Importing and exporting of switching power supplies, LED lighting equipment, and other electronics	100%	100%	
	Chicony Power Technology (Taizhou) Co., Ltd. (CPTZ)	Researching and developing, manufacturing, sales, installation, after-sale, and advisory services of electric machinery, electric frequency device and industry automation equipment; manufacturing and sales of electrical machinery and components; import and export of goods and goods	100%	-	Note E

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Description
			December 31, 2019	December 31, 2018	
XAVi	Directmax International Ltd. (Directmax)	Management of overseas acquisitions and investments	100%	100%	
"	XAVi Overseas Ltd. (XAVi Overseas)	Management of overseas acquisitions and investments	100%	100%	
"	Systemax Development Ltd. (Svstemax)	Sales of DSL bridges and routers	100%	100%	
"	XAVi Technologies (Suzhou) Co., Ltd.	Manufacturing and sales of DSL bridges and routers	100%	100%	

Note A: Although the Company holds less than 50% of the voting shares directly or indirectly, it meets the criteria of having control power that is reported in the consolidated financial statements.

Note B: On May 8, 2019, the Board of Directors resolved to liquidate the subsidiary, Hikari, and the company was deregistered on September 25, 2019.

Note C: On November 4, 2019, the Board of Directors of CP resolved to invest THB 38 million to establish CPTH, and the procedure was completed in the fourth quarter of 2019.

Note D: The Group sold 100% of shares in WitsLight Technology Co., Ltd. (WT) on August 1, 2019. As a result, the Group lost its control over the subsidiary. The Group recognised gain of \$13,401 and shown as 'other gains and losses' in the statements of comprehensive income.

Note E: On May 6, 2019, the Board of Directors of CP resolved to invest USD 3 million through CPHK, a company in the third area, to establish CPTZ, and the procedure was completed in June 2019.

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

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

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group:

As of December 31, 2019 and 2018, the non-controlling interest amounted to \$4,625,652 and \$4,103,369, respectively. The information on non-controlling interest and respective subsidiaries is as follows:

Name of subsidiary	Principal place of business	Non-controlling interest			
		December 31, 2019		December 31, 2018	
		Amount	Ownership (%)	Amount	Ownership (%)
Chicony Power Technology Co., Ltd.	Taiwan	\$ 4,175,810	50.41%	\$ 3,718,030	50.92%

Summarised financial information of the subsidiaries:

Balance sheets

	Chicony Power Technology Co., Ltd.	
	December 31, 2019	December 31, 2018
Current assets	\$ 17,201,000	\$ 17,955,003
Non-current assets	4,572,024	3,920,715
Current liabilities	(13,141,403)	(14,440,152)
Non-current liabilities	(314,209)	(95,722)
Total net assets	<u>\$ 8,317,412</u>	<u>\$ 7,339,844</u>

Statements of comprehensive income

	Chicony Power Technology Co., Ltd.	
	Years ended December 31,	
	2019	2018
Revenue	<u>\$ 34,415,370</u>	<u>\$ 31,292,361</u>
Profit before income tax	2,219,807	1,334,666
Income tax expense	(501,917)	(311,266)
Profit for the year	1,717,890	1,023,400
Other comprehensive loss, net of tax	(158,999)	(267,987)
Total comprehensive income for the year	<u>\$ 1,558,891</u>	<u>\$ 755,413</u>
Comprehensive income attributable to non-controlling interest	<u>\$ 783,647</u>	<u>\$ 380,757</u>
Dividends paid to non-controlling interest	<u>\$ 389,496</u>	<u>\$ 619,916</u>

Statements of cash flows

	Chicony Power Technology Co., Ltd.	
	Years ended December 31,	
	2019	2018
Net cash provided by operating activities	\$ 3,582,738	\$ 579,849
Net cash used in investing activities	(903,711)	(925,301)
Net cash (used in) provided by financing activities	(1,901,432)	128,839
Effect of exchange rates on cash and cash equivalents	(95,072)	(37,158)
Increase (decrease) in cash and cash equivalents	<u>682,523</u>	<u>(253,771)</u>
Cash and cash equivalents, beginning of year	<u>705,018</u>	<u>958,789</u>
Cash and cash equivalents, end of year	<u>\$ 1,387,541</u>	<u>\$ 705,018</u>

(4) Foreign currency translation

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

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are measured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (d) All other foreign exchange gains and losses based on the nature of those transactions are presented in the statement of comprehensive income within other gains and losses.

B. Translation of foreign operations

- (a) The operating results and financial position of all the group entities, associates and joint arrangements that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
 - (i) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
 - (ii) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
 - (iii) All resulting exchange differences are recognised in other comprehensive income.
- (b) When the foreign operation partially disposed of or sold is an associate or joint arrangements, exchange differences that were recorded in other comprehensive income are proportionately reclassified to profit or loss as part of the gain or loss on sale. In addition, even when the Group still retains partial interest in the former foreign associate or joint arrangements after losing significant influence over the former foreign associate, or losing joint control of the former

joint arrangements, such transactions should be accounted for as disposal of all interest in these foreign operations.

- (c) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, even when the Group still retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.
- (d) Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing exchange rates at the balance sheet date.

(5) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
 - (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
 - (b) Assets held mainly for trading purposes;
 - (c) Assets that are expected to be realised within twelve months from the balance sheet date;
 - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
 - (a) Liabilities that are expected to be settled within the normal operating cycle;
 - (b) Liabilities arising mainly from trading activities;
 - (c) Liabilities that are to be settled within twelve months from the balance sheet date;
 - (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

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

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.
- D. The Group recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

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

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income and debt instruments which meet all of the following criteria:
 - (a) The objective of the Group's business model is achieved both by collecting contractual cash flows and selling financial assets; and
 - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value:
 - (a) The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.
 - (b) Except for the recognition of impairment loss, interest income and gain or loss on foreign exchange which are recognised in profit or loss, the changes in fair value of debt instruments are taken through other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.

(9) Accounts receivable

- A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.
- B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.
- C. The Group's operating pattern of accounts receivable that are expected to be factored is for the purpose of selling, and the accounts receivable are subsequently measured at fair value, with any changes in fair value recognised in profit or loss.

(10) Impairment of financial assets

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

(11) Derecognition of financial assets

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

The Group derecognises a financial asset when one of the following conditions is met:

- A. The contractual rights to receive the cash flows from the financial asset expire.
- B. The contractual rights to receive cash flows of the financial asset have been transferred and the Group has transferred substantially all risks and rewards of ownership of the financial asset.
- C. The contractual rights to receive cash flows of the financial asset have been transferred; and the Group has not retained control of the financial asset.

(12) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(13) Leasing arrangements (lessor) - lease receivables / operating leases

Lease income from an operating lease (net of any incentives given to the lessee) is recognised in profit or loss on a straight-line basis over the lease term.

(14) Investments accounted for using equity method / associates

- A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.
- B. The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- C. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Group's ownership percentage of the associate, the Group recognises change in ownership interests in the associate in 'capital surplus' in proportion to its ownership.
- D. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- E. In the case that an associate issues new shares and the Group does not subscribe or acquire new shares proportionately, which results in a change in the Group's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and 'investments accounted for under the equity method' shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Group's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.
- F. Upon loss of significant influence over an associate, the Group remeasures any investment retained in the former associate at its fair value. Any difference between fair value and carrying amount is recognised in profit or loss.
- G. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

- H. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised as capital surplus in relation to the associate are transferred to profit or loss. If it retains significant influence over this associate, the amounts previously recognised as capital surplus in relation to the associate are transferred to profit or loss proportionately.

(15) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives are 20~55 years for buildings and structures, 1~10 years for machinery and testing equipment, 1~5 years for molding equipment and 1~20 years for other equipment.

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

Effective 2019

- A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of fixed payments, less any lease incentives receivable. The Group subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

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

- (a) The amount of the initial measurement of lease liability; and
- (b) Any lease payments made at or before the commencement date.

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

(17) Investment property

An investment property is stated initially at its cost and measured subsequently using the fair value model. A gain or loss arising from a change in the fair value of investment property is recognised in profit or loss.

(18) Operating leases (lessee)

Applicable for 2018

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

(19) Intangible assets

A. Trademarks and licenses

Separately acquired trademarks and licenses are stated at historical cost. Trademarks and licenses acquired in a business combination are recognised at fair value at the acquisition date. Trademarks and licenses have a finite useful life and are amortised on a straight-line basis over their estimated useful lives of 1~10 years.

B. Computer software

Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 1~10 years.

C. Goodwill

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

D. Other intangible assets are mainly technical skill and amortised on a straight-line basis over its estimated useful life of 2~14 years.

(20) Impairment of non-financial assets

A. The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognising impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

- B. The recoverable amounts of goodwill, intangible assets with an indefinite useful life and intangible assets that have not yet been available for use shall be evaluated periodically. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognised in profit or loss shall not be reversed in the following years.
- C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is/are expected to benefit from the synergies of the business combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

(21) Non-current assets held for sale

Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction rather than through continuing use, and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell, except for an investment property is measured subsequently using the fair value model.

(22) Borrowings

- A. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.
- B. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

(23) Notes and accounts payable

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

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

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

liabilities held for trading unless they are designated as hedges. Financial liabilities that meet one of the following criteria are designated as at fair value through profit or loss on initial recognition:

- (a) Hybrid (combined) contracts; or
 - (b) They eliminate or significantly reduce a measurement or recognition inconsistency; or
 - (c) They are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management policy.
- B. Financial liabilities at fair value through profit or loss are initially recognised at fair value. Related transaction costs are expensed in profit or loss. These financial liabilities are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial liabilities are recognised in profit or loss.

(25) Derecognition of financial liabilities

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

(26) Non-hedging and embedded derivatives

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

(27) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected

unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the employment benefit obligations.

- ii. Remeasurements arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.
- iii. Past service costs are recognised immediately in profit or loss.

C. Termination benefits

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

D. Employees' compensation and directors' and supervisors' remuneration

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

(28) Employee share-based payment

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

B. Restricted stocks:

- (a) Restricted stocks issued to employees are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period.
- (b) For restricted stocks where those stocks do not restrict distribution of dividends to employees and employees are not required to return the dividends received if they resign during the vesting period, the Group recognises the fair value of the dividends received by the employees who are expected to resign during the vesting period as compensation cost at the

date of dividends declared.

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

(29) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred income tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.
- D. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred income tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.
- F. A deferred tax asset shall be recognised for the carryforward of unused tax credits resulting from acquisitions of equipment or technology, research and development expenditures, employees'

training costs and equity investments to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilised.

(30) Share capital

- A. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.
- B. Where the Company repurchases the Company's equity share capital that has been issued, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders. Where such shares are subsequently reissued, the difference between their book value and any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

(31) Dividends

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

(32) Revenue recognition

A. Sales of goods

- (a) Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.
- (b) According to the contracts with customers, as the time interval between the transfer of committed goods or service and the payment of customer does not exceed one year, the Group does not adjust the transaction price to reflect the time value of money.
- (c) A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

B. Incremental costs of obtaining a contract

Given that the contractual period lasts less than one year, the Group recognises the incremental costs of obtaining a contract as an expense when incurred although the Group expects to recover those costs.

(33) Government grants

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

(34) Business combinations

- A. The Group uses the acquisition method to account for business combinations. The consideration transferred for an acquisition is measured as the fair value of the assets transferred, liabilities incurred or assumed and equity instruments issued at the acquisition date, plus the fair value of any assets and liabilities resulting from a contingent consideration arrangement. All acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. For each business combination, the Group measures at the acquisition date components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to the proportionate share of the entity's net assets in the event of liquidation at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other non-controlling interests should be measured at the acquisition-date fair value.
- B. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previous equity interest in the acquiree over the fair value of the identifiable assets acquired and the liabilities assumed is recorded as goodwill at the acquisition date.

(35) Operating segments

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

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

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets

and liabilities within the next financial year; and the related information is addressed below:

(1) Critical accounting judgements - Evaluation of investment property

The Group follows the guidance of IAS 40 ‘Investment property’ to determine the assets to be measured at fair value. The Group’s investment properties are mainly land and buildings. Their fair value is determined by an external appraiser and the fair value may be adjusted by the judgement of the external appraiser.

(2) Critical accounting estimates and assumptions

A. Impairment assessment of goodwill

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

B. Evaluation of inventories

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

C. Evaluation of investment property

The Group’s investment properties are measured at fair value. The fair value is evaluated using the income approach by an external appraiser. It involves critical assumptions including occupancy rate, rent growth rate, discount rate, etc.. Those assumptions may be affected by the economic conditions, market needs, etc. that may change.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Cash on hand and revolving funds	\$ 11,540	\$ 29,338
Checking accounts and demand deposits	3,563,547	1,485,538
Time deposits	<u>561,435</u>	<u>437,563</u>
	<u>\$ 4,136,522</u>	<u>\$ 1,952,439</u>

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

B. Details of cash and cash equivalents pledged as collateral are provided in Note 8.

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

<u>Items</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Listed stocks	\$ 3,223,483	\$ 4,021,134
Emerging stocks	36,253	125,097
Beneficiary certificates	200,078	660,722
Corporate bonds	264,017	321,774
Non-hedging derivatives		
Forward exchange contracts	63,320	350,252
	<u>3,787,151</u>	<u>5,478,979</u>
Valuation adjustment	134,913	(1,162,392)
	<u>\$ 3,922,064</u>	<u>\$ 4,316,587</u>
Financial liabilities mandatorily measured at fair value through profit or loss		
Non-hedging derivatives		
Forward exchange contracts	\$ 546,310	\$ 68,161
Exchange rate swaps	4,310	2,616
	<u>\$ 550,620</u>	<u>\$ 70,777</u>
Non-current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Unlisted stocks	\$ 786,810	\$ 584,409
Beneficiary certificates	955,016	1,232,628
	<u>1,741,826</u>	<u>1,817,037</u>
Valuation adjustment	(83,682)	176,723
	<u>\$ 1,658,144</u>	<u>\$ 1,993,760</u>

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

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Financial assets and liabilities mandatorily measured at fair value through profit or loss		
Equity instruments	\$ 1,057,828	(\$ 272,814)
Debt instruments	3,164	(1,893)
Beneficiary certificates	120,957	(255,683)
Derivatives	(529,054)	449,292
	<u>\$ 652,895</u>	<u>(\$ 81,098)</u>

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

December 31, 2019			
Derivative instruments	Contract amount (Notional Principal) (In thousands)		Due Date
Forward foreign exchange contracts			
-SELL NTD/BUY USD	USD	625,000	2020.01.07~2020.12.16
-SELL RMB/BUY USD	USD	105,116	2020.01.22~2020.07.02
-SELL USD/BUY RMB	USD	240,500	2020.01.06~2020.12.07
-SELL USD/BUY NTD	USD	20,000	2020.01.02~2020.06.22
Exchange rate swaps			
-SELL NTD/BUY USD	USD	47,000	2020.01.02~2020.01.03

December 31, 2018			
Derivative instruments	Contract amount (Notional Principal) (In thousands)		Due Date
Forward foreign exchange contracts			
-SELL NTD/BUY USD	USD	572,000	2019.01.03~2019.12.20
-SELL RMB/BUY USD	USD	110,762	2019.01.03~2019.01.31
-SELL USD/BUY RMB	USD	296,000	2019.01.03~2019.12.31
-SELL USD/BUY NTD	USD	5,000	2019.02.25
-Currency products	USD	4,198	2019.03.18~2019.03.27
Exchange rate swaps			
-SELL NTD/BUY USD	USD	36,000	2019.01.02~2019.01.03

Forward foreign exchange contracts / Foreign exchange swap contracts

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

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

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

<u>Items</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Current items:		
Listed stocks	\$ 4,552,788	\$ 5,739,109
Valuation adjustment	(1,568,934)	(2,819,001)
	<u>\$ 2,983,854</u>	<u>\$ 2,920,108</u>
Non-current items:		
Listed stocks	\$ 1,281,850	\$ 1,281,850
Unlisted stocks	<u>664,748</u>	<u>967,709</u>
	1,946,598	2,249,559
Valuation adjustment	(1,422,980)	(1,391,435)
	<u>\$ 523,618</u>	<u>\$ 858,124</u>

- A. The Group has elected to classify equity investments that are considered to be strategic investments or steady dividend income as financial assets at fair value through other comprehensive income - current and financial assets at fair value through other comprehensive income - non-current. The fair value of such investments on December 31, 2019 and 2018 was equivalent to their carrying amount.
- B. Aiming to satisfy the capital needs, the Group sold \$721,025 and \$67,341 equity investments at fair value which resulted in cumulative losses on disposal of \$849,728 and \$51,307 and were transferred as a deduction item to unappropriated retained earnings during the years ended December 31, 2019 and 2018, respectively.
- C. Amounts recognised in profit or loss and other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

	<u>2019</u>	<u>2018</u>
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognised in other comprehensive income	<u>\$ 368,798</u>	<u>(\$ 493,547)</u>
Cumulative losses reclassified to retained earnings due to derecognition	<u>\$ 849,728</u>	<u>\$ 51,307</u>
Dividend income recognised in profit or loss held at end of year	<u>\$ 120,541</u>	<u>\$ 111,308</u>

- D. The Group has no financial assets at fair value through other comprehensive income pledged to others.
- E. Information relating to credit risk of financial assets at fair value through other comprehensive income is provided in Note 12(2).

(4) Financial assets at amortised cost

Items	December 31, 2019
Non-current items:	
Corporate bond	\$ 482,573

As of December 31, 2018, the Group had no financial assets measured at cost.

A. The Group has no amounts recognised in profit or loss in relation to financial assets at amortised cost for the year.

B. Information relating to credit risk of financial assets at amortised cost is provided in Note 12(2).

(5) Accounts receivable

	December 31, 2019	December 31, 2018
Notes receivable	\$ 153,736	\$ 360,995
Accounts receivable	\$ 20,360,815	\$ 17,844,440
Less: Allowance for uncollectible accounts	(176,777)	(228,624)
	\$ 20,184,038	\$ 17,615,816

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

	December 31, 2019		December 31, 2018	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Not past due	\$ 19,684,560	\$ 153,736	\$ 17,003,966	\$ 360,995
1 to 30 days	323,535	-	334,648	-
31 to 120 days	309,054	-	441,145	-
121 to 215 days	268	-	11,453	-
Over 365 days	43,398	-	53,228	-
	\$ 20,360,815	\$ 153,736	\$ 17,844,440	\$ 360,995

The above ageing analysis was based on past due date.

B. As of December 31, 2019 and 2018, the balances of accounts and notes receivable were all from contracts with customers. As of January 1, 2018, the balance of receivables from contracts with customers amounted to \$19,004,846.

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

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

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

(6) Transfer of financial assets - Transferred financial assets that are derecognised in their entirety

A. The Group entered into a factoring agreement with financial institutions to sell its accounts receivable. Under the agreement, the Group is not obligated to bear the default risk of the transferred accounts receivable and does not have any continuing involvement in the transferred accounts receivable. Thus, the Group derecognised the transferred accounts receivable. As of December 31, 2019, details of the guarantee notes issued for the factoring agreement are provided in Note 9(1).

B. As of December 31, 2019, no outstanding accounts receivable were sold. As of December 31, 2018, the outstanding accounts receivable sold were as follows:

December 31, 2018					
Purchaser of accounts receivable	Accounts receivable transferred	Amount derecognised	Facilities	Amount advanced	Interest rate of amount advanced
E. SUN BANK	\$ 1,619,443	\$ 1,619,443	\$ 2,626,075	\$ 1,006,632	3.33%~3.47%

On December 31, 2018, the Group has no retention for the factoring of accounts receivable.

(7) Inventories

December 31, 2019			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 4,386,555	(\$ 321,086)	\$ 4,065,469
Work in progress	2,178,881	(164,060)	2,014,821
Finished goods	8,429,177	(662,121)	7,767,056
	<u>\$ 14,994,613</u>	<u>(\$ 1,147,267)</u>	<u>\$ 13,847,346</u>

December 31, 2018			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 5,436,655	(\$ 513,406)	\$ 4,923,249
Work in progress	2,210,890	(206,626)	2,004,264
Finished goods	8,877,403	(726,448)	8,150,955
	<u>\$ 16,524,948</u>	<u>(\$ 1,446,480)</u>	<u>\$ 15,078,468</u>

The cost of inventories recognised as expense for the year:

	For the years ended December 31,	
	2019	2018
Cost of goods sold	\$ 76,257,112	\$ 74,091,054
Loss on decline in market value	10,779	580,053
Others	2,946	(27,465)
	<u>\$ 76,270,837</u>	<u>\$ 74,643,642</u>

The other losses (gains) represent income from the loss (gain) on physical count and sale of scraps and wastes.

(8) Investments accounted for using equity method

A. Investments accounted for under the equity method were as follows:

	December 31, 2019	December 31, 2018
Associate:		
Sky-Fine Investment Limited (Sky-Fine)	\$ 21,264	\$ 31,755
Swift Success Holdings Limited (Swift Success)	184,258	-
	<u>\$ 205,522</u>	<u>\$ 31,755</u>

B. The share of profit (loss) of associates accounted for using equity method for the years ended December 31, 2019 and 2018 are as follows:

	December 31, 2019	December 31, 2018
Associate:		
Sky-Fine Investment Limited (Sky-Fine)	(\$ 10,279)	(\$ 15,501)
Swift Success Holdings Limited (Swift Success)	25,190	-
	<u>\$ 14,911</u>	<u>(\$ 15,501)</u>

The amount of profit or loss of associates and other comprehensive income or loss of Sky-Fine Investment Limited is evaluated based on its financial statements audited by auditors for the same reporting period.

C. Associates

As of December 31, 2019 and 2018, the carrying amount of the Group's individually immaterial associates amounted to \$205,522 and \$31,755, respectively. The Group's share of the operating results are summarised below:

	For the years ended December 31,	
	2019	2018
Profit (loss) for the year from continuing operations	\$ 14,911	(\$ 15,501)
Other comprehensive income (loss), net of tax	(7,726)	1,537
Total comprehensive income (loss)	<u>\$ 7,185</u>	<u>(\$ 13,964)</u>

(9) Property, plant and equipment

	<u>Land</u>	<u>Buildings</u>	<u>Machinery</u>	<u>Tooling equipment</u>	<u>Testing equipment</u>	<u>Construction in progress</u>	<u>Others</u>	<u>Total</u>
<u>At January 1, 2019</u>								
Cost	\$ 621,070	\$ 7,098,611	\$ 7,590,657	\$ 5,243,730	\$ 2,234,291	\$ 91,193	\$ 4,169,865	\$ 27,049,417
Accumulated depreciation and impairment	-	(2,025,842)	(3,894,255)	(4,126,256)	(1,698,221)	-	(2,933,414)	(14,677,988)
	<u>\$ 621,070</u>	<u>\$ 5,072,769</u>	<u>\$ 3,696,402</u>	<u>\$ 1,117,474</u>	<u>\$ 536,070</u>	<u>\$ 91,193</u>	<u>\$ 1,236,451</u>	<u>\$ 12,371,429</u>
<u>2019</u>								
Opening net book amount	\$ 621,070	\$ 5,072,769	\$ 3,696,402	\$ 1,117,474	\$ 536,070	\$ 91,193	\$ 1,236,451	\$ 12,371,429
Additions	-	68,524	587,612	491,015	386,244	1,171,495	324,226	3,029,116
Disposals	-	(3,437)	(157,187)	(73,714)	(7,246)	-	(19,351)	(260,935)
Reclassifications	-	(1,556)	84,271	120,879	53,182	(86,054)	91,383	262,105
Depreciation	-	(271,136)	(672,671)	(489,620)	(227,883)	-	(473,288)	(2,134,598)
Net exchange differences	243	(81,375)	(174,204)	(27,920)	(20,713)	(70,675)	(70,793)	(445,437)
Closing net book amount	<u>\$ 621,313</u>	<u>\$ 4,783,789</u>	<u>\$ 3,364,223</u>	<u>\$ 1,138,114</u>	<u>\$ 719,654</u>	<u>\$ 1,105,959</u>	<u>\$ 1,088,628</u>	<u>\$ 12,821,680</u>
<u>At December 31, 2019</u>								
Cost	\$ 621,313	\$ 6,946,841	\$ 7,499,023	\$ 5,174,391	\$ 2,512,656	\$ 1,105,959	\$ 3,875,891	\$ 27,736,074
Accumulated depreciation and impairment	-	(2,163,052)	(4,134,800)	(4,036,277)	(1,793,002)	-	(2,787,263)	(14,914,394)
	<u>\$ 621,313</u>	<u>\$ 4,783,789</u>	<u>\$ 3,364,223</u>	<u>\$ 1,138,114</u>	<u>\$ 719,654</u>	<u>\$ 1,105,959</u>	<u>\$ 1,088,628</u>	<u>\$ 12,821,680</u>

	<u>Land</u>	<u>Buildings</u>	<u>Machinery</u>	<u>Tooling equipment</u>	<u>Testing equipment</u>	<u>Construction in progress</u>	<u>Others</u>	<u>Total</u>
<u>At January 1, 2018</u>								
Cost	\$ 1,350,384	\$ 7,008,820	\$ 6,965,235	\$ 5,468,324	\$ 2,084,777	\$ 710,447	\$ 3,793,133	\$ 27,381,120
Accumulated depreciation and impairment	-	(1,807,634)	(3,541,705)	(4,264,091)	(1,600,120)	-	(2,612,688)	(13,826,238)
	<u>\$ 1,350,384</u>	<u>\$ 5,201,186</u>	<u>\$ 3,423,530</u>	<u>\$ 1,204,233</u>	<u>\$ 484,657</u>	<u>\$ 710,447</u>	<u>\$ 1,180,445</u>	<u>\$ 13,554,882</u>
<u>2018</u>								
Opening net book amount	\$ 1,350,384	\$ 5,201,186	\$ 3,423,530	\$ 1,204,233	\$ 484,657	\$ 710,447	\$ 1,180,445	\$ 13,554,882
Additions	-	127,694	717,531	308,307	228,856	406,296	460,409	2,249,093
Disposals	-	-	(72,735)	(52,921)	(4,376)	-	(14,038)	(144,070)
Reclassifications	(730,627)	52,369	329,965	186,336	43,385	(1,024,457)	133,541	(1,009,488)
Depreciation	-	(254,938)	(629,078)	(490,328)	(206,796)	-	(462,372)	(2,043,512)
Net exchange differences	1,313	(53,542)	(72,811)	(38,153)	(9,656)	(1,093)	(61,534)	(235,476)
Closing net book amount	<u>\$ 621,070</u>	<u>\$ 5,072,769</u>	<u>\$ 3,696,402</u>	<u>\$ 1,117,474</u>	<u>\$ 536,070</u>	<u>\$ 91,193</u>	<u>\$ 1,236,451</u>	<u>\$ 12,371,429</u>
<u>At December 31, 2018</u>								
Cost	\$ 621,070	\$ 7,098,611	\$ 7,590,657	\$ 5,243,730	\$ 2,234,291	\$ 91,193	\$ 4,169,865	\$ 27,049,417
Accumulated depreciation and impairment	-	(2,025,842)	(3,894,255)	(4,126,256)	(1,698,221)	-	(2,933,414)	(14,677,988)
	<u>\$ 621,070</u>	<u>\$ 5,072,769</u>	<u>\$ 3,696,402</u>	<u>\$ 1,117,474</u>	<u>\$ 536,070</u>	<u>\$ 91,193</u>	<u>\$ 1,236,451</u>	<u>\$ 12,371,429</u>

- A. Amount of borrowing costs capitalised as part of property, plant and equipment and the range of the interest rates for such capitalisation are as follows:

	For the years ended December 31,	
	2019	2018
Amount capitalised	\$ -	\$ 16,209
Interest rate	-	0.96%~1.32%

- B. Information about the property, plant and equipment that were pledged to others as collateral is provided in Note 8.
- C. As the management intends to sell the Group's land and residential compound building located in Sanchong District, New Taipei City after construction completion, the Group reclassified "Land" and "Construction in progress" to "Investment property", amounting to \$1,656,343 (the original book value). To promptly reflect the fair value information, the Group has undertaken a revaluation of the aforementioned properties in accordance with the regulations on revaluation at fair value when transferred to investment property at fair value in the fourth quarter of 2018. The revaluation surplus amounted to \$155,281 which was recognised as other comprehensive income – revaluation surplus on the day of change in use of the property. After deduction of deferred tax liabilities recognised due to revaluation amounting to \$150,136, the remaining balance of \$5,145 was added to revaluation surplus of shareholders' equity.

(10) Leasing arrangements - lessee

Effective 2019

- A. The Group leases various assets including land use right, buildings, machinery and equipment, business vehicles, multifunction printers. Rental contracts are typically made for periods of 1 to 50 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants.
- B. Short-term leases with a lease term of 12 months or less comprise multifunction printers, low-value assets comprise warehouses, offices and business vehicles. Those were not included in right-of-use assets.
- C. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	December 31, 2019	2019
	Book value	Depreciation expense
Buildings and structures	\$ 474,510	\$ 106,541
Land use right	416,775	10,731
	<u>\$ 891,285</u>	<u>\$ 117,272</u>

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

- E. As of December 31, 2019, the Group signed a land use right contract with Bureau of Land Resources for use of the land in municipality of Chongqing, Wujiang City of Jiangsu Province and Dongguan City of Guangdong Province with term of 50 years. All rentals had been paid on the contract date, shown as 'Long-term prepaid rents - Land use right'. The grants received from the local government, as a reward for the local investment, were deducted from the cost of land use right.
- F. For the year ended December 31, 2019, the additions to right-of-use assets was \$121,169.
- G. The information on profit and loss accounts relating to lease contracts is as follows:

	<u>2019</u>
<u>Items affecting profit or loss</u>	
Interest expense on lease liabilities	\$ 16,616
Expense on short-term lease contracts	57,258
Expense on leases of low-value assets	2,237

- H. For the year ended December 31, 2019, the Group's total cash outflow for leases was \$169,431.
- I. Details on land use right shown as 'other non-current assets - long-term prepaid rents' on December 31, 2018 are provided in Note 6(14).

(11) Investment property

	<u>2019</u>	<u>2018</u>
At January 1	\$ 5,537,730	\$ 5,517,981
Additions – from subsequent expenditures	839,561	33,763
Reclassifications – transfer out	-	(1,956,546)
Reclassifications – transfer in	6,033	1,811,624
Gain on fair value adjustment	64,552	31,930
Net exchange differences	-	98,978
At December 31	<u>\$ 6,447,876</u>	<u>\$ 5,537,730</u>

- A. Rental income from investment property and direct operating expenses arising from investment property are shown below:

	<u>Years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Rental income from investment property	<u>\$ 61,835</u>	<u>\$ 163,925</u>
Direct operating expenses arising from the investment property that generated rental income during the year	<u>\$ 15,777</u>	<u>\$ 90,340</u>
Direct operating expenses arising from the investment property that did not generate rental income during the year	<u>\$ 24,231</u>	<u>\$ 33,596</u>

B. Basis of investment property at fair value:

The Group's investment properties are land and buildings of office building. Office buildings are located in Tokyo City, Sanchong District and Wugu District in New Taipei City. They mainly earn from rental revenue with rental periods ranging from 1 to 10 years. The assumptions used for the years ended December 31, 2019 and 2018 are as follows:

(a) Details of the Group's investment property are as follows:

	December 31, 2019		
	<u>CEC Headquarter</u>	<u>Wugu Building</u>	<u>Residential Compound Building</u>
The subject	CEC Headquarter	Wugu Building	Residential Compound Building
Location	Sanchong District, New Taipei City	Wugu District, New Taipei City	Sanchong District, New Taipei City
Valuation method	Income approach	Income approach	Income approach
Valuation firm	Panasia	Panasia	Panasia
Valuer	Shao You, Chung	Wei Yuan, Cheng	Shao You, Chung
Evaluation basis date	December 16, 2019 (Note)	December 16, 2019 (Note)	December 16, 2019 (Note)
	December 31, 2018		
	<u>CEC Headquarter</u>	<u>Wugu Building</u>	<u>Residential Compound Building</u>
The subject	CEC Headquarter	Wugu Building	Residential Compound Building
Location	Sanchong District, New Taipei City	Wugu District, New Taipei City	Sanchong District, New Taipei City
Valuation method	Income approach	Income approach	Income approach
Valuation firm	Panasia	Panasia	Panasia
Valuer	Shao You, Chung	Wei Yuan, Cheng	Shao You, Chung
Evaluation basis date	November 30, 2018 (Note)	October 22, 2018 (Note)	October 30, 2018 (Note)

Note: We obtained effective statements of appraisal report on December 31, 2019 and 2018 from appraiser.

(b) The Company's office buildings' (including car parks) fair value was evaluated using the discounted cash flow analysis of income approach.

The estimation process of the valuation method involves differentiating between rented and not yet rented. The former is calculated by contract rent and the latter is calculated by market price. It also considers comparative rent information of similar properties to determine annual growth range of rent; includes idle loss, decoration offset loss, and the closing balance of disposal value of that property to calculate future cash inflow, then discounted by an appropriated discount rate accumulated until the valuation date. Future cash outflow which consists of expenses directly related to operations, i.e. land tax, house tax, insurance fee, management fee, maintenance fee, replacement allocation, amortization of agent fee, etc., is estimated based on the actual expenses incurred in the current year, considering the Company's current operating results and changes which may occur in the future.

- (c) The rent, occupancy rate and income of past year of the Group's office buildings (including car parks) and comparative rent information of similar properties are as follows:

Year ended	Estimated rent (\$/3.3m ² /month)	Similar comparative local or market	Occupancy rate	Income of past year
<u>December 31, 2019</u>				
CEC Headquarter	\$870~\$1,044	Equivalent to estimated rent	36.03%	\$ 39,795
Wugu Building	\$277~\$725	Equivalent to estimated rent	100%	22,040
Residential Compound Building	\$822~\$984	Equivalent to estimated rent	-	-
<u>Year ended December 31, 2018</u>				
CEC Headquarter	\$521~\$1,076	Equivalent to estimated rent	21.45%	\$ 23,803
Wugu Building	\$291~\$713	Equivalent to estimated rent	100%	22,040
Shinkawa Building	\$2,173~\$6,519	Equivalent to estimated rent	100%	118,082
Residential Compound Building	\$838~\$993	Equivalent to estimated rent	-	-

- (d) Rent growth rate is evaluated by considering the lease contract and actual market situation. Discount rate is evaluated by risk premium approach which takes the return rate on investment of the most general goods as standard, adopted the floating interest rate on a 2-year time deposits of a small amount, as posted by the Chunghwa Post Co., Ltd. plus 0.75 percentage points; and explore the liquidity, risk level, value-added level and the ease of management of the subject. The rent growth rates and discount rates are as follows:

	<u>December 31, 2019</u>		
	<u>CEC Headquarter</u>	<u>Wugu Building</u>	<u>Residential Compound Building</u>
Rent growth rate	1.00%	1.00%	1.00%
Discount rate	2.40%	3.05%	2.22%
	<u>December 31, 2018</u>		
	<u>CEC Headquarter</u>	<u>Wugu Building</u>	<u>Residential Compound Building</u>
Rent growth rate	1.00%	0.50%	1.00%
Discount rate	3.75%	4.05%	3.05%

- C. The fair value information about the investment property is provided in Note 12(3).
D. Impairment of investment property: None.
E. Information about the investment property that was reclassified is provided in Notes 6(9) and (13).
F. Information about the investment property that was pledged to others as collateral is provided in Note 8.
G. The maturity analysis of the lease payments receivables under the operating leases is as follows:

	<u>December 31, 2019</u>
2020	\$ 54,255
2021	36,492
2022	30,659
2023	25,260
2024	24,720
After 2025	67,980
	<u>\$ 239,366</u>

- H. Amount of borrowing costs capitalised as part of investment property and the range of the interest rates for such capitalisation are as follows:

	<u>2019</u>	<u>2018</u>
Amount capitalised	\$ 10,054	\$ -
Range of the interest rates for capitalisation	0.48%~1.44%	—

(12) Intangible assets

	<u>Trademarks and patents</u>	<u>Software</u>	<u>Goodwill</u>	<u>Others</u>	<u>Total</u>
<u>At January 1, 2019</u>					
Cost	\$ 54,183	\$ 272,703	\$ 136,953	\$ 67,720	\$ 531,559
Accumulated amortisation and impairment	(37,475)	(211,855)	-	(48,541)	(297,871)
	<u>\$ 16,708</u>	<u>\$ 60,848</u>	<u>\$ 136,953</u>	<u>\$ 19,179</u>	<u>\$ 233,688</u>
<u>2019</u>					
Opening net book amount	\$ 16,708	\$ 60,848	\$ 136,953	\$ 19,179	\$ 233,688
Additions	18,433	44,276	-	1,654	64,363
Reclassifications	-	4,678	-	-	4,678
Amortisation	(15,557)	(53,629)	-	(4,980)	(74,166)
Proceeds from disposal of subsidiaries	-	-	-	(12,328)	(12,328)
Impairment loss	-	-	(71,299)	-	(71,299)
Net exchange differences	-	(587)	(1,944)	(64)	(2,595)
Closing net book amount	<u>\$ 19,584</u>	<u>\$ 55,586</u>	<u>\$ 63,710</u>	<u>\$ 3,461</u>	<u>\$ 142,341</u>
<u>At December 31, 2019</u>					
Cost	\$ 72,616	\$ 320,372	\$ 132,795	\$ 31,634	\$ 557,417
Accumulated amortisation and impairment	(53,032)	(264,786)	(69,085)	(28,173)	(415,076)
	<u>\$ 19,584</u>	<u>\$ 55,586</u>	<u>\$ 63,710</u>	<u>\$ 3,461</u>	<u>\$ 142,341</u>

	Trademarks and patents					Software	Goodwill	Others	Total	
<u>At January 1, 2018</u>										
Cost	\$	38,294	\$	251,452	\$	136,612	\$	66,494	\$	492,852
Accumulated amortisation and impairment	(	24,004)	(	178,468)		-	(	40,976)	(	243,448)
	\$	<u>14,290</u>	\$	<u>72,984</u>	\$	<u>136,612</u>	\$	<u>25,518</u>	\$	<u>249,404</u>
<u>2018</u>										
Opening net book amount	\$	14,290	\$	72,984	\$	136,612	\$	25,518	\$	249,404
Acquired separately		15,889		46,378		-		-		62,267
Reclassifications		-		148		-		-		148
Amortisation	(	13,471)	(	58,417)		-	(	6,600)	(	78,488)
Net exchange differences		-	(	245)		341		261		357
Closing net book amount	\$	<u>16,708</u>	\$	<u>60,848</u>	\$	<u>136,953</u>	\$	<u>19,179</u>	\$	<u>233,688</u>
<u>At December 31, 2018</u>										
Cost	\$	54,183	\$	272,703	\$	136,953	\$	67,720	\$	531,559
Accumulated amortisation	(	37,475)	(	211,855)		-	(	48,541)	(	297,871)
	\$	<u>16,708</u>	\$	<u>60,848</u>	\$	<u>136,953</u>	\$	<u>19,179</u>	\$	<u>233,688</u>

A. Details of amortisation on intangible assets are as follows:

	Years ended December 31,	
	2019	2018
Operating costs	\$ 3,186	\$ 4,080
Selling expenses	6,819	3,570
Administrative expenses	12,685	21,302
Research and development expenses	51,476	49,536
	<u>\$ 74,166</u>	<u>\$ 78,488</u>

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

	December 31, 2019	December 31, 2018
Asia	\$ 54,274	\$ 71,944
America	9,436	65,009
	<u>\$ 63,710</u>	<u>\$ 136,953</u>

C. Goodwill of the Group's America segment is allocated to the cash-generating units identified by WitsLight Technology Co., Ltd. (WT). The recoverable amount of all cash-generating units has been determined based on value-in-use calculations. The key assumptions used for value-in-use calculations are as follows: The value-in-use was discounted at the weighted average cost of

capital's discount rate of 3.33% for the year ended December 31, 2019, to reflect the specific risks relating to the relevant cash-generating units. Due to the fact that WT has incurred continued losses for years, the actual growth of operating revenue is not as expected. For the year ended December 31, 2019, based on WT's assessment, an impairment loss of \$55,843 (listed under 'other gains and losses' in the statement of comprehensive income) was recognised for the goodwill of America segment due to the recoverable amount is less than the carrying amount.

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

(13) Non-current assets held for sale

On December 26, 2018, the Group determined to sell investment property held by Hikari in line with future business plans under the resolution of Board of Directors. The asset was then reclassified as held for sale. Its book value measured at fair value amounting to \$1,956,546 on December 31, 2018. The transaction was completed in the first quarter of 2019 for the price of JPY 9,500 million and the relevant gain and loss on the disposal is provided in Note 6(27).

A. Basis at fair value:

The Group's non-current assets held for sale are office building land and buildings. Office buildings are located in Tokyo City. They mainly earn from rental revenue. The assumptions used for the year ended December 31, 2018 are as follows:

- (a) Details of the Group's non-current assets held for sale are as follows:

	<u>December 31, 2018</u>
The subject	<u>Shinkawa Building</u>
Location	Tokyo, Japan
Valuation method	Income approach
Valuation firm	Panasia
Valuer	Shao You, Chung
Evaluation basis date	November 30, 2018

- (b) The Company's office buildings' (including car parks) fair value was evaluated using the discounted cash flow analysis of income approach.

The estimation process of the valuation method involves differentiating between rented and not yet rented. The former is calculated by contract rent and the latter is calculated by market price. It also considers comparative rent information of similar properties to determine annual growth range of rent; includes idle loss, decoration offset loss, and the closing balance of disposal value of that property to calculate future cash inflow, then discounted by an appropriated discount rate accumulated until the valuation date. Future cash outflow which

consists of expenses directly related to operations, i.e. land tax, house tax, insurance fee, management fee, maintenance fee, replacement allocation, amortization of agent fee, etc., is estimated based on the actual expenses incurred in the current year, considering the Company's current operating results and changes which may occur in the future.

- (c) Rent growth rate is evaluated by considering the lease contract and actual market situation. Discount rate is evaluated by risk premium approach which takes the return rate on investment of the most general goods as standard, adopted the floating interest rate on a 2-year time deposits of a small amount, as posted by the Chunghwa Post Co., Ltd. plus 0.75 percentage points; and explore the liquidity, risk level, value-added level and the ease of management of the subject. The rent growth rate and discount rate are as follows:

	<u>December 31, 2018</u>
	<u>Shinkawa Building</u>
Rent growth rate	1.00%
Discount rate	4.10%

B. The fair value information is provided in Note 12(3).

(14) Other non-current assets

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Long-term prepaid rents - land use right	\$ -	\$ 443,762
Guarantee deposits paid	115,378	100,234
Prepayments for business facilities	585,315	496,259
Others	237,700	345,066
	<u>\$ 938,393</u>	<u>\$ 1,385,321</u>

A. The Group recognised rental expense of \$10,119 for the year ended December 31, 2018.

B. Information on other non-current assets that were pledged to others as collateral is provided in Note 8.

(15) Short-term borrowings

<u>Type of borrowings</u>	<u>December 31, 2019</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank unsecured borrowings	\$ 895,000	0.8%~1.05%	None

<u>Type of borrowings</u>	<u>December 31, 2018</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank unsecured borrowings	\$ 5,643,630	0.45%~1.15%	None

As of December 31, 2019, the Group had issued promissory notes as guarantee for the short-term loans. Please see Note 9(1).

(16) Accounts payable

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Accounts payable	\$ 18,373,426	\$ 18,078,035
Estimated accounts payable	5,362,964	4,635,725
	<u>\$ 23,736,390</u>	<u>\$ 22,713,760</u>

(17) Other payables

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Marketing allowance payable	\$ 3,628,296	\$ 2,664,859
Salary payable and annual bonus	1,991,518	1,636,551
Employees' dividends and directors' and supervisors' remuneration payable	1,186,566	775,716
Construction and equipment expense payable	931,518	420,262
Processing expense payable	769,189	668,721
Miscellaneous purchase payable	424,416	500,567
Others	1,939,947	1,641,173
	<u>\$ 10,871,450</u>	<u>\$ 8,307,849</u>

(18) Long-term borrowings

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate</u>	<u>Collateral</u>	<u>December 31, 2019</u>
Long-term bank borrowings				
TCB	Borrowing period is from November 4, 2019 to February, 2020; interest is repayable until maturity of the principal (Note)	1.797%	None	<u>\$ 100,000</u>
<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate</u>	<u>Collateral</u>	<u>December 31, 2018</u>
Long-term bank borrowings				
DBS Bank	Borrowing period is from December 1, 2017 to November 29, 2019; interest is repayable until maturity of the principal	0.57%	None	\$ 416,956
Sumitomo Mitsui Banking Corporation (Secured borrowings)	Borrowing period is from March 13, 2015 to March 12, 2022; interest is repayable until maturity of the principal	0.78%	Investment property	1,006,224
Less: Current portion (shown as other current liabilities)				(416,956)
				<u>\$ 1,006,224</u>

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

- A. As of December 31, 2019 and 2018, the Group's Chairman had issued promissory notes to guarantee the long-term loans. Please see Note 9(1).
- B. Information about the long-term borrowings that were pledged to others as collateral is provided in Note 8.
- C. In the fourth quarter of 2018, the Group had signed individual credit contracts with E. Sun Commercial Bank, Land Bank of Taiwan and Hua Nan Commercial Bank for long-term operating use. The contract period is five years, and the loan facilities are \$2,000,000, \$1,000,000 and \$1,000,000, respectively. For the loan facility mentioned above, the Group had pledged partial floors of the headquarters building. For the information on pledged assets, please refer to Note 8.
- D. A long-term syndicated loan facility amounting to \$4,500,000 (can be drawdown in United States Dollars or New Taiwan Dollars within the total credit facility) for five years was signed by the Company, with Taiwan Cooperative Bank as the lead bank in October 2015. It is to be used for the operations.

The main contents of the contract are as follows:

- (a) CP's annual consolidated financial statements should maintain financial ratios as follows:
 - i. Current ratio is above 100%,
 - ii. Financial liabilities divided by net tangible assets after subtracting cash and cash equivalents is under 250%,
 - iii. Time interest earned is above 300%, and
 - iv. Net tangible assets are above \$4,000,000.

The above financial ratios are based on the annual financial statements. If the Company does not conform to the contract, the Company should increase capital by cash or by other means. From the next day of the managing bank's notification until the next interest paid date after the Company conforms to the contract, the lending rates will be increase by 0.125% of the used but unsettled amount of this contract, and it will not be considered a breach of contract. If CP could not adjust the financial ratios by next inspection day (subjected to the consolidated financial statements audited by auditors), the borrower is considered to have violated the contract.

- (b) CP 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 50%. 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 comply with the contract within seven days after the managing bank's notification:
 - i. Provide other qualified accounts receivable which was certified by the managing bank, or,
 - ii. Repay the loan before maturity, or,

- iii. Repay or deposit in compensation accounts to maintain appropriate accounts receivable ratio above (or equal to) 50%.
- (c) As part of the contract, the commitment fee should be calculated every three months, which begins six months after CP drawdowns the credit for the first time. During the commitment fee calculation period, if the average drawdown amounts are less than 60% of the total loan facility, the commitment fee should be calculated quarterly, using the difference of actual drawdown amounts and 50% of the total loan facility, multiplied by 0.1%, the annual fee rate, and then pay the managing bank every three months.

(19) Pensions

A. Defined benefit plans: Employee contributions

- (a) The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company and its domestic subsidiaries contribute 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. Also, the Company and its domestic subsidiaries would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company and its domestic subsidiaries will make contribution to cover the deficit by next March.
- (b) The amounts recognised in the balance sheet are determined as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Present value of defined benefit obligations	(\$ 398,989)	(\$ 394,170)
Fair value of plan assets	<u>176,945</u>	<u>187,285</u>
Net defined benefit liability	<u>(\$ 222,044)</u>	<u>(\$ 206,885)</u>

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

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
<u>Year ended December 31, 2019</u>			
Balance at January 1	(\$ 394,170)	\$ 187,285	(\$ 206,885)
Current service cost	(2,482)	-	(2,482)
Interest (expense) income	(4,039)	1,952	(2,087)
Past service cost	(5,288)	-	(5,288)
	<u>(405,979)</u>	<u>189,237</u>	<u>(216,742)</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	6,476	6,476
Change in demographic assumptions	(1,540)	-	(1,540)
Change in financial assumptions	(10,577)	-	(10,577)
Experience adjustments	(9,670)	-	(9,670)
	<u>(21,787)</u>	<u>6,476</u>	<u>(15,311)</u>
Pension fund contribution	-	10,009	10,009
Paid pension	28,777	(28,777)	-
Balance at December 31	<u>(\$ 398,989)</u>	<u>\$ 176,945</u>	<u>(\$ 222,044)</u>
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
<u>Year ended December 31, 2018</u>			
Balance at January 1	(\$ 374,673)	\$ 174,478	(\$ 200,195)
Current service cost	(2,685)	-	(2,685)
Interest (expense) income	(4,407)	2,048	(2,359)
	<u>(381,765)</u>	<u>176,526</u>	<u>(205,239)</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	5,040	5,040
Change in demographic assumptions	(14,581)	-	(14,581)
Change in financial assumptions	(5,869)	-	(5,869)
Experience adjustments	2,157	-	2,157
	<u>(18,293)</u>	<u>5,040</u>	<u>(13,253)</u>
Pension fund contribution	-	11,607	11,607
Paid pension	5,888	(5,888)	-
Balance at December 31	<u>(\$ 394,170)</u>	<u>\$ 187,285</u>	<u>(\$ 206,885)</u>

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorised by the Regulator. The Company and domestic subsidiaries have no right to participate in managing and operating that fund and hence the Company and domestic subsidiaries are unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2019 and 2018 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

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

	<u>2019</u>	<u>2018</u>
Discount rate	<u>0.700%~0.750%</u>	<u>0.900%~1.125%</u>
Future salary increases	<u>2.500%~3.000%</u>	<u>2.500%~3.000%</u>

Future mortality rate was estimated based on the 5th Taiwan Standard Ordinary Experience Mortality Table.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	<u>Discount rate</u>		<u>Future salary increases</u>	
	<u>Increase</u>	<u>Decrease</u>	<u>Increase</u>	<u>Decrease</u>
	<u>0.25%</u>	<u>0.25%</u>	<u>0.25%</u>	<u>0.25%</u>
<u>December 31, 2019</u>				
Effect on present value of defined benefit obligation	<u>(\$ 9,395)</u>	<u>\$ 9,745</u>	<u>\$ 9,391</u>	<u>(\$ 9,103)</u>
<u>December 31, 2018</u>				
Effect on present value of defined benefit obligation	<u>(\$ 9,392)</u>	<u>\$ 9,747</u>	<u>\$ 9,412</u>	<u>(\$ 9,120)</u>

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

The method and assumptions used for the preparation of sensitivity analysis during 2019 and 2018 are the same.

- (f) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2020 amount to \$9,770.
- (g) As of December 31, 2019, the weighted average duration of the retirement plan is 9.1~10.9 years. The analysis of timing of the future pension payment was as follows:

Within 1 year	\$	16,171
1-2 year(s)		20,507
2-5 years		80,688
Over 5 years		125,710
	<u>\$</u>	<u>243,076</u>

B. Defined contribution plans

- (a) Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- (b) The overseas subsidiaries of the Company have defined contribution plans.
- (c) The Company’s mainland China subsidiaries have a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People’s Republic of China (PRC) are based on certain percentage of employees’ monthly salaries and wages. Other than the monthly contributions, the Group has no further obligations.
- (d) The pension costs under the defined contribution pension plans of the Group for the years ended December 31, 2019 and 2018 were \$845,897 and \$724,282, respectively.

(20) Share-based payment

A. For the year ended December 31, 2019, CP’s share-based payment arrangements were as follows:

<u>Type of arrangement</u>	<u>Grant date</u>	<u>Quantity granted</u>	<u>Contract period</u>	<u>Vesting conditions</u>
Treasury stock transferred to employees	September 27, 2019	6,377 thousand shares	-	Vested immediately

(a) Details of treasury stock transferred to employees are as follows:

	2019	
	No. of options	Weighted-average exercise price (in dollars)
Options outstanding at January 1	-	\$ -
Options granted	6,377	64.26
Options exercised	(6,377)	64.26
Options outstanding at December 31	-	-
Options exercisable at December 31	-	-

(b) The fair value of stock options granted on grant date is measured using the closing price on the grant date less the exercise price.

(c) Expenses incurred on share-based payment transactions are shown below:

	2019
Equity-settled	\$ 173,052

The aforementioned options were all exercised on October 30, 2019.

B. For the year ended December 31, 2018, CP's share-based payment arrangements were as follows:

Type of arrangement	Grant date	Quantity granted	Contract period	Vesting conditions
Treasury stock transferred to employees	March 6, 2018	746 thousand shares	-	Vested immediately

(a) Details of treasury stock transferred to employees are as follows:

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

(b) For the year ended December 31, 2018, the weighted average stock price of options on the exercise date was NT\$61.91 (in dollars).

(c) CP's fair value of stock options granted on grant date is measured using the Black-Scholes option-pricing model. Relevant information is as follows:

Type of arrangement	Grant date	Stock price	Exercise price	Expected price volatility	Expected option life	Expected dividends	Risk-free interest rate	Fair value per unit
Treasury stock transferred to employees	March 6, 2018	NTD 61.2	NTD 39.15	(Note)	0.0411	-	0.25%	NTD 22.05

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

(d) Expenses incurred on share-based payment transactions are shown below:

No such transaction in 2019.

	2018
Equity-settled	\$ 16,077

(21) Share capital

A. As of December 31, 2019, the Company's authorised capital was \$8,000,000, and the paid-in capital was \$7,344,975 with a par value of \$10 (in dollars) per share, and the outstanding common stock was 800 million shares.

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

	2019	2018
At January 1	686,640	680,642
Common stock dividends	-	3,620
Employee share compensation	4,118	6,155
Treasury stock transferred to employees	6,377	-
Shares retired	-	(3,591)
Subsidiary received stock dividends from parent company	-	(186)
At December 31	<u>697,135</u>	<u>686,640</u>

B. On March 7, 2019, the Company's Board of Directors approved the employees' stock bonus amounting to \$280,000 at the previous closing price of \$68 (in dollars) before the day of the Board of Directors' meeting, issuing 4,118 thousand shares. The Company has obtained a letter of approval from the appropriate authorities. The issue date was set on April 3, 2019, and the Company had completed the related registration on April 24, 2019.

C. On September 13, 2018, the Company's Board of Directors during its meeting resolved to purchase treasury shares with the ceiling of 10 million shares to be reissued to employees. As of November 13, 2018 (the expiration of the execution period), the Company has purchased 3,591 thousand treasury shares amounting to \$211,419.

- D. The stockholders during their meeting held on June 5, 2018 had approved to issue common stock dividends amounting to \$36,199. A total of 3,620 thousand shares had been issued and, the Company has obtained a letter of approval from the appropriate authorities. The issue date was set on July 25, 2018, and the Company had completed the related registration on August 8, 2018.
- E. On March 9, 2018, the Company's Board of Directors approved the employees' stock bonus amounting to \$453,000 at the previous closing price of \$73.6 (in dollars) before the day of the Board of Directors' meeting, issuing 6,155 thousand shares. The Company has obtained a letter of approval from the appropriate authorities. The issue date was set on April 3, 2018, and the Company had completed the related registration on April 23, 2018.
- F. Treasury stock
- (a) Reason for stocks reacquisition and movements in the number of the Company's treasury stocks are as follows:

		December 31, 2019		
Name of company holding the shares	Reason for reacquisition	Number of shares (in thousands)	Carrying amount	Fair value (in dollars) (per share)
UNIKEY	For investment	21,174	\$ 205,795	\$ 89.00
HEC	For investment	16,189	105,482	89.00
		<u>37,363</u>	<u>\$ 311,277</u>	

		December 31, 2018		
Name of company holding the shares	Reason for reacquisition	Number of shares (in thousands)	Carrying amount	Fair value (in dollars) (per share)
The Company	To be reissued to employees	6,377	\$ 417,307	\$ 62.60
UNIKEY	For investment	21,174	205,795	62.60
HEC	For investment	16,189	105,482	62.60
		<u>43,740</u>	<u>\$ 728,584</u>	

- (b) Pursuant to the R.O.C. Securities and Exchange Law, the number of stocks bought back as treasury stock should not exceed 10% of the number of the Company's issued and outstanding stocks and the amount bought back should not exceed the sum of retained earnings, paid-in capital in excess of par value and realised capital surplus.
- (c) Pursuant to the R.O.C. Securities and Exchange Law, treasury stocks should not be pledged as collateral and is not entitled to dividends before it is reissued.
- (d) Pursuant to the R.O.C. Securities and Exchange Law, treasury stocks should be reissued to the employees within three years from the reacquisition date and shares not reissued within the three-year period are to be retired. Treasury shares to enhance the Company's credit rating and the stockholders' equity should be retired within six months of acquisition.
- (e) Details of treasury stock transferred to employees are provided in Note 6(20).

(22) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Law requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

A summary of the Company's capital surplus as of December 31, 2019 and 2018 is as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Share premium	\$ 3,527,510	\$ 3,288,686
Treasury share transactions	1,589,835	1,283,533
Difference between consideration and carrying amount of subsidiaries acquired or disposed	421,988	533,586
Changes in ownership interests in subsidiaries	573,501	526,957
Others	1,171	1,171
	<u>\$ 6,114,005</u>	<u>\$ 5,633,933</u>

(23) Retained earnings

- A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses, if any; and then 10% of the remaining amount shall be set aside as legal reserve until the legal reserve equals the total capital stock balance and as special reserve in accordance to relevant regulations when necessary; and the remainder, if any, to be appropriated shall be presented by the Board of Directors and resolved by the stockholders at the stockholders' meeting.
- B. The Company's dividend policy is summarised below: the Company is in the development of electronics industry, the dividend policy should be formulated by achieving both targets that supply the new products capital requirement and increase the return on shareholders' investment. Therefore, the total dividend each year cannot be above of the total distributable earnings, and the cash dividend cannot be less than 90% of the total dividend paid. The ratio is restricted until the total distributable common stock dividends reach \$0.5 per share.
- C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.

- D. (a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- (b) The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Letter No. 1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently. The Company elected to reclassify the unrealised revaluation increment and cumulative translation adjustment to unappropriated earnings and accrue special reserve by \$433,524 on initial application of IFRSs.
- E. The appropriations of 2018 and 2017 earnings had been resolved at the shareholders' meeting on June 5, 2019 and June 7, 2018, respectively, and the details are summarised below:

	Years ended December 31,			
	2018		2017	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ 359,071		\$ 402,153	
Special reserve	1,244,101		1,427,780	
Stock dividends	-	\$ -	36,199	\$ 0.05
Cash dividends	2,766,858	3.80	3,221,684	4.45

- F. Subsequent events: The appropriations of 2019 earnings had been proposed at the Board of Directors' meeting on March 10, 2020. However, the appropriations of earnings for 2019 has not yet been resolved by the shareholders' in 2020. Details are summarised below:

	Year ended December 31, 2019	
	Amount	Dividends per share (in dollars)
Legal reserve	\$ 583,882	
Special reserve	185,424	
Cash dividends	4,362,816	\$ 5.90

As of March 10, 2020, the aforementioned appropriations of 2019 earnings has not yet been resolved by the shareholders.

- G. For the information relating to employees' compensation and directors' and supervisors' remuneration, please refer to Note 6(30).

(24) Other equity items

	2019				
	Currency translation	Unrealised gains (losses) on valuation	Revaluation increment	Total	
At January 1	(\$ 985,814)	(\$ 3,460,880)	\$ 1,381,667	(\$ 3,065,027)	
Revaluation					
-Group	-	322,426	-	322,426	
-Transfer	-	540,517	-	540,517	
Currency translation differences:					
-Group	(1,121,851)	-	-	(1,121,851)	
-Associates	(7,726)	-	-	(7,726)	
At December 31	<u>(\$ 2,115,391)</u>	<u>(\$ 2,597,937)</u>	<u>\$ 1,381,667</u>	<u>(\$ 3,331,661)</u>	
	2018				
	Currency translation	Available-for-sale investment	Unrealised gains (losses) on valuation	Revaluation increment	Total
At January 1	(\$ 1,009,474)	(\$ 2,203,492)	\$ -	\$ 1,388,279	(\$ 1,824,687)
Effect of retrospective application and restatement	-	2,203,492	(3,108,883)	-	(905,391)
At January 1 after adjustments	(1,009,474)	-	(3,108,883)	1,388,279	(2,730,078)
Revaluation					
-Group	-	-	(395,629)	155,281	(240,348)
-Tax on Group	-	-	-	(161,893)	(161,893)
-Transfer	-	-	43,632	-	43,632
Currency translation differences:					
-Group	22,123	-	-	-	22,123
-Associates	1,537	-	-	-	1,537
At December 31	<u>(\$ 985,814)</u>	<u>\$ -</u>	<u>(\$ 3,460,880)</u>	<u>\$ 1,381,667</u>	<u>(\$ 3,065,027)</u>

(25) Operating revenue

A. Disaggregation of revenue from contracts with customers

<u>Year ended December 31, 2019</u>	<u>Taiwan</u>	<u>Mainland China</u>	<u>America</u>	<u>Europe</u>	<u>Total</u>
Revenue from contracts with customers					
Electronic component products	\$ 29,628,437	\$ 15,182,514	\$ 848,791	\$ 244	\$ 45,659,986
Consumer electronic products and other electronic products	28,939,447	15,167,507	1,224,949	683,333	46,015,236
Others	118,252	755,110	1,872	1,869	877,103
	<u>\$ 58,686,136</u>	<u>\$ 31,105,131</u>	<u>\$ 2,075,612</u>	<u>\$ 685,446</u>	<u>\$ 92,552,325</u>
<u>Year ended December 31, 2018</u>	<u>Taiwan</u>	<u>Mainland China</u>	<u>America</u>	<u>Europe</u>	<u>Total</u>
Revenue from contracts with customers					
Electronic component products	\$ 26,993,734	\$ 14,393,349	\$ 522,734	\$ 112	\$ 41,909,929
Consumer electronic products and other electronic products	25,513,774	16,760,396	1,744,214	553,041	44,571,425
Others	143,915	627,232	6,706	1,199	779,052
	<u>\$ 52,651,423</u>	<u>\$ 31,780,977</u>	<u>\$ 2,273,654</u>	<u>\$ 554,352</u>	<u>\$ 87,260,406</u>

B. Contract liabilities

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

	<u>December 31, 2019</u>	<u>December 31, 2018</u>	<u>January 1, 2018</u>
Contract liabilities	<u>\$ 147,815</u>	<u>\$ 145,243</u>	<u>\$ 166,989</u>

C. Contract liability balance at the beginning of 2019 and 2018 was all included in the operating revenue.

(26) Other income

	<u>Years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Rental revenue	\$ 62,634	\$ 164,363
Interest income	62,299	50,882
Dividend income	214,688	231,228
Others	366,647	353,144
	<u>\$ 706,268</u>	<u>\$ 799,617</u>

(27) Other gains and losses

	Years ended December 31,	
	2019	2018
Net (loss) gain on financial assets and liabilities at fair value through profit or loss - derivative instruments	(\$ 529,054)	\$ 449,292
Net gain (loss) on financial assets and liabilities at fair value through profit or loss - others	1,181,949	(530,390)
Net currency exchange gain (loss)	277,489	(61,534)
Loss on disposal of property, plant and equipment	(39,982)	(15,161)
Gain on disposal of non-current assets held for sale	645,713	-
Impairment on non-financial assets	(71,299)	-
Gain on disposal of investments	73,665	-
Gain on fair value adjustment of investment property	64,552	31,930
Others	(281,810)	(129,282)
	<u>\$ 1,321,223</u>	<u>(\$ 255,145)</u>

(28) Finance costs

	Years ended December 31,	
	2019	2018
Interest expense:		
Bank borrowings	\$ 116,569	\$ 159,244
Lease liability	16,616	-
Less: Capitalisation of qualifying assets	(10,054)	(16,209)
	<u>\$ 123,131</u>	<u>\$ 143,035</u>

(29) Expenses by nature

	Year ended December 31, 2019		
	Cost of revenue	Operating expense	Total
Employee benefit expense	\$ 7,927,560	\$ 4,804,439	\$ 12,731,999
Depreciation on property, plant and equipment	1,862,233	389,637	2,251,870
Amortisation on intangible assets	3,186	70,980	74,166
Other non-current assets transferred to expense	40,843	65,227	106,070

	Year ended December 31, 2018		
	Cost of revenue	Operating expense	Total
Employee benefit expense	\$ 7,474,691	\$ 3,812,901	\$ 11,287,592
Depreciation on property, plant and equipment	1,741,026	302,486	2,043,512
Amortisation on intangible assets	4,080	74,408	78,488
Other non-current assets transferred to expense	32,849	24,990	57,839
Long-term lease amortisation	-	10,119	10,119

(30) Employee benefit expense

	Year ended December 31, 2019		
	Cost of revenue	Operating expense	Total
Wages and salaries	\$ 6,740,424	\$ 4,308,037	\$ 11,048,461
Labor and health insurance fees	85,942	174,927	260,869
Pension costs	683,558	172,196	855,754
Other personnel expenses	417,636	149,279	566,915
	<u>\$ 7,927,560</u>	<u>\$ 4,804,439</u>	<u>\$ 12,731,999</u>

	Year ended December 31, 2018		
	Cost of revenue	Operating expense	Total
Wages and salaries	\$ 6,276,348	\$ 3,378,625	\$ 9,654,973
Labor and health insurance fees	78,088	148,825	226,913
Pension costs	575,269	154,056	729,325
Other personnel expenses	544,986	131,395	676,381
	<u>\$ 7,474,691</u>	<u>\$ 3,812,901</u>	<u>\$ 11,287,592</u>

- A. According to the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' and supervisors' remuneration. The ratio shall not be lower than 11% for employees' compensation and shall not be higher than 1% for directors' and supervisors' remuneration.
- B. For the years ended December 31, 2019 and 2018, employees' compensation was accrued at \$838,112 and \$503,034, respectively; directors' and supervisors' remuneration was accrued at \$52,070 and \$31,252, respectively. The aforementioned amounts were recognised in salary expenses.

The employees' compensation and directors' and supervisors' remuneration were estimated and accrued based on 11.74% and 0.73% of distributable profit of current year for the year ended December 31, 2019, respectively. The employees' compensation and directors' and supervisors' remuneration resolved by the Board of Directors were \$838,112 and \$52,070, respectively.

Employees' compensation of \$503,034 and directors' and supervisors' remuneration of \$31,252 for 2018 as resolved at the meeting of Board of Directors were in agreement with those amounts

recognised in the 2018 financial statements. For the year ended December 31, 2018, 4,118 thousand shares of stock were issued as employee compensation, and the number of shares were calculated based on the closing price of \$68 (in dollars) on the day before the Board of Directors' meeting.

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

(31) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Years ended December 31,	
	2019	2018
Current tax:		
Current tax on profits for the year	\$ 1,161,713	\$ 1,163,272
Tax on undistributed surplus earnings	1,455	-
Prior year income tax over estimation	(8,582)	(75,427)
Total current tax	1,154,586	1,087,845
Deferred tax:		
Origination and reversal of temporary differences	231,398	(20,125)
Impact of change on tax rate	-	(11,157)
Total deferred tax	231,398	(31,282)
Income tax expense	<u>\$ 1,385,984</u>	<u>\$ 1,056,563</u>

(b) The income tax (charge)/credit relating to components of other comprehensive income is as follows:

	Year ended December 31, 2018
Land value increment tax from revaluation	\$ 150,136
Impact of change on tax rate	11,757
	<u>\$ 161,893</u>

B. Reconciliation between income tax expense and accounting profit

	Years ended December 31,	
	2019	2018
Tax calculated based on profit before tax and statutory tax rate (Note)	\$ 1,560,851	\$ 1,070,893
Effect from items adjusted in accordance with tax regulation	(157,740)	61,097
Effect from investment tax credits	(10,000)	-
Prior year income tax overestimation	(8,582)	(75,427)
Undistributed earnings	1,455	-
Income tax expense	<u>\$ 1,385,984</u>	<u>\$ 1,056,563</u>

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

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

	2019		
	January 1	Recognised in profit or loss	December 31
Temporary differences:			
-Deferred tax assets:			
Provision for inventory price decline	\$ 24,741	\$ 17,252	\$ 41,993
Unrealised accrued expenses	21,699	30,740	52,439
Unrealised compensation revenue	42,940	549	43,489
Others	8,578	5,840	14,418
	<u>\$ 97,958</u>	<u>\$ 54,381</u>	<u>\$ 152,339</u>
-Deferred tax liabilities:			
Fair value adjustment of investment property	(\$ 284,860)	(\$ 109,391)	(\$ 394,251)
Unrealised exchange gain	(10,003)	(98,545)	(108,548)
Temporary differences of fixed assets for tax and financial purposes	(2,241)	103	(2,138)
Others	(450)	(77,946)	(78,396)
	<u>(\$ 297,554)</u>	<u>(\$ 285,779)</u>	<u>(\$ 583,333)</u>

	2018			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences:				
-Deferred tax assets:	\$ 17,987	\$ 6,754	\$ -	\$ 24,741
Provision for inventory price decline	76	(76)	-	-
Allowance for doubtful accounts in excess of tax limit	66,357	(44,658)	-	21,699
Unrealised accrued expenses	45,088	(2,148)	-	42,940
Unrealised compensation revenue	565	(565)	-	-
Impairment loss				
Fair value adjustment of investment property	22,500	(22,500)	-	-
Others	9,723	(1,145)	-	8,578
	<u>\$ 162,296</u>	<u>(\$ 64,338)</u>	<u>\$ -</u>	<u>\$ 97,958</u>
-Deferred tax liabilities:				
Fair value adjustment of investment property	(\$ 122,899)	(\$ 68)	(\$ 161,893)	(\$ 284,860)
Unrealised exchange gain	(104,967)	94,964	-	(10,003)
Temporary differences of fixed assets for tax and financial purposes	(2,943)	702	-	(2,241)
Others	(472)	22	-	(450)
	<u>(\$ 230,809)</u>	<u>\$ 95,598</u>	<u>(\$ 161,893)</u>	<u>(\$ 297,554)</u>

D. On December 31, 2018, expiration dates of unused net operating loss carryforward and amounts of unrecognised deferred tax assets of domestic subsidiaries are as follows, and the Company disposed this subsidiary in 2019:

December 31, 2018					
Year incurred	Amount filed/ assessed	Unused amount	Unrecognised deferred tax assets	Expiry year	
2010	\$ 13,233	\$ 13,233	\$ 13,233	2020	
2011	12,688	12,688	12,688	2021	
2012	10,162	10,162	10,162	2022	
2013	8,559	8,559	8,559	2023	
2014	7,873	7,873	7,873	2024	
2015	14,500	14,500	14,500	2025	
2016	7,867	7,867	7,867	2026	
2017	1,188	1,188	1,188	2026	

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

(33) Supplemental cash flow information

Investing activities with partial cash payments

	Years ended December 31,	
	2019	2018
Purchase of property, plant and equipment	\$ 3,029,116	\$ 2,249,093
Add: Opening balance of payable on equipment	420,262	385,725
Less: Ending balance of payable on equipment	(468,052)	(420,262)
Cash paid during the year	<u>\$ 2,981,326</u>	<u>\$ 2,214,556</u>

(34) Changes in liabilities from financing activities

	2019			
	Short-term borrowings	Long-term borrowings	Lease liability	Total
At January 1	\$ 5,643,630	\$ 1,423,180	\$ 470,130	\$ 7,536,940
Changes in cash flow from financing activities	(4,752,915)	(1,343,449)	(93,320)	(6,189,684)
Impact of changes in foreign exchange rate	4,285	20,269	(7,550)	17,004
Changes in other non-cash items	-	-	113,509	-
At December 31	<u>\$ 895,000</u>	<u>\$ 100,000</u>	<u>\$ 482,769</u>	<u>\$ 1,477,769</u>

	2018		
	Short-term borrowings	Long-term borrowings	Total
At January 1	\$ 4,246,383	\$ 1,831,281	\$ 6,077,664
Changes in cash flow from financing activities	1,397,247	(480,000)	917,247
Impact of changes in foreign exchange rate	-	71,899	71,899
At December 31	<u>\$ 5,643,630</u>	<u>\$ 1,423,180</u>	<u>\$ 7,066,810</u>

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Company</u>
Newmax Technology Co., Ltd.	Other related party
Clevo Co.	Other related party
Hongwell	Other related party
Chicony Square	Other related party
Kapok Computer (Kunshan) Co., Ltd.	Other related party
Buynow Group (including Loyang, Anshan, Quanzhou, Zhengzhou, etc)	Other related party
Far win (Kunshan) Co., Ltd.	Other related party
Far win (Dong guan) Co., Ltd.	Other related party
ShunOn Electronic Co.	Other related party
Jiaxing Chunxiang Electronic Technology Co., Ltd.	Other related party
Chongqing Chunxiang Electronic Technology Co., Ltd.	Other related party
Jim Yu Plastic Electronic (Wujiang) Co., Ltd.	Other related party
Cheung Shun (Wujiang) Plastic Processing Technology Co., Ltd.	Other related party

(2) Significant related party transactions

A. Operating revenue:

	<u>Years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Sales of goods:		
Other related parties	\$ 926,516	\$ 844,038

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

B. Purchases:

	<u>Years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Purchases of goods:		
Other related parties	\$ 1,625,025	\$ 1,688,955

The terms of the purchases from related parties were the same as those to third parties.

C. Receivables from related parties:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Accounts receivable:		
Other related parties	\$ 332,350	\$ 314,182

The receivables from related parties arise mainly from sale transactions. The receivables are unsecured in nature and bear no interest. There was no allowance for doubtful accounts pertaining to accounts receivable from related parties.

D. Payables to related parties:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Accounts payable:		
Other related parties	\$ 415,577	\$ 300,503

The payables from related parties arise mainly from purchase transactions. The payables are unsecured in nature and bear no interest.

E. Property transactions

		<u>Years ended December 31,</u>	
		<u>2019</u>	<u>2018</u>
	<u>Accounts</u>	<u>Consideration</u>	<u>Consideration</u>
Other related parties	Investments accounted for using equity method	\$ 166,582	\$ -
Other related parties	Property, plant and equipment	-	243

The consideration of \$166,582 paid for acquiring 40% shares in Swift Success Holdings Limited for the year ended December 31, 2019 was determined by reference to the entity's appraisal report.

F. Dividend income:

	<u>Years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Other related parties	\$ 65,188	\$ 54,577

(3) Key management compensation

	<u>Years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Salaries and other short-term employee benefits	\$ 338,686	\$ 307,333
Termination benefits	2,143	2,691
	<u>\$ 340,829</u>	<u>\$ 310,024</u>

8. PLEDGED ASSETS

(1) The Group's assets pledged as collateral are as follows:

Pledged asset	Book value		Purpose
	December 31, 2019	December 31, 2018	
Refundable deposits (shown as other non-current assets)	\$ 115,378	\$ 100,234	Deposits and guarantee for plant and operating leases
Property, plant and equipment	1,092,657	1,214,224	Long-term borrowings and short-term borrowings
Investment property (Note)	3,076,801	5,029,563	Long-term borrowings and short-term borrowings
	<u>\$ 4,284,836</u>	<u>\$ 6,344,021</u>	

Note: The investment property of \$1,956,546, which was measured at fair value on December 31, 2018, was reclassified as 'non-current assets classified as held for sale, net' on December 26, 2018.

(2) As of December 31, 2019 and 2018, UNIKEY has pledged the Company's common stock (shown as "treasury stock") amounting to 8,500,000 shares, as collateral for loans.

(3) As of December 31, 2019 and 2018, HEC has pledged the Company's common stock (shown as "treasury stock") amounting to 12,600,000 shares, as collateral for loans.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) As of December 31, 2019, for bank loans, financing forward exchange contracts, bill purchased and accounts receivable factoring purposes, the Group provided standby promissory notes totaling \$43,090,357 as security.

(2) On December 27, 2018, the subsidiaries, Chicony Power Technology (Suzhou) Co., Ltd. and Suzhou Weiye Group Co., Ltd., signed a construction contract amounting to RMB 247,825 thousand (\$1,103,069) and the subcontract work will follow the construction schedule. As of December 31, 2019, capital expenditures for the contract but not yet incurred amounted to RMB 83,071 thousand (\$357,645).

(3) Apart from item(2) above, the amounts of unpaid payment for construction in progress and acquisition of machinery and equipment are as follows:

	December 31, 2019		December 31, 2018
\$	<u>482,846</u>	\$	<u>685,353</u>

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

- (1) Please see Notes 6(23) and 6(30) for the details on appropriation of the 2019 earnings.
- (2) The Group sold partial residential compound building (shown as investment property) in condominium located in Sanchong District, New Taipei City with estimated amount of over \$488,820 to the employees of the Group and the qualified related parties.

12. OTHERS

(1) Capital management

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

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<u>Financial assets</u>		
Financial assets mandatorily measured at fair value through profit or loss	\$ 5,580,208	\$ 6,310,347
Financial assets at fair value through other comprehensive income - designation of equity instrument	3,507,472	3,778,232
Financial assets at amortised cost		
Cash and cash equivalents	4,136,522	1,952,439
Financial assets at amortised cost	482,573	-
Notes receivable	153,736	360,995
Accounts receivable (including related parties)	20,516,388	17,929,998
Other receivables	160,242	314,508
Guarantee deposits paid	115,378	100,234
	<u>\$ 34,652,519</u>	<u>\$ 30,746,753</u>

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<u>Financial liabilities</u>		
Financial liabilities at fair value through profit or loss	\$ 550,620	\$ 70,777
Financial liabilities at amortised cost		
Short-term borrowings	895,000	5,643,630
Notes payable	26,342	1,720
Accounts payable (including related parties)	24,151,967	23,014,263
Other accounts payable	10,871,450	8,307,849
Long-term borrowings (including current portion)	100,000	1,423,180
Lease liability	482,769	-
	<u>\$ 37,078,148</u>	<u>\$ 38,461,419</u>

B. Financial risk management policies

- (a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. To minimise any adverse effects on the financial performance of the Group, derivative financial instruments, such as foreign exchange contracts and foreign exchange swap contracts are used to hedge certain exchange rate risk. Derivatives are used exclusively for hedging purposes and not as trading or speculative instruments.
- (b) Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.
- (c) Information about derivative financial instruments that are used to hedge certain exchange rate risk are provided in Note 6(2).

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Group operates internationally and is exposed to exchange rate risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the USD and RMB. Exchange rate risk arises from future commercial transactions and recognised assets and liabilities.
- ii. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The companies are required to hedge their entire foreign exchange risk exposure with the Group treasury. Exchange rate risk is

measured through a forecast of highly probable USD and RMB expenditures. Forward foreign exchange contracts are adopted to minimise the volatility of the exchange rate affecting cost of forecast inventory purchases.

- iii. The Group hedges exchange rate risk by foreign exchange rate and foreign exchange swap rate. However, the Group does not adopt hedging accounting. Details of financial assets or liabilities at fair value through profit or loss are provided in Note 6(2).
- iv. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: USD, RMB and HKD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	December 31, 2019			Year ended December 31, 2019		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)	Sensitivity analysis		
				Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:NTD	USD 568,676	30.0100	\$ 17,065,967	1%	\$ 170,660	\$ -
USD:RMB (Note)	USD 1,226,574	6.9693	36,809,486	1%	368,095	-
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	USD 1,195,664	30.0100	\$ 35,881,877	1%	\$ 358,819	\$ -
USD:RMB (Note)	USD 742,917	6.9693	22,294,939	1%	222,949	-
USD:THB (Note)	USD 33,422	29.9500	1,002,994	1%	10,030	-
	December 31, 2018			Year ended December 31, 2018		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)	Sensitivity analysis		
				Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:NTD	USD 419,030	30.7150	\$ 12,870,506	1%	\$ 128,705	\$ -
USD:RMB (Note)	USD 1,031,996	6.8668	31,697,757	1%	316,978	-
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	USD 965,727	30.7150	\$ 29,662,305	1%	\$ 296,623	\$ -
USD:RMB (Note)	USD 812,912	6.8668	24,968,592	1%	249,686	-
JPY:USD (Note)	JPY 3,930,437	0.0091	1,098,583	1%	10,986	-

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

Total exchange gain, including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2019 and 2018, amounted to \$277,489 and (\$61,534), respectively.

Price risk

- i. The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.
- ii. The Group's investments in equity securities comprise shares and open-end funds issued by the domestic and foreign companies. The prices of financial instruments would change due to the change of the future value of investee companies. If the prices of these financial instruments had increased/decreased by 1% with all other variables held constant, post-tax profit for the years ended December 31, 2019 and 2018 would have increased/decreased by \$52,539 and \$56,416, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would have increased/decreased by \$35,075 and \$37,782, respectively, as a result of other comprehensive income classified as equity investment at fair value through other comprehensive income.

Cash flow and fair value interest rate risk

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

At December 31, 2019 and 2018, if market interest rates had been 0.25% higher with all other variables held constant, other comprehensive income for the years ended December 31, 2019 and 2018 would have been \$419 and \$4,084 higher, respectively.

(b) Credit risk

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

ii. According to the Group's internal management policy, the Group only trades with the good credit bank. According to the credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.

iii. The Group adopts the following assumption under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:

If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.

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

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

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

- (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganisation due to their financial difficulties;
- (ii) The disappearance of an active market for that financial asset because of financial difficulties;
- (iii) Default or delinquency in interest or principal repayments;
- (iv) Adverse changes in national or regional economic conditions that are expected to cause a default.

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

<u>December 31, 2019</u>	<u>Expected loss rate</u>	<u>Total book value</u>	<u>Loss allowance</u>
Not past due	0%~0.6%	\$ 20,016,910	\$ 28,433
1-30 days past due	2%~18%	323,535	1,276
31-120 days past due	3%~30%	309,054	103,590
121-125 days past due	20%~30%	268	80
Over 360 days past due	100%	43,398	43,398
		<u>\$ 20,693,165</u>	<u>\$ 176,777</u>

<u>December 31, 2018</u>	<u>Expected loss rate</u>	<u>Total book value</u>	<u>Loss allowance</u>
Not past due	0%~0.6%	\$ 17,318,148	\$ 24,132
1-30 days past due	2%~18%	334,648	9,077
31-120 days past due	3%~30%	441,145	139,088
121-125 days past due	20%~30%	11,453	3,099
Over 360 days past due	100%	53,228	53,228
		<u>\$ 18,158,622</u>	<u>\$ 228,624</u>

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

	<u>2019</u>	<u>2018</u>
	<u>Accounts receivable</u>	<u>Accounts receivable</u>
At January 1	\$ 228,624	\$ 101,554
Provision for impairment	-	148,756
Reversal of impairment	(37,075)	-
Effect of foreign exchange	(14,772)	(21,686)
At December 31	<u>\$ 176,777</u>	<u>\$ 228,624</u>

ix. Movements in loss allowance for investments in debt instruments carried at amortised cost are as follows:

	<u>December 31, 2019</u>			
	<u>Lifetime</u>			
	<u>12 months</u>	<u>Significant increase in credit risk</u>	<u>Impairment of credit</u>	<u>Total</u>
Financial assets at amortised cost	<u>\$ 482,573</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 482,573</u>

The financial assets at amortised cost held by the Group are expected loss rate unrecognised loss allowance amounted \$0.

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable external regulatory or legal requirements.

ii. Group treasury invests surplus cash in interest bearing current accounts, time deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the abovementioned forecasts. As at December 31, 2019 and 2018, the Group held money market position of \$10,967,380 and \$8,809,544, respectively, that are expected to readily generate cash inflows for managing liquidity risk.

iii. The Group has the following undrawn borrowing facilities:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Floating rate:		
Expiring within one year	\$ 26,105,280	\$ 19,294,552
Expiring beyond one year	<u>7,950,000</u>	<u>8,500,000</u>
	<u>\$ 34,055,280</u>	<u>\$ 27,794,552</u>

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

December 31, 2019		
<u>Non-derivative financial liabilities</u>	<u>Less than 1 year</u>	<u>Over 1 year</u>
Short-term borrowings	\$ 895,591	\$ -
Notes payable	26,342	-
Accounts payable (including related parties)	24,151,967	-
Other payables	10,871,450	-
Lease liability	134,013	396,820
Long-term borrowings (including current portion)	-	100,172
<u>Derivative financial liabilities:</u>		
Financial liabilities at fair value through profit or loss	\$ 550,620	\$ -

December 31, 2018		
Non-derivative financial liabilities	Less than 1 year	Over 1 year
Short-term borrowings	\$ 5,648,775	\$ -
Notes payable	1,720	-
Accounts payable (including related parties)	23,014,263	-
Other payables	8,307,849	-
Long-term borrowings (including current portion)	419,124	1,031,220
<u>Derivative financial liabilities:</u>		
Financial liabilities at fair value through profit or loss	\$ 70,777	\$ -

(3) Fair value information

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

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Group's investment in listed stocks (including emerging stocks), beneficiary certificates and convertible bonds, is included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Group's investment in most derivative instruments is included in Level 2.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Group's investment in certain derivative instruments and investment property is included in Level 3.

B. The carrying amounts of cash and cash equivalents, notes receivable, accounts receivable (including related parties), other receivables (including related parties), short-term borrowings, accounts payable and other payables (including related parties) are approximate to their fair values.

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

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

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
December 31, 2019				
Assets				
<u>Recurring fair value measurements</u>				
Financial assets mandatorily measured at fair value through profit or loss - current				
Equity securities	\$ 3,375,279	\$ -	\$ -	\$ 3,375,279
Debt securities	263,000	-	-	263,000
Beneficiary certificates	220,465	-	-	220,465
Non-hedging derivatives				
Forward exchange contracts	-	63,320	-	63,320
Financial assets mandatorily measured at fair value through profit or loss-non-current				
Equity securities	-	-	862,505	862,505
Beneficiary certificates	57,240	-	738,399	795,639
Financial assets at fair value through other comprehensive income - current				
Equity securities	2,983,854	-	-	2,983,854
Financial assets at fair value through other comprehensive income - non-current				
Equity securities	-	18,735	504,883	523,618
Investment property (Note 1)	-	-	6,447,876	6,447,876
	<u>\$ 6,899,838</u>	<u>\$ 82,055</u>	<u>\$ 8,553,663</u>	<u>\$ 15,535,556</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Liabilities				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss - current				
Non-hedging derivatives				
Forward exchange contracts	\$ -	\$ 546,310	\$ -	\$ 546,310
Exchange rate swaps	-	4,310	-	4,310
	<u>\$ -</u>	<u>\$ 550,620</u>	<u>\$ -</u>	<u>\$ 550,620</u>

December 31, 2018	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value</u>				
Financial assets mandatorily measured at fair value through profit or loss - current				
Equity securities	\$ 3,064,273	\$ -	\$ -	\$ 3,064,273
Debt securities	318,468	-	-	318,468
Beneficiary certificates	583,594	-	-	583,594
Non-hedging derivatives				
Forward exchange contracts	-	350,252	-	350,252
Financial assets mandatorily measured at fair value through profit or loss -non-current				
Equity securities	-	-	638,727	638,727
Beneficiary certificates	597,331	-	757,702	1,355,033
Financial assets at fair value through other comprehensive income - current				
Equity securities	2,920,108	-	-	2,920,108
Financial assets at fair value through other comprehensive income - non-current				
Equity securities	-	30,813	827,311	858,124
Investment property (Note 1)	-	-	5,537,730	5,537,730
<u>Non-recurring fair value measurements</u>				
Non-current assets held for sale (Note 2)				
	-	-	1,956,546	1,956,546
	<u>\$ 7,483,774</u>	<u>\$ 381,065</u>	<u>\$ 9,718,016</u>	<u>\$ 17,582,855</u>
December 31, 2018	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Liabilities				
<u>Recurring fair value</u>				
Financial liabilities at fair value through profit or loss - current				
Non-hedging derivatives				
Forward exchange contracts	\$ -	\$ 68,161	\$ -	\$ 68,161
Exchange rate swaps	-	2,616	-	2,616
	<u>\$ -</u>	<u>\$ 70,777</u>	<u>\$ -</u>	<u>\$ 70,777</u>

Note 1: Investment property measured at fair value.

Note 2: Under IFRS 5, assets held for sale must be measured at fair value less costs to sell when the fair value less the cost to sell is lower than the carrying amount.

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

	Listed shares	Emerging stock	Open-end fund	Convertible bond
Market quoted price	Closing price	Average trades price	Net asset value	Closing

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

E. The following chart is the movement of Level 3 for the years ended December 31, 2019 and 2018:

	2019		
	Beneficiary certificates	Equity instruments	Total
At January 1	\$ 757,702	\$ 1,466,038	\$ 2,223,740
Acquired in the period	17,489	151,164	168,653
Sold in the period	-	(312,954)	(312,954)
Recognised in profit or loss	(25,981)	72,729	46,748
Recognised in other comprehensive income	-	(19,467)	(19,467)
Effect of exchange rate changes	(10,811)	9,878	(933)
At December 31	\$ 738,399	\$ 1,367,388	\$ 2,105,787
Movement of unrealised gain or loss in profit or loss of assets and liabilities held as at December 31, 2019 (Recorded as non-operating income and expense)	(\$ 25,981)	\$ 72,729	\$ 46,748
	2018		
	Beneficiary certificates	Equity instruments	Total
At January 1	\$ 626,028	\$ 1,586,751	\$ 2,212,779
Acquired in the period	79,141	30,182	109,323
Sold in the period	-	(106,697)	(106,697)
Recognised in profit or loss	40,160	(20,369)	19,791
Recognised in other comprehensive income	-	(43,809)	(43,809)
Effect of exchange rate changes	12,373	19,980	32,353
At December 31	\$ 757,702	\$ 1,466,038	\$ 2,223,740
Movement of unrealised gain or loss in profit or loss of assets and liabilities held as at December 31, 2019 (Recorded as non-operating income and expense)	\$ 40,160	(\$ 20,369)	\$ 19,791

Information about the movements of the investment property in Level 3 is provided in Note 6(11).

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

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

	Fair value at December 31, 2019	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 177,890	Market approach	Discount for lack of marketability	-	The higher the discount for lack of marketability, the lower the fair value
"	1,189,498	Net asset value	N/A	-	N/A
Venture capital shares					
Private equity fund investment	738,399	Net asset value	N/A	-	N/A
Investment property	6,447,876	Income approach	Revenue growth rate, Discount rate	-	The higher the revenue growth rate, the higher the fair value; the higher the discount rate, the lower the fair value
	Fair value at December 31, 2018	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 224,870	Market approach	Discount for lack of marketability	-	The higher the discount for lack of marketability, the lower the fair value
"	1,241,168	Net asset value	N/A	-	N/A
Venture capital shares					
Private equity fund investment	757,702	Net asset value	N/A	-	N/A
Investment property	5,537,730	Income approach	Revenue growth rate, Discount rate	-	The higher the revenue growth rate, the higher the fair value; the higher the discount rate, the lower the fair value
Non-current assets held for sale	1,956,546	Income approach	Revenue growth rate, Discount rate	-	The higher the revenue growth rate, the higher the fair value; the higher the discount rate, the lower the fair value

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

				December 31, 2019			
				Recognised in profit or loss		Recognised in other comprehensive income	
	Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change	
Financial assets							
Equity instrument	Market approach, Net asset value	±1%	\$ 8,625	(\$ 8,625)	\$ 5,049	(\$ 5,049)	
Beneficiary certificates	Net asset value	±1%	7,384	(7,384)	-	-	
			<u>\$ 16,009</u>	<u>(\$ 16,009)</u>	<u>\$ 5,049</u>	<u>(\$ 5,049)</u>	
				December 31, 2018			
				Recognised in profit or loss		Recognised in other comprehensive income	
	Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change	
Financial assets							
Equity instrument	Market approach, Net asset value	±1%	\$ 6,387	(\$ 6,387)	\$ 8,273	(\$ 8,273)	
Beneficiary certificates	Net asset value	±1%	7,577	(7,577)	-	-	
			<u>\$ 13,964</u>	<u>(\$ 13,964)</u>	<u>\$ 8,273</u>	<u>(\$ 8,273)</u>	

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

- A. Loans to others: Please refer to table 1.
- B. Provision of endorsements and guarantees to others: Please refer to table 2.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: Please refer to table 4.
- E. Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more: Please refer to table 5.
- F. Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more: Please refer to table 6.
- G. Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more: Please refer to table 7.
- H. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: Please refer to table 8.

I. Trading in derivative instruments undertaken during the reporting periods: Please refer to Note 6(2).

J. Significant inter-company transactions during the reporting periods: Please refer to table 9.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 10.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 11.

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

14. SEGMENT INFORMATION

(1) General information

The Group operates business from a geographic perspective; geographically, the Group currently focuses on wholesale in Taiwan, Mainland China, America, and Europe.

(2) Measurement of segment information

The Chief Operating Decision-Maker evaluates the performance of the operating segments based on a measure of adjusted EBITDA. Interest income and expense are not allocated to operating segments, as this type of activity is driven by the Group central treasury, which manages the cash position of the group. The accounting policies of the operating segments are in agreement with the significant accounting policies summarised in Note 4.

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

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

Year ended December 31, 2019

	<u>Taiwan</u>	<u>Asia</u>	<u>America</u>	<u>Europe</u>	<u>Reconciliation and elimination</u>	<u>Total</u>
Revenue from external customers	\$ 58,686,136	\$ 31,105,131	\$ 2,075,612	\$ 685,446	\$ -	\$ 92,552,325
Inter-segment revenue	<u>1,906,773</u>	<u>96,385,866</u>	<u>15,355,982</u>	<u>4,351</u>	<u>(113,652,972)</u>	<u>-</u>
Segment revenue	<u>\$ 60,592,909</u>	<u>\$ 127,490,997</u>	<u>\$ 17,431,594</u>	<u>\$ 689,797</u>	<u>(\$ 113,652,972)</u>	<u>\$ 92,552,325</u>
Segment profit	<u>\$ 2,394,160</u>	<u>\$ 5,143,541</u>	<u>\$ 612,683</u>	<u>\$ 7,938</u>	<u>\$ 543,249</u>	<u>\$ 8,701,571</u>

Year ended December 31, 2018

Revenue from external customers	\$ 52,651,423	\$ 31,780,977	\$ 2,273,654	\$ 554,352	\$ -	\$ 87,260,406
Inter-segment revenue	<u>2,051,773</u>	<u>79,534,924</u>	<u>35,145,844</u>	<u>4,861</u>	<u>(116,737,402)</u>	<u>-</u>
Segment revenue	<u>\$ 54,703,196</u>	<u>\$ 111,315,901</u>	<u>\$ 37,419,498</u>	<u>\$ 559,213</u>	<u>(\$ 116,737,402)</u>	<u>\$ 87,260,406</u>
Segment profit	<u>\$ 2,008,705</u>	<u>\$ 4,294,780</u>	<u>\$ 447,277</u>	<u>(\$ 6,100)</u>	<u>\$ 94,832</u>	<u>\$ 6,839,494</u>

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

	<u>Taiwan</u>	<u>Asia</u>	<u>America</u>	<u>Europe</u>	<u>Total</u>
Depreciation expense increased	<u>\$ 29,553</u>	<u>\$ 84,105</u>	<u>\$ 3,614</u>	<u>\$ -</u>	<u>\$ 117,272</u>

(4) Reconciliation for segment income

The revenue from external customers reported to the Chief Operating Decision-Maker is measured in a manner consistent with that in the statement of comprehensive income. A reconciliation of reportable segment profit or loss to the profit before tax and discontinued operations for the years ended December 31, 2019 and 2018 is provided as follows:

	Years ended December 31,	
	2019	2018
Reportable segments income	\$ 8,701,571	\$ 6,839,494
Related loss not yet classified	(2,432,106)	(2,189,958)
Total non-operating income and expenses	1,919,271	385,936
Income before tax from continuing operations	<u>\$ 8,188,736</u>	<u>\$ 5,035,472</u>

(5) Information on products and services

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

	Years ended December 31,	
	2019	2018
Electrical components	\$ 45,659,986	\$ 41,909,929
Consumer and other electronic products	46,015,236	44,571,425
Others	877,103	779,052
	<u>\$ 92,552,325</u>	<u>\$ 87,260,406</u>

(6) Geographical information

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

	Year ended December 31, 2019		Year ended December 31, 2018	
	Revenue	Non-current assets	Revenue	Non-current assets
Domestic	\$ 58,686,136	\$ 3,462,185	\$ 52,651,423	\$ 3,416,312
Asia	31,105,131	11,163,877	31,780,977	10,309,547
US	2,075,612	51,398	2,273,654	163,144
Europe	685,446	861	554,352	1,202
	<u>\$ 92,552,325</u>	<u>\$ 14,678,321</u>	<u>\$ 87,260,406</u>	<u>\$ 13,890,205</u>

The Group's geographical revenue information is determined based on the area collecting the accounts receivable.

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

(7) Major customer information

For the years ended December 31, 2019 and 2018, details of revenue from which customers accounted for at least 10% of operating revenues in the consolidated comprehensive income statement are as follows:

	<u>Year ended December 31, 2019</u>		<u>Year ended December 31, 2018</u>	
	<u>Revenue</u>	<u>Segment</u>	<u>Revenue</u>	<u>Segment</u>
A customer	\$ 10,440,897	Asia	\$ 6,300,948	Asia

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CHICONY ELECTRONICS CO., LTD. AND SUBSIDIARIES

Loans to others

Year ended December 31, 2019

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

No.	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended December 31, 2019 (Note 4)	Balance at December 31, 2019 (Note 5)	Actual amount drawn down	Interest rate	Nature of loan (Note 3)	Amount of transactions with the borrower	Reason for short-term financing	Collateral		Allowance for doubtful accounts	Limit on loans granted to a single party (Note 1,2)	Ceiling on total loans granted (Note 1,2)	Footnote
												Item	Value				
0	The Company	Qun-Jing	Other receivables	Yes	\$ 400,000	\$ 200,000	\$ 192,000	1.00%	2	\$ -	Working capital	\$ -	-	\$ -	\$ 8,180,513	\$ 10,907,350	-
0	The Company	Quansun	"	"	1,300,000	650,000	603,000	1.00%	2	-	"	-	-	-	\$ 8,180,513	\$ 10,907,350	-
0	The Company	UNIKEY	"	"	3,200,000	1,600,000	1,251,500	1.00%	2	-	"	-	-	-	\$ 8,180,513	\$ 10,907,350	-
0	The Company	CET	"	"	627,900	600,200	150,050	1.00%	2	-	"	-	-	-	\$ 8,180,513	\$ 10,907,350	-
					(USD 20,000)	(USD 20,000)	(USD 5,000)										
1	CGI	The Company	"	"	1,004,640	960,320	729,243	2%-2.6%	2	-	"	-	-	-	US\$ 110,376	US\$ 110,376	-
					(USD 32,000)	(USD 32,000)	(USD 24,300)										
2	COI	CGI	"	"	6,008,925	3,601,200	3,526,465	1%-1.7%	2	-	"	-	-	-	\$ 8,180,513	\$ 10,907,350	-
					(USD 195,000)	(USD 120,000)	(USD 117,510)										
2	COI	CET	"	"	94,815	60,020	55,657	1.1%-1.5%	2	-	"	-	-	-	US\$ 303,020	US\$ 303,020	-
					(USD 3,000)	(USD 2,000)	(USD 1,855)										
2	COI	KUM	"	"	244,000	240,080	207,369	1.00%	2	-	"	-	-	-	\$ 8,180,513	\$ 10,907,350	-
					(USD 8,000)	(USD 8,000)	(USD 6,910)										
2	COI	CEM5	"	"	153,800	-	-	-	2	-	"	-	-	-	\$ 8,180,513	\$ 10,907,350	-
					(USD 5,000)												
3	Mao-Feng	The Company	"	"	926,850	-	-	-	2	-	"	-	-	-	\$ 8,180,513	\$ 10,907,350	-
					(USD 30,000)												
3	Mao-Feng	CGI	"	"	1,011,360	960,320	875,296	1.2%-1.3%	2	-	"	-	-	-	\$ 8,180,513	\$ 10,907,350	-
					(USD 32,000)	(USD 32,000)	(USD 29,167)										
4	CEM3	Mao-Qun	"	"	351,280	172,240	172,240	2.00%	2	-	"	-	-	-	\$ 8,180,513	RMB 1,938,379	-
					(RMB 80,000)	(RMB 40,000)	(RMB 40,000)										
5	CEM5	CPDG	"	"	520,320	516,720	516,720	1.5%-1.7%	2	-	"	-	-	-	RMB 565,610	RMB 565,610	-
					(RMB 120,000)	(RMB 120,000)	(RMB 120,000)										
5	CEM5	CEM3	"	"	298,870	279,890	279,890	1.50%	2	-	"	-	-	-	RMB 565,610	RMB 565,610	-
					(RMB 65,000)	(RMB 65,000)	(RMB 65,000)										
5	CEM5	XAVi Suzhou	"	"	474,228	163,628	86,120	2.00%	2	-	"	-	-	-	RMB 226,244	RMB 226,244	-
					(RMB 108,000)	(RMB 38,000)	(RMB 20,000)										
6	HOI	CGI	"	"	2,228,153	2,054,515	2,054,515	1%-2%	2	-	"	-	-	-	US\$ 90,684	US\$ 90,684	-
					(USD 70,500)	(USD 68,461)	(USD 68,461)										
6	HOI	RealYoung	"	"	107,457	102,034	102,034	1.00%	2	-	"	-	-	-	US\$ 90,684	US\$ 90,684	-
					(USD 3,400)	(USD 3,400)	(USD 3,400)										
6	HOI	HEC	"	"	568,890	501,167	474,158	1.2%-2%	2	-	"	-	-	-	US\$ 36,273	US\$ 36,273	-
					(USD 18,000)	(USD 16,700)	(USD 15,800)										
7	CP	CPUS	"	"	189,630	180,060	156,052	1.70%	2	-	"	-	-	-	\$ 3,313,477	\$ 3,313,477	-
					(USD 6,100)	(USD 6,000)	(USD 5,200)										
7	CP	CPHK	"	"	1,517,040	1,440,480	1,301,534	1.70%	2	-	"	-	-	-	\$ 3,313,477	\$ 3,313,477	-
					(USD 48,000)	(USD 48,000)	(USD 43,370)										
7	CP	CPTH	"	"	91,500	90,030	360	1.70%	2	-	"	-	-	-	\$ 3,313,477	\$ 3,313,477	-
					(USD 3,000)	(USD 3,000)	(USD 12)										

No.	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended December 31, 2019	Balance at December 31, 2019	Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Collateral		Limit on loans granted to a single party	Ceiling on total loans granted	Footnote
												Allowance for doubtful accounts	Item Value			
7	CP	WTS	Other receivables	Yes	(Note 4) \$ 63,210	(Note 5) \$ 60,020	\$ 34,632	1.70%	2	-	Working capital	-	-	\$ 3,313,477	\$ 3,313,477	-
					(USD 2,000)	(USD 2,000)	(USD 1,154)									
7	CP	CT	"	"	90,000	45,000	27,600	1.5%-1.7%	2	-	"	-	-	\$ 3,313,477	\$ 3,313,477	-
8	CPI	CPUS	"	"	173,828	-	-	1.60%	2	-	"	-	-	\$ 2,485,108	\$ 3,313,477	-
					(USD 5,500)											
8	CPI	CPHK	"	"	1,295,805	-	-	1.60%	2	-	"	-	-	\$ 2,485,108	\$ 3,313,477	-
					(USD 41,000)											
8	CPI	WTS	"	"	41,087	-	-	2.00%	2	-	"	-	-	US\$ 75,057	US\$ 75,057	-
					(USD 1,300)											
9	WTS	WT	"	"	44,247	-	-	2.00%	2	-	"	-	-	US\$ 2,049	US\$ 2,049	-
					(USD 1,400)											
10	CPSZ	WTK	"	"	16,553	-	-	1.60%	2	-	"	-	-	RMB 227,964	RMB 227,964	-
					(RMB 3,600)											
10	CPSZ	Zhuzhou Torch Auto Lamp Co., Ltd.	"	"	331,056	-	-	1.60%	2	-	"	-	-	RMB 227,964	RMB 227,964	-
					(RMB 72,000)											
11	CPDG	Zhuzhou Torch Auto Lamp Co., Ltd.	"	"	257,070	245,442	244,581	1.60%	2	-	"	-	-	RMB 106,956	RMB 106,956	-
					(RMB 57,000)	(RMB 57,000)	(RMB 56,800)									
11	CPDG	WTK	"	"	16,236	15,502	15,502	1.60%	2	-	"	-	-	RMB 106,956	RMB 106,956	-
					(RMB 3,600)	(RMB 3,600)	(RMB 3,600)									

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. for the purpose of loan between the Company's foreign subsidiaries or from foreign subsidiaries to the Company, for which the Company both have 100% shares directly or indirectly, the financing amount to single company should not exceed 100% of the subsidiaries' stockholders' equity and 30% of the company's stockholders' equity, and the total financing amount should not exceed 100% of the subsidiaries' stockholders' equity and 40% of the company's stockholders' equity, and the lending period may not exceed 3 years.

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

Note 2: In accordance with the financing procedures of the subsidiary, total financing amount should not exceed 40% of the subsidiary's stockholders' equity and

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

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

c. the limit on the loans to granted between the subsidiary – CP's foreign subsidiaries or from foreign subsidiaries to the Company for which the subsidiary – CP directly or indirectly holds 100% of its voting shares is not restricted to 40% of the lending company's net asset based on the latest audited or reviewed consolidated financial statements. The ceiling on total loans is 40% of CP's net asset based on the latest audited or reviewed consolidated financial statements. The limit on loans to a single party is 30% of CP's net asset based on the latest audited or reviewed consolidated financial statements and the lending period may not exceed 3 years.

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

Note 3: The numbers filled in the column of 'Nature of loan are as follows:

(1) The business transaction is '1'.

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

Note 4: The maximum balance is the maximum outstanding balance during the year ended December 31, 2019.

Note 5: The ending balance had been approved at the Board of Directors' meeting.

CHICONY ELECTRONICS CO., LTD. AND SUBSIDIARIES
Provision of endorsements and guarantees to others
Year ended December 31, 2019

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

Number	Endorser/ guarantor	Company name	Party being endorsed/guaranteed		Limit on endorsements/ guarantees provided for a single party	Maximum outstanding endorsement/ guarantee amount as of December 31, 2019	Outstanding endorsement/ guarantee amount at December 31, 2019	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by subsidiary to parent company	Provision of endorsements/ guarantees to the party in Mainland China	Footnote
			Relationship with the endorser/ guarantor												
			(Note 1)								(Note 2,3)				
0	The Company	CEZ	3	\$ 6,817,094	\$ 369,780 (USD 12,000)	\$ 360,120 (USD 12,000)	\$ 134,496 (EUR 4,000)	-	1.32%	\$ 13,634,188	Y	N	N	-	

Note 1 : Relationship between the endorser/guarantor and the party being endorsed/guaranteed is as follows:

- (1) Having business relationship.
- (2) The endorser/guarantor parent company owns directly or indirectly more than 50% voting shares of the endorsed/guaranteed subsidiary.
- (3) The endorsed/guaranteed parent company directly or indirectly owns more than 50% voting shares of the endorser/guarantor subsidiary.
- (4) Between the endorser/guarantor parent company both owns directly or indirectly more than 90% voting shares of the endorsed/guaranteed subsidiaries.
- (5) Mutual guarantee of the trade as required by the construction contract.
- (6) Due to joint venture, each shareholder provides endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.
- (7) Performance guarantees for pre-sales sales contracts under the Consumer Protection Act.

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

The grand total guarantee amount of the Group is limited to 50% of the Company's capital, and other restrictions are as follows:

- a. the total guarantee amount, except the above mentioned restriction, to any individual party should not exceed the higher 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.

CHICONY ELECTRONICS CO., LTD. AND SUBSIDIARIES

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)

December 31, 2019

Table 3

Expressed in thousands of NTD
(Except as otherwise indicated)

		As of December 31, 2019							
Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	Number of shares	Book value	Ownership (%)	Fair value	Footnote	
The Company	Common stock	Laster Tech Corporation Ltd.	Corporate director	Financial assets at fair value through profit or loss - current	4,922,604	\$ 149,401	6.50%	\$ 149,401	-
The Company	Common stock	Newmax Technology Co., Ltd.	"	"	1,243,607	114,412	0.67%	114,412	-
The Company	Common stock	PharmaEngine, Inc.	-	"	1,134,000	77,679	0.77%	77,679	-
The Company	Common stock	Aslan Pharmaceuticals Limited	-	"	1,100,000	8,910	0.58%	8,910	-
The Company	Common stock	TWi Pharmaceuticals, Inc.	-	"	115,000	1,006	0.17%	1,006	-
The Company	Common stock	JHL BIOTECH, INC.	-	"	290,000	12,760	0.15%	12,760	-
The Company	Common stock	Solar Applied Materials Technology Corp.	-	"	2,985,019	67,014	0.60%	67,014	-
The Company	Common stock	MOSA INDUSTRIAL CORPORATION	-	"	485,000	20,515	0.27%	20,515	-
The Company	Beneficiary certificate	Fuh Hwa Digital Economy Fund	-	"	2,000,000	108,140	-	108,140	-
The Company	Bond	Everlight Electronics Co., Ltd. The sixth unsecured convertible bonds	-	"	30,000	3,000	-	3,000	-
The Company	Common stock	WK Venture Capital XI	Corporate director	Financial assets at fair value through profit or loss - non-current	15,380,000	246,080	15.38%	246,080	-
The Company	Common stock	Top Taiwan Venture Capital Group	"	"	7,500,000	68,672	9.38%	68,672	-
The Company	Common stock	Chengding Venture Capital Group	"	"	10,000,000	107,820	7.41%	107,820	-
The Company	Common stock	Sheng Da Venture Capital Group	-	"	3,000,000	30,000	10.71%	30,000	-
The Company	Preferred stock	Magi Capital Venture Co., Ltd	-	"	454,296	65,746	4.37%	65,746	-
The Company	Beneficiary certificate	Fuh Hwa Smart Energy Securities Investment Trust Fund	-	"	9,000,000	84,060	-	84,060	-
The Company	Beneficiary certificate	Fuh Hwa New Oriental Securities Investment Trust Fund	-	"	9,000,000	28,620	-	28,620	-
The Company	Common stock	Clevo Co.	Common chairman	Financial assets at fair value through other comprehensive income - current	13,100,608	482,102	1.96%	482,102	-
The Company	Common stock	Genesis Photonics Inc.	-	"	304,350	1,351	0.43%	1,351	-
The Company	Common stock	AcBel Polytech Inc.	-	"	3,727,000	90,007	0.72%	90,007	-
The Company	Common stock	ShunOn Electronic Co.	Corporate director	"	11,708,254	361,785	7.91%	361,785	-
The Company	Common stock	Alcor Micro,Corp.	"	"	1,406,000	19,825	1.87%	19,825	-
The Company	Private equity	Genesis Photonics Inc.	-	Financial assets at fair value through other comprehensive income - non-current	4,224,458	12,758	6.03%	12,758	-
The Company	Common stock	Taipei Tech innoFund	Corporate director	"	3,500,000	46,427	11.67%	46,427	-

		As of December 31, 2019							
Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	Number of shares	Book value	Ownership (%)	Fair value	Footnote	
The Company	Common stock	Maxima Ventures I, Inc.	-	Financial assets at fair value through other comprehensive income - non-current	13,125	\$ 131	2.35%	\$ 131	-
The Company	Common stock	Maxima Ventures II, Inc.	-	"	3,000,000	18,777	8.21%	18,777	-
The Company	Common stock	Taiwan Cultural and Creative Co., Ltd.	-	"	1,600,000	3,369	5.78%	3,369	-
The Company	Common stock	MKD Technology Inc.	-	"	1,600,000	11,790	6.96%	11,790	-
CP	Common stock	Newmax Technology Co., Ltd.	Corporate director	Financial assets at fair value through profit or loss - current	3,038,983	279,587	1.64%	279,587	-
CP	Common stock	Laster Tech Corporation Ltd.	"	"	1,202,252	36,488	1.59%	36,488	-
CP	Common stock	Powertech Technology Inc.	-	"	228,000	22,754	0.03%	22,754	-
CP	Common stock	Phison Electronics Corp.	-	"	200,000	68,100	0.10%	68,100	-
CP	Common stock	Apex International Co., Ltd.	-	"	300,000	13,800	0.16%	13,800	-
CP	Common stock	TWi Pharmaceuticals, Inc.	-	"	119,000	1,045	0.18%	1,045	-
CP	Bond	Everlight Electronics Co., Ltd. The sixth unsecured convertible bonds	-	"	2,500,000	250,000	-	250,000	-
CP	Beneficiary certificate	Fuh Hwa Digital Economy Fund	-	"	2,077,391	112,325	-	112,325	-
CP	Common stock	WK Venture Capital XI	Corporate director	Financial assets at fair value through profit or loss - non-current	1,000,000	20,060	1.00%	20,060	-
CP	Common stock	Top Taiwan Venture Capital Group	"	"	7,500,000	68,672	9.38%	68,672	-
CP	Common stock	Chengding Venture Capital Group	"	"	10,000,000	107,820	7.41%	107,820	-
CP	Beneficiary certificate	Fuh Hwa New Oriental Securities Investment Trust Fund	-	"	6,000,000	19,080	-	19,080	-
CP	Beneficiary certificate	Fuh Hwa Smart Energy Securities Investment Trust Fund	-	"	21,000,000	196,140	-	196,140	-
CP	Common stock	Clevo Co.	Common chairman	Financial assets at fair value through other comprehensive income - current	4,538,000	166,998	0.68%	166,998	-
CP	Common stock	Kinsus Interconnect Technology Corp.	-	"	920,000	47,657	0.20%	47,657	-
CP	Common stock	Genesis Photonics Inc.	-	"	1,892,392	8,402	2.70%	8,402	-
CP	Common stock	Cheng Uei Precision Industry Co., Ltd.	-	"	80,000	3,664	0.02%	3,664	-
CP	Common stock	FLYTECH TECHNOLOGY CO., LTD.	"	"	192,000	13,824	0.13%	13,824	-
CP	Private equity	Genesis Photonics Inc.	-	Financial assets at fair value through other comprehensive income - non-current	1,979,291	5,977	2.83%	5,977	-
CP	Common stock	Taipei Tech innoFund	Corporate director	"	1,500,000	19,897	5.00%	19,897	-
HEC	Common stock	Clevo Co.	Common chairman	Financial assets at fair value through other comprehensive income - current	11,370,823	418,446	1.70%	418,446	-
HEC	Common stock	The Company	The Company	"	16,188,935	1,440,815	2.20%	1,440,815	Note 2
UNIKEY	Common stock	Newmax Technology Co., Ltd.	Corporate director	Financial assets at fair value through profit or loss - current	18,825,998	1,731,992	10.17%	1,731,992	-
UNIKEY	Common stock	Clevo Co.	Common chairman	Financial assets at fair value through other comprehensive income - current	16,730,000	615,664	2.50%	615,664	-
UNIKEY	Common stock	The Company	The Company	"	21,174,298	1,884,513	2.88%	1,884,513	Note 3
CGI	Preferred stock	PRP CE1 BC1 Inc.	-	Financial assets at fair value through profit or loss - non-current	122,487	117,626	-	117,626	-
CGI	Bond	PRP CE1 BC1 Inc.	-	Financial assets at amortised cost - non-current	-	482,573	-	482,573	-
COI	Common stock	Laster Tech Corporation Ltd.	Corporate director	Financial assets at fair value through profit or loss - current	2,412,000	73,204	3.18%	73,204	-
COI	Common stock	PharmaEngine, Inc.	-	"	135,000	9,248	0.09%	9,248	-
COI	Common stock	GOMAJI Corp., LTD	-	"	10,000	280	0.05%	280	-
COI	Bond	Everlight Electronics Co., Ltd. The sixth unsecured convertible bonds	-	"	100,000	10,000	-	10,000	-
COI	Common stock	Q Technology (Group) Company Limited	-	"	8,747	434,858	0.68%	434,858	-
COI	Beneficiary certificate	WRV II, L.P	-	Financial assets at fair value through profit or loss - non-current	7,682,533	227,095	-	227,095	-
COI	Beneficiary certificate	MagiCapital Fund II, L.P.	-	"	3,324,091	99,756	-	99,756	-
COI	Beneficiary certificate	New Riders L.P.	-	"	1,022,000	17,800	-	17,800	-
COI	Common stock	SmartSens Technology Co.,Ltd	-	"	602,373	30,009	-	30,009	-
COI	Common stock	Clevo Co.	Common chairman	Financial assets at fair value through other comprehensive income - current	10,104,000	371,828	1.51%	371,828	-
COI	Common stock	ShunOn Electronic Co.	Corporate director	"	157,087	4,854	0.11%	4,854	-
COI	Common stock	Alpha Professional Holdings Limited	-	"	248,500	1,484	0.08%	1,484	-
COI	Common stock	CTBC Securities Co., Ltd.	-	"	270,000	29,417	0.00%	29,417	-
COI	Common stock	Merrimack Pharmaceuticals, Inc.	-	"	84,482	7,986	0.63%	7,986	-
COI	Preferred stock	SAGA-CHINA	-	Financial assets at fair value through other comprehensive income - non-current	10,374,483	\$ 238,392	-	\$ 238,392	-

					As of December 31, 2019				
Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	Number of shares	Book value	Ownership (%)	Fair value	Footnote	
CPI	Common stock	Q Technology (Group) Co., Ltd.	-	Financial assets at fair value through profit or loss - current	700,000	34,800	0.06%	34,800	-
CPI	Beneficiary certificate	WRV II, L.P	-	Financial assets at fair value through profit or loss - non-current	3,841,266	113,548	-	113,548	-
CPI	Common stock	Anxin-China Holdings Limited	-	Financial assets at fair value through other comprehensive income - current	8,300,000	-	0.27%	-	-
Quansun	Common stock	New Hung Kuan Enterprise Co., Ltd	-	Financial assets at fair value through other comprehensive income - non-current	8,140,000	166,100	21.71%	166,100	Note 4
Quansun	Common stock	Clevo Co.	Common chairman	Financial assets at fair value through other comprehensive income - current	7,100,000	261,280	1.06%	261,280	-
Qun-Jing	Common stock	Clevo Co.	"	"	2,100,000	77,280	0.31%	77,280	-
XAVi	Common stock	Chicony Power Technology Co., Ltd.	Affiliated company	Financial assets at fair value through profit or loss - current	2,961,160	185,961	0.77%	185,961	-
XAVi	Common stock	Laster Tech Corporation Ltd.	Corporate director	"	1,036,738	31,465	1.37%	31,465	-
XAVi	Beneficiary certificate	Fuh Hwa New Oriental Securities Investment Trust Fund	"	Financial assets at fair value through other comprehensive income - non-current	3,000,000	9,540	-	9,540	-

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities within the scope of IFRS 9 'Financial instruments'.

Note 2: Provided 12,600,000 shares pledged for short-term loan.

Note 3: Provided 8,500,000 shares pledged for short-term loan.

Note 4: The Company holds over 20% ownership interest of the entity, however, based on objectives indicators; the Company has no significant influence on the entity.

CHICONY ELECTRONICS CO., LTD. AND SUBSIDIARIES

Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital

Year ended December 31, 2019

Table 4

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Marketable securities	General ledger account	Counterparty	Relationship with the investor	Balance as at January 1, 2019		Addition (Note 3)		Disposal (Note 3)			Balance as at December 31, 2019 (Note 4)		
					Number of shares	Amount	Number of shares	Amount	Number of shares	Selling price	Book value	Gain (loss) on disposal	Number of shares	Amount
The Company	Fuh Hwa Securities Investment Trust Fund	Financial assets at fair value through profit or loss - non-current	Fuh Hwa Securities Investment Trust Fund	(Note 2)	19,802,524	\$ 471,102	-	\$ -	19,802,524	\$ 495,702	\$ 621,007	(\$ 125,305)	-	\$ -
CGI	PRP CE1 BC1 Inc.	Financial assets at amortised cost - non-current	PRP CE1 BC1 Inc.	(Note 2)	-	\$ -	-	\$ 498,303	-	\$ -	\$ -	\$ -	-	\$ 498,303

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities.

Note 2: It is applicable to disclosure information when marketable securities were recognized as "investments accounted for using equity method".

Note 3: Aggregate purchases and sales amounts should be calculated separately at their market values to verify whether they individually reach NTS\$300 million or 20% of paid-in capital or more.

Note 4: It refers to the initial costs without considering the amortisation or valuation of exchange rate at the end of the year.

CHICONY ELECTRONICS CO., LTD. AND SUBSIDIARIES
Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more
Year ended December 31, 2019

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

If the counterparty is a related party, information as to the last transaction of the real estate is disclosed below:													
Real estate acquired by	Real estate acquired	Date of the event	Transaction amount	Status of payment	Counterparty	Relationship with the counterparty	Original owner who sold the real estate to the counterparty	Relationship between the original owner and the acquirer	Date of the original transaction	Amount	Basis or reference used in setting the price	Reason for acquisition of real estate and status of the real estate	Other commitments
CPSZ	Construction in process	2018/12/27 (Date of contract signing)	\$ 1,103,069 (RMB 247,825 thousand)	\$ 709,310	Suzhou Weiye Group Co., Ltd.	None	-	-	-	\$ -	Contract	Plant (For the Purpose of Conducting Business)	None
The Company	Investment property	2019/7/31	\$ 839,561	\$ 376,095	Kunfu Construction Co., Ltd. etc.	"	-	-	-	-	Price comparison and price negotiation	Residential compound building	"

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

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

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

CHICONY ELECTRONICS CO., LTD. AND SUBSIDIARIES
Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more
Year ended December 31, 2019

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

Real estate disposed by	Real estate	Transaction date or date of the event	Date of acquisition	Book value	Disposal amount	Status of collection of proceeds	Gain (loss) on disposal	Counterparty	Relationship with the seller	Reason for disposal	Basis or reference used in setting the price	Other commitments
Hikari	Non-current assets held for sale	The contract was signed on December 26, 2018 and it was transferred on January 9, 2019	2015/1/28	\$ 1,956,546	\$ 2,605,512 (JPY9,500,000 thousand)	All proceeds have been collected	\$ 645,713	Kyushu Railway Company	None	To cooperate with future operating plan of the Group	Valuation agency : Cushman & Wakefield Limited Valuation amount : JPY7,020,000 thousand Valuation agency : Savills Limited Valuation amount : JPY7,060,000 thousand	None
The Company	Investment property	From December 10, 2019 to December 24, 2019 (as of December 31, 2019, it was not yet transferred)	2016/2/25	\$ 1,266,082	\$ 1,279,562	Proceeds of \$192,801 have been collected	\$ 13,480 (Estimated)	The Group's employees that are still in service	The Group's employees that are still in service	Employees' housing purchased by the employees	Valuation agency: Panasia Limited Valuation amount: \$1,255,392 Valuation agency: Colliers international Limited Valuation amount: \$1,275,823	None

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

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

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

CHICONY ELECTRONICS CO., LTD. AND SUBSIDIARIES

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

Year ended December 31, 2019

Table 7

Expressed in thousands of NTD
(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty (Note 3)	Transaction			Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote	
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance		Percentage of total notes/accounts receivable (payable)
The Company	CEM2	Subsidiary owned by COI	Purchases	\$ 8,907,899	38	30~60 days	Note 1	30~60 days	(\$ 13,665,270)	59	-
CEM2	The Company	The parent company of COI	Sales	(8,907,899)	40	30~60 days	Note 2	30~60 days	13,665,270	99	-
The Company	CEM3	Subsidiary owned by Mao-Feng	Purchases	7,585,918	32	30~60 days	Note 1	30~60 days	(5,625,590)	24	-
CEM3	The Company	The parent company of COI	Sales	(7,585,918)	41	30~60 days	Note 2	30~60 days	5,625,590	68	-
The Company	CEM5	Subsidiary owned by COI	Purchases	218,733	1	30~60 days	Note 1	30~60 days	(73,541)	-	-
CEM5	The Company	The parent company of COI	Sales	(218,733)	5	30~60 days	Note 2	30~60 days	73,541	5	-
The Company	Mao-Ray	Subsidiary owned by Real Young	Purchases	4,517,159	19	30~60 days	Note 1	30~60 days	(3,398,726)	15	-
Mao-Ray	The Company	The parent company of COI	Sales	(4,517,159)	74	30~60 days	Note 2	30~60 days	3,398,726	94	-
CGI	CEM3	Affiliated company	Sales	(346,807)	1	60~90 days	Note 2	60~90 days	-	-	-
CEM3	CGI	Affiliated company	Purchases	346,807	2	60~90 days	Note 1	60~90 days	-	-	-
CGI	CAI	Affiliated company	Sales	(751,188)	3	60~90 days	Note 2	60~90 days	401,984	6	-
CAI	CGI	Affiliated company	Purchases	751,188	100	60~90 days	Note 1	60~90 days	(401,984)	100	-
CGI	CEZ	Affiliated company	Sales	(450,778)	2	60~90 days	Note 2	60~90 days	54,068	1	-
CEZ	CGI	Affiliated company	Purchases	450,778	62	60~90 days	Note 1	60~90 days	(54,068)	57	-
CEM2	CGI	Affiliated company	Sales	(13,078,447)	59	60~90 days	Note 2	60~90 days	-	-	-
CGI	CEM2	Affiliated company	Purchases	13,078,447	55	60~90 days	Note 1	60~90 days	-	-	-
Mao-Ray	CGI	Affiliated company	Sales	(1,112,214)	18	60~90 days	Note 2	60~90 days	-	-	-
CGI	Mao-Ray	Affiliated company	Purchases	1,112,214	5	60~90 days	Note 1	60~90 days	-	-	-
CEM3	CGI	Affiliated company	Sales	(6,699,379)	36	60~90 days	Note 2	60~90 days	1,138,489	14	-
CGI	CEM3	Affiliated company	Purchases	6,699,379	28	60~90 days	Note 1	60~90 days	(1,138,489)	52	-
CEM5	CGI	Affiliated company	Sales	(2,837,209)	64	60~90 days	Note 2	60~90 days	1,048,121	70	-
CGI	CEM5	Affiliated company	Purchases	2,837,209	12	60~90 days	Note 1	60~90 days	(1,048,121)	48	-
Mao-Ray	CEM2	Affiliated company	Sales	(156,984)	1	60~90 days	Note 2	60~90 days	115,212	2	-
CEM2	Mao-Ray	Affiliated company	Purchases	156,984	17	60~90 days	Note 1	60~90 days	(115,212)	16	-
CEM3	CEM5	Affiliated company	Sales	(184,777)	1	60~90 days	Note 2	60~90 days	-	-	-
CEM5	CEM3	Affiliated company	Purchases	184,777	5	60~90 days	Note 1	60~90 days	-	-	-

Purchaser/seller	Counterparty	Relationship with the counterparty (Note 3)	Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
Qun-Yang	CEM3	Affiliated company	Sales	(\$ 124,596)	100	60~90 days	Note 2	60~90 days	\$ 26,221	100	-
CEM3	Qun-Yang	Affiliated company	Purchases	124,596	1	60~90 days	Note 1	60~90 days	(26,221)	-	-
CPSZ	CEM3	Affiliated company	Sales	(502,751)	3	90 days	Note 2	90 days	291,460	5	-
CEM3	CPSZ	Affiliated company	Purchases	502,751	3	90 days	Note 1	90 days	(291,460)	5	-
CP	CEM3	Affiliated company	Sales	(680,203)	1	90 days	Note 2	90 days	485,253	-	-
CEM3	CP	Affiliated company	Purchases	680,203	4	90 days	Note 1	90 days	(485,253)	8	-
CP	CEM2	Affiliated company	Sales	(747,776)	2	90 days	Note 2	90 days	210,086	3	-
CEM2	CP	Affiliated company	Purchases	747,776	4	90 days	Note 1	90 days	(210,086)	4	-
CP	CEM5	Affiliated company	Sales	(295,779)	1	90 days	Note 2	90 days	200,609	-	-
CEM5	CP	Affiliated company	Purchases	295,779	8	90 days	Note 1	90 days	(200,609)	17	-
CPI	CEM3	Affiliated company	Sales	(462,023)	3	90 days	Note 2	90 days	-	3	-
CEM3	CPI	Affiliated company	Purchases	462,023	3	90 days	Note 1	90 days	-	-	-
CPI	CEM5	Affiliated company	Sales	(289,923)	2	90 days	Note 2	90 days	-	1	-
CEM5	CPI	Affiliated company	Purchases	289,923	8	90 days	Note 1	90 days	-	-	-
CP	CPUS	Affiliated company	Sales	(1,024,656)	3	90 days	Note 2	90 days	409,201	5	-
CPUS	CP	Affiliated company	Purchases	1,024,656	100	90 days	Note 1	90 days	(409,201)	100	-
CPI	CP	Affiliated company	Sales	(12,800,291)	93	45 days	Note 2	45 days	1,464,316	92	-
CP	CPI	Affiliated company	Purchases	12,800,291	59	45 days	Note 1	45 days	(1,464,316)	14	-
CP	CEZ	Affiliated company	Sales	(270,875)	1	90 days	Note 2	90 days	41,230	-	-
CEZ	CP	Affiliated company	Purchases	270,875	37	90 days	Note 1	90 days	(41,230)	43	-
CPDG	CP	Affiliated company	Sales	(5,448,640)	39	90 days	Note 2	90 days	2,377,120	77	-
CP	CPDG	Affiliated company	Purchases	5,448,640	15	90 days	Note 1	90 days	(2,377,120)	23	-
CPDG	CPI	Affiliated company	Sales	(4,858,322)	60	45 days	Note 2	45 days	-	-	-
CPI	CPDG	Affiliated company	Purchases	4,858,322	36	45 days	Note 1	45 days	-	-	-
CPSZ	CP	Affiliated company	Sales	(7,461,190)	37	45 days	Note 2	45 days	4,527,265	85	-
CP	CPSZ	Affiliated company	Purchases	7,461,190	17	45 days	Note 1	45 days	(4,527,265)	43	-
CPSZ	CPI	Affiliated company	Sales	(6,034,179)	59	45 days	Note 2	45 days	-	9	-
CPI	CPSZ	Affiliated company	Purchases	6,034,179	44	45 days	Note 1	45 days	-	20	-
CPCQ	CP	Affiliated company	Sales	(3,078,550)	33	45 days	Note 2	45 days	1,949,480	79	-
CP	CPCQ	Affiliated company	Purchases	3,078,550	8	45 days	Note 1	45 days	(1,949,480)	19	-
CPCQ	CPI	Affiliated company	Sales	(2,644,660)	53	45 days	Note 2	45 days	-	6	-
CPI	CPCQ	Affiliated company	Purchases	2,644,660	19	45 days	Note 1	45 days	-	7	-

Purchaser/seller	Counterparty	Relationship with the counterparty (Note 3)	Transaction			Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote	
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance		Percentage of total notes/accounts receivable (payable)
CPCQ	CPSZ	Affiliated company	Sales	(\$ 872,312)	13	60 days	Note 2	60 days	\$ 261,583	14	-
CPSZ	CPCQ	Affiliated company	Purchases	872,312	7	60 days	Note 1	60 days	(261,583)	6	-
GSE	CPSZ	Affiliated company	Sales	(256,007)	28	60 days	Note 2	60 days	86,377	22	-
CPSZ	GSE	Affiliated company	Purchases	256,007	2	60 days	Note 1	60 days	(86,377)	1	-
GSE	CPDG	Affiliated company	Sales	(381,428)	44	60 days	Note 2	60 days	119,982	50	-
CPDG	GSE	Affiliated company	Purchases	381,428	5	60 days	Note 1	60 days	(119,982)	4	-
GSE	CPCQ	Affiliated company	Sales	(130,869)	16	60 days	Note 2	60 days	33,388	-	-
CPCQ	GSE	Affiliated company	Purchases	130,869	3	60 days	Note 1	60 days	(33,388)	-	-
Systemax	XAVi	Affiliated company	Sales	(736,222)	100	45~180 days	Note 2	45~180 days	277,549	100	-
XAVi	Systemax	Affiliated company	Purchases	736,222	41	45~180 days	Note 1	45~180 days	(277,549)	92	-
XAVi Suzhou	Systemax	Affiliated company	Sales	(733,114)	50	45~180 days	Note 2	45~180 days	-	-	-
Systemax	XAVi Suzhou	Affiliated company	Purchases	733,114	57	45~180 days	Note 1	45~180 days	-	-	-
XAVi Suzhou	XAVi	Affiliated company	Sales	(1,034,799)	35	45~180 days	Note 2	45~180 days	169,994	-	-
XAVi	XAVi Suzhou	Affiliated company	Purchases	1,034,799	97	45~180 days	Note 1	45~180 days	(169,994)	-	-
CEM3	Newmax	Affiliated company	Purchases	206,116	1	60~90 days	Note 1	60~90 days	(40,259)	1	-
CEM3	KAPOK	Other related party	Sales	(491,115)	3	60 days	Note 2	60 days	206,145	2	-
CEM3	JiaXing ShunOn	Other related party	Purchases	168,823	1	60~90 days	Note 1	60~90 days	(44,631)	1	-
CEM3	Farwin (Kun Shan) Co., Ltd.	Other related party	Purchases	335,389	2	60~90 days	Note 1	60~90 days	(49,667)	1	-
CEM3	ShunOn Electronic Co.	Other related party	Purchases	393,317	2	60~90 days	Note 1	60~90 days	(107,401)	3	-
CEM5	ShunOn Electronic Co.	Other related party	Purchases	330,217	9	60~90 days	Note 1	60~90 days	(37,434)	3	-
CP	KAPOK	Other related party	Sales	(429,059)	1	60 days	Note 2	60 days	116,100	2	-

Note 1: Purchases from related parties were basically the same as those from third parties.

Note 2: Sales to related parties were basically the same as those to third parties.

CHICONY ELECTRONICS CO., LTD. AND SUBSIDIARIES
Receivables from related parties reaching \$100 million or 20% of paid-in capital or more
December 31, 2019

Table 8

Expressed in thousands of NTD
(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2019	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
Accounts receivable								
The Company	CEM3	Subsidiary owned by Mao-Feng	\$ 138,588	3.58	\$ -	-	\$ -	\$ -
CEM2	The Company	The parent company of COI	13,665,270	0.73	-	-	-	-
MR	The Company	The parent company of COI	3,398,726	1.21	-	-	-	-
MR	CEM2	Subsidiary owned by COI	115,212	2.73	-	-	-	-
CEM3	The Company	The parent company of COI	5,625,590	1.38	-	-	-	-
CEM3	KAPOK	Other related party	206,145	2.71	-	-	-	-
CEM3	CGI	Affiliated company	1,138,489	8.61	-	-	-	-
CGI	CAI	Affiliated company	401,984	1.79	-	-	-	-
CEM5	CGI	Affiliated company	1,048,121	3.23	-	-	-	-
CP	CEM2	Affiliated company	210,086	2.90	-	-	-	-
CP	CEM3	Affiliated company	485,253	2.80	-	-	-	-
CP	CEM5	Affiliated company	200,609	2.95	-	-	-	-
CPSZ	CEM3	Affiliated company	291,460	2.55	-	-	-	-
CP	CPUS	Affiliated company	409,201	2.50	-	-	-	-
CP	KAPOK	Other related party	116,100	3.60	-	-	-	-
CPI	CP	Affiliated company	1,464,316	2.97	-	-	-	-
CPDG	CP	Affiliated company	2,377,120	4.58	-	-	-	-
CPSZ	CP	Affiliated company	4,527,265	3.30	-	-	-	-
CPCQ	CP	Affiliated company	1,949,480	3.16	-	-	-	-
CPCQ	CPSZ	Affiliated company	261,583	3.61	-	-	-	-
GSE	CPDG	Affiliated company	119,982	2.90	-	-	-	-
Systemax	XAVi	Affiliated company	277,549	2.11	-	-	-	-
XAVi Suzhou	XAVi	Affiliated company	169,994	12.17	-	-	-	-
Other receivable								
The Company	UNIKEY	Subsidiary owned by the Company	\$ 1,255,811	-	\$ -	-	\$ -	\$ -
The Company	Qun-Jing	Subsidiary owned by HEC	192,626	-	-	-	-	-
The Company	Quansun	Subsidiary owned by HEC	604,982	-	-	-	-	-
The Company	CET	Subsidiary owned by the Company	151,659	-	-	-	-	-
The Company	Real Young	Subsidiary owned by COI	582,932	-	-	-	-	-
The Company	CGI	Subsidiary owned by the Company	233,937	-	-	-	-	-
COI	CGI	Affiliated company	3,665,910	-	-	-	-	-
COI	KUM	Affiliated company	207,686	-	-	-	-	-
CGI	The Company	Affiliated company	730,905	-	-	-	-	-
CGI	CEM2	Affiliated company	6,437,757	-	-	-	-	-
CGI	Mao-Ray	Affiliated company	1,688,101	-	-	-	-	-
Mao-Feng	The Company	The Company	699,543	-	-	-	-	-
Mao-Feng	CGI	Affiliated company	1,398,722	-	-	-	-	-
Real Young	Mao-Ray	Affiliated company	333,998	-	-	-	-	-
CEM2	CET	Affiliated company	242,149	-	-	-	-	-
CEM3	Mao-Qun	Affiliated company	173,348	-	-	-	-	-
CEM5	CEM3	Affiliated company	291,686	-	-	-	-	-
CEM5	XAVi Suzhou	Affiliated company	87,103	-	-	-	-	-
CP	CPHK	Affiliated company	1,314,328	-	-	-	-	-
CP	CPUS	Affiliated company	157,726	-	-	-	-	-
CPDG	Zhuzhou Torch	Affiliated company	246,518	-	-	-	-	-
HOI	CGI	Affiliated company	2,149,721	-	-	-	-	-
HOI	Real Young	Affiliated company	105,689	-	-	-	-	-
HOI	HEC	Affiliated company	492,314	-	-	-	-	-

CHICONY ELECTRONICS CO., LTD. AND SUBSIDIARIES
Significant inter-company transactions during the reporting period
Year ended December 31, 2019

Table 9

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets (Note 3)
				General ledger account	Amount	Transaction terms	
0	The Company	UNIKEY	1	Other receivables-related party	\$ 1,255,811	Note 5	1.76
1	CGI	The Company	2	Other receivables-related party	730,905	Note 5	1.02
1	CGI	Mao-Ray	3	Other receivables-related party	1,688,101	Note 7	2.36
1	CGI	CEM2	3	Other receivables-related party	6,437,757	Note 7	9.01
2	COI	CGI	3	Other receivables-related party	3,665,910	Note 5	5.13
3	CEM2	The Company	2	Sales	8,907,899	Note 4	9.62
3	CEM2	The Company	2	Accounts receivable-related party	13,665,270	Note 4	19.13
3	CEM2	CGI	3	Sales	13,078,447	Note 4	14.13
4	CEM3	The Company	2	Sales	7,585,918	Note 4	8.20
4	CEM3	The Company	2	Accounts receivable-related party	5,625,590	Note 4	7.87
4	CEM3	CGI	3	Sales	6,699,379	Note 4	7.24
4	CEM3	CGI	3	Accounts receivable-related party	1,138,489	Note 4	1.59
5	CEM5	CGI	3	Sales	2,837,209	Note 4	3.07
5	CEM5	CGI	3	Accounts receivable-related party	1,048,121	Note 4	1.47
6	Mao-Ray	The Company	2	Sales	4,517,159	Note 4	4.88
6	Mao-Ray	The Company	2	Accounts receivable-related party	3,398,726	Note 4	4.76
6	Mao-Ray	CGI	3	Sales	1,112,214	Note 4	1.20
7	Mao-Feng	CGI	3	Other receivables-related party	1,398,722	Note 5	1.96
8	CP	CPUS	3	Sales	1,024,656	Note 4	1.11
8	CP	CPHK	3	Other receivables-related party	1,314,328	Note 5	1.84
9	CPI	CP	3	Sales	12,800,291	Note 4	13.83
9	CPI	CP	3	Accounts receivable-related party	1,464,316	Note 4	2.05
10	HOI	CGI	3	Other receivables-related party	2,149,721	Note 5	3.01
11	CPSZ	CP	3	Sales	7,461,190	Note 4	8.06
11	CPSZ	CP	3	Accounts receivable-related party	4,527,265	Note 4	6.34
11	CPSZ	CPI	3	Sales	6,034,179	Note 4	6.52
12	CPCQ	CP	3	Sales	3,078,550	Note 4	3.33
12	CPCQ	CP	3	Accounts receivable-related party	1,949,480	Note 4	2.73
12	CPCQ	CPI	3	Sales	2,644,660	Note 4	2.86
13	CPDG	CP	3	Sales	5,448,640	Note 4	5.89

Transaction							Percentage of consolidated total operating revenues or total assets (Note 3)
Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	General ledger account	Amount	Transaction terms	
13	CPDG	CP	3	Accounts receivable-related party	\$ 2,377,120	Note 4	3.33
13	CPDG	CPI	3	Sales	4,858,322	Note 4	5.25
14	XAVi-Suzhou	XAVi	3	Sales	1,034,799	Note 4	1.12

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

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

- (1) Parent company is '0'.
- (2) The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories:

- (1) Parent company to subsidiary.
- (2) Subsidiary to parent company.
- (3) Subsidiary to subsidiary.

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

Note 4: Sales to related parties were basically the same as those to third parties, with consideration of transaction quantities and market situation, the payment terms were basically the same as third parties .

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

Note 6: Receivables from advances and service charges of related parties.

CHICONY ELECTRONICS CO., LTD. AND SUBSIDIARIES
Information on investees (not including investees in Mainland China)
Year ended December 31, 2019

Table 10

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2019					Footnote
				Balance as at December 31, 2019	Balance as at December 31, 2018	Number of shares	Ownership (%)	Book value	Net profit (loss) of the investee for the year ended December 31, 2019	Investment income (loss) recognised by the Company for the year ended December 31, 2019	
The Company	COI	BVI	(1) Sales of computer peripherals (2) Management of overseas acquisitions & investments	\$ 265,326	\$ 265,326	1,000	100.00%	\$ 22,800,344	\$ 2,614,435	\$ 2,616,094	Subsidiary
	CET	Thailand	Manufacturing and sales of computer peripherals	441,408	33,920	4,323,384	70.73%	230,756 (	61,342) (	38,838)	Subsidiary
	UNIKEY	Taiwan R.O.C.	Manufacturing and sales of computer peripherals	150,000	150,000	90,000,000	100.00%	1,204,078	579,200	498,738	Subsidiary
	HOI	BVI	(1) Sales of computer peripherals (2) Management of overseas acquisitions & investments	412,003	412,003	12,560,000	100.00%	2,721,424	38,031	38,031	Subsidiary
	HEC	Taiwan R.O.C.	Sales of switching power supplies and other electronic parts	2,330	2,330	4,660,000	100.00%	(322,053)	78,858	17,340	Subsidiary
	XAVi	Taiwan R.O.C.	Researching, manufacturing and selling the DSL bridges and routers	251,153	241,426	45,642,270	45.94%	358,188	179,600	80,479	Subsidiary
	CGI	Malaysia	Sales of computers and computer peripherals	33,027	33,027	1,000,000	100.00%	2,987,312 (	572,919) (	291,753)	Subsidiary
	CP	Taiwan R.O.C.	(1) Research, manufacture and sales of switching power supply, other electronic parts and equipment, and lamps (2) Smart building system business	1,486,300	1,398,798	188,409,594	49.28%	3,146,608	1,720,487	833,695	Subsidiary
UNIKEY	Real Young	BVI	(1) Sales of computer peripherals (2) Management of overseas acquisitions & investments	41,490	41,490	1,275,000	13.95%	111,229	12,082	-	Sub-subsubsidiary
COI	CAI	U.S.A	Sales of computers and computer peripherals	97,533	97,533	3,250,000	100.00%	89,340 (	848)	-	Sub-subsubsidiary
	CAGI	U.S.A	Internet solution for E-Commerce solution	93,181	93,181	12,400,000	100.00%	(1,253) (	46)	-	Sub-subsubsidiary
	Mao-Feng	BVI	(1) Sales of computer peripherals (2) Management of overseas acquisitions & investments	68,843	68,843	2,294,000	100.00%	10,114,270	863,377	-	Sub-subsubsidiary
	CET	Thailand	Manufacturing and sales of computer peripherals	234,781	234,781	1,789,141	29.27%	95,532 (	61,285)	-	Sub-subsubsidiary
	KUM	Samoa	(1) Sales of computer peripherals (2) Management of overseas acquisitions & investments	68,164	68,164	2,284,142	100.00%	(186,182) (	12,408)	-	Sub-subsubsidiary
	CEZ	Czech Republic	Sales of computers and computer peripherals	197	197	-	100.00%	256,484	12,220	-	Sub-subsubsidiary
	GFI	Cayman Islands	(1) Sales of computer peripherals (2) Management of overseas acquisitions & investments	71,776	71,776	2,310,000	60.00%	(186,187) (	15,775)	-	Sub-subsubsidiary
	Real Young	BVI	(1) Sales of computer peripherals (2) Management of overseas acquisitions & investments	242,247	242,247	7,864,780	86.05%	694,443	86,608	-	Sub-subsubsidiary

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2019					Footnote
				Balance as at December 31, 2019	Balance as at December 31, 2018	Number of shares	Ownership (%)	Book value	Net profit (loss) of the investee for the year ended December 31, 2019	Investment income (loss) recognised by the Company for the year ended December 31, 2019	
COI	CEJ	Japan	Sales of computers and computer peripherals	\$ 2,844 (USD 95)	\$ 2,844 (USD 95)	-	100.00%	\$ 10,873	\$ 910	\$ -	Sub-subsidiary
	Hikari Investment GK	Japan	Investment holdings	-	898,439 (USD 29,938)	-	0.00%	-	657,766	-	Sub-subsidiary
	Swift Success Holdings limited	Samoa	Investment holdings	160,925 (USD 5,362)	-	-	40.00%	184,258	84,207	-	Investments accounted for under equity method
CP	CPH	BVI	Investment holdings	326,350	326,350	10,000,000	100.00%	5,318,754	1,383,105	-	Sub-subsidiary
CP	CPTH	Thailand	Sales of switching power supplies and other electronic parts	38,171 (THB 38,000)	-	3,800,000	100.00%	36,396	(1,761)	-	Sub-subsidiary
CPH	CPI	Cayman Islands	Sales of switching power supplies and other electronic parts	300,100 (USD 10,000)	300,100 (USD 10,000)	10,000,000	100.00%	5,631,168	1,383,066	-	Sub-subsidiary
CPI	CPUS	U.S.A	Sales of switching power supplies and other electronic parts	39,523 (USD 1,317)	39,523 (USD 1,317)	1,500,000	100.00%	48,621	21,517	-	Sub-subsidiary
	CPHK	Hong Kong	Research and development center	330,612 (HKD 85,800)	330,612 (HKD 85,800)	46,800,000	100.00%	3,915,378	1,201,885	-	Sub-subsidiary
	WitsLight Technology	Samoa	Design, research and development, manufacturing and sales of LED lighting modules and investment holdings	270,090 (USD 9,000)	270,090 (USD 9,000)	10,000,000	78.13%	120,424	(11,870)	-	Sub-subsidiary
WTS	WT	Taiwan R.O.C.	Design, research and development of LED lighting modules and international trade	-	5,000	-	0.00%	-	67,205	-	Sub-subsidiary
	CT	Taiwan R.O.C.	Design, researching and developing and sales of automotive and motorcycle lamps and other components	3,000	3,000	300,000	100.00%	(31,202)	(7,772)	-	Sub-subsidiary
Kuang Mao	Sky-Fine	Samoa	Sales of computers and computer peripherals	74,813 (USD 2,493)	74,813 (USD 2,493)	310,423	29.00%	21,264	(35,445)	-	Investments accounted for under equity method
HEC	Quansun	Taiwan R.O.C.	Investment holdings	80,000	80,000	8,000,000	100.00%	(174,106)	4,074	-	Sub-subsidiary
	Qun-Jung	Taiwan R.O.C.	Manufacturing and sales of computer peripherals	1,000	1,000	100,000	100.00%	(114,945)	85	-	Sub-subsidiary
	CP	Taiwan R.O.C.	(1) Research, manufacture and sales of switching power supply, other electronic parts and equipment, and lamps (2) Smart building system business	54,811	54,811	1,200,000	0.31%	57,125	1,720,487	-	Subsidiary
XAVi	Directmax	BVI	Management of overseas	332,791 (USD 10,250)	332,791 (USD 10,250)	7,750,000	100.00%	426,057	88,897	-	Sub-subsidiary
Directmax	XAVi Overseas	BVI	Management of overseas	324,942 (USD 10,000)	324,942 (USD 10,000)	7,500,000	100.00%	116,683	109,828	-	Sub-subsidiary
	Systemax	BVI	Sales of DSL bridges and routers	7,849 (USD 250)	7,849 (USD 250)	250,000	100.00%	309,374	(20,931)	-	Sub-subsidiary

Note: The amount of NTD exchanged from foreign currency in the table were exchanged with the exchange rate at financial reporting date except profit or loss was exchanged with the average exchange rate from January 1, 2019 to December 31, 2019.

CHICONY ELECTRONICS CO., LTD. AND SUBSIDIARIES
Information on investments in Mainland China
Year ended December 31, 2019

Table 11

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2019			Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2019	Net income of investee for the year ended December 31, 2019	Ownership held by the Company (direct or indirect)	(Note 2)		Book value of investments in Mainland China as of December 31, 2019	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2019	Footnote (Note 1,4)
				Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2019	Remitted to Mainland China	Remitted back to Taiwan				Investment income (loss) recognised by the Company for the year ended December 31, 2019	Investment income (loss) recognised by the Company for the year ended December 31, 2019			
Chicony Electronics (Dong Guan) Co., Ltd.	Manufacturing and sales of computer peripherals	\$ 322,150	2	\$ 317,555	\$ -	\$ -	\$ 317,555	\$ 198,541	100%	\$ 198,541	(2)B	\$ 3,888,283	\$ -	(2)A
Chicony Electronics (Suzhou) Co., Ltd.	Manufacturing and sales of computer peripherals	967,558	2	329,424	-	-	329,424	432,109	100%	432,109	(2)B	8,347,504	-	(2)C
Chicony Electronics (Chong-Qing) Co., Ltd.	Manufacturing and sales of computer peripherals	435,788	2	-	-	-	-	398,018	100%	398,018	(2)B	2,435,761	-	(2)A
Mao-Ray Electronics (Dong Guan) Co., Ltd.	Manufacturing of electronic parts, keyboards and plastic products	277,530	2	236,374	-	-	236,374	104,733	100%	104,733	(2)B	694,443	-	(2)B
Suzhou Mao-Qun Electronics Co., Ltd.	Manufacturing of electronic parts, keyboards and plastic products	124,911	2	93,661	-	-	93,661	(14,332)	60%	(8,599)	(2)B	(164,179)	-	(2)D and Note 4
Suzhou Qun-Yang Electronics Co., Ltd.	Manufacturing of electronic parts, keyboards and plastic products	4,804	2	-	-	-	-	(12,234)	60%	(7,340)	(2)B	(43,805)	-	(2)D and Note 4
XAVi Technology (Suzhou) Co., Ltd.	Manufacturing and sales of DSL bridges	324,942	2	324,942	-	-	324,942	109,828	45.94%	50,455	(2)B	54,477	-	(2)G and Note 4
Chicony Power Technology (Dong Guan) Co., Ltd.	Manufacturing and sales of switching power supplies and other electronic parts	593,135	2	286,935	-	-	286,935	187,633	49.59%	93,047	(2)B	570,877	-	(2)F and Note 4
Chicony Power Technology (Suzhou) Co., Ltd.	Manufacturing and sales of switching power supplies and LED lighting equipment	1,297,467	2	194,245	-	-	194,245	683,093	49.59%	338,746	(2)B	1,216,751	-	(2)F and Note 4
Quang Sheng Electronics (Nangchang) Co., Ltd.	Manufacturing of switching power supplies and other electronics parts	131,175	2	97,602	-	-	97,602	8,634	49.59%	3,751	(2)B	111,446	-	(2)F and Note 4

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2019			Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2019	Net income of investee for the year ended December 31, 2019	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2019	Book value of investments in Mainland China as of December 31, 2019	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2019	Footnote
				Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2019	Remitted to Mainland China	Remitted back to Taiwan							
Chicony Power Technology (Chong Qing) Co., Ltd.	Manufacturing and sales of switching power supplies and LED lighting equipment	\$ 301,744	2	\$ -	\$ -	\$ -	\$ -	\$ 371,801	49.59%	\$ 184,376 (2)B	\$ 592,985	\$ -	(2)F and Note 4
Chicony Energy Saving Technology (Shanghai) Co., Ltd.	Sales of LED lighting equipment	44,379	2	-	-	-	(4,045)	49.59%	(2,006) (2)B	23,357	-	(2)F and Note 4	
Chicony Power Technology Trading (Dong Guan) Co., Ltd.	Importing and exporting of switching power supplies, LED lighting equipment, and other electronic parts and smart building system business	10,491	2	-	-	-	(778)	49.59%	(386) (2)B	(180)	-	(2)F and Note 4	
Chicony Power Technology Trading (Taizhou) Co., Ltd.	Researching and developing, manufacturing, sales, installation, aftersale, and advisory services of electric machinery, electric frequency device and industry automation equipment; manufacturing and sales of electrical machinery and components; import and export of goods and technique	90,030	2	-	-	-	(4,189)	49.59%	(2,077) (2)B	42,050	-	(2)F and Note 4	
WitsLight Technology (Kunshan) Co., Ltd.	Manufacturing and sales of LED lighting modules	331,859	2	-	-	-	(21,259)	38.74%	(8,236) (2)B	70,850	-	(2)H and Note 4	
Zhuzhou Torch Auto Lamp Co., Ltd.	Production and sales of automotive and motorcycle components, electric machine and device, lamps and plastic products	228,654	2	-	-	-	10,506	38.74%	4,070 (2)B	73,741	-	(2)H and Note 4	

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2019 (Note 3)	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA) (Note 3)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
The company	\$ 2,360,707 (USD 78,664 thousand)	\$ 3,322,467 (USD 110,712 thousand)	\$ 16,361,025

Note 1: Investment methods are classified into the following three categories:

- (1) Directly invest in a company in Mainland China.
- (2) Through investing in an existing company in the third area, which then invested in the investee in Mainland China, the investing companies includes:
 - A. Chicony Overseas Inc.
 - B. Real Young Elec. Co., Ltd.
 - C. Mao-Feng International Inc.
 - D. Global Faith Inc.
 - E. Kuang Mao International Inc.
 - F. Chicony Power Technology Hong Kong Limited(CPHK)
 - G. XAVi Overseas Ltd.
 - H. WitsLight Technology Co., Ltd..
- (3) Others.

Note 2: In the 'Investment income (loss) recognized by the Company for the year ended December 31, 2019' column:

- (1) It should be indicated if the investee was still in the incorporation arrangements and had not yet any profit during this period.
- (2) Indicate the basis for investment income (loss) recognition in the number of one of the following three categories:
 - A. The financial statements were audited and attested by international accounting firm which has cooperative relationship with accounting firm in R.O.C.
 - B. The financial statements were audited and attested by R.O.C. parent company's CPA.
 - C. Others

Note 3: The numbers in this table are expressed in New Taiwan Dollars.

Note 4: Calculated based on the Company's ending combined shareholding ratio.