Stock Code:2324

COMPAL ELECTRONICS, INC.

Parent Company Only Financial Statements

With Independent Auditors' Report
For the Years Ended December 31, 2018 and 2017

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Independent Auditor's Report

To COMPAL ELECTRONICS, INC.:

Opinion

We have audited the financial statements of COMPAL ELECTRONICS, INC. (the "Company"), which comprise the balance sheets as of December 31, 2018 and 2017, the statement of comprehensive income, changes in equity and cash flows for the years ended December 31, 2018 and 2017, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended December 31, 2018 and 2017, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

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

1. Account receivable valuation

   Please refer to Note (4)(f) for the accounting policy of accounts receivable. Information of account receivable valuation are shown in Note (6)(h) of the financial statements.

Description of key audit matters:

The Company devotes to develop new product lines and customers in emerging countries, and the credit risks of these customers are higher than other world leading enterprises. Therefore, valuation of accounts receivable has been identified as a key audit matter.

Our key audit procedures performed in respect of the above area included the following:

In order to evaluate the reasonableness of the Company's estimations for bad debts, our key audit procedures included reviewing if the measurement of impairment loss of accounts receivable is accordance with accounting policy, examining the historical recovery records, analyzing the aging of accounts receivable, and the current credit status of customers, as well as inspecting the amount collected in the subsequent period.

2. Inventory valuation

Please refer to Note (4)(g) and Note (5) for the accounting policy of inventory valuation, as well as the estimation and assumption uncertainty of the valuation of inventory, respectively. Information of estimation of the valuation of inventory are disclosed in Note (6)(j) of the financial statements.

Description of key audit matters:

The inventory is measured at the lower of cost or net realizable value. The short life cycle of electronic products may cause significant changes in customers' demand and sales of related products. Consequently, the book value of inventory may be lower than the net realizable value of inventory. Therefore, the valuation of inventory is one of the key audit matters.

Our key audit procedures performed in respect of the above area included the following:

In order to verify the rationality of assessment of inventory valuation estimated by the Company, our key audit procedures included reviewing the consistency of prior year and accounting policy, inspecting the Company's inventory aging reports, analyzing the change of inventory aging, as well as verifying the inventory aging reports and the calculation of lower of cost or net realizable value.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance (including members of the Audit Committee) are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 the auditing standards generally accepted in the Republic of China 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 financial statements.

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

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

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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 investment in other entities accounted for using the equity method to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion

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

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

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

The engagement partners on the audit resulting in this independent auditors’ report are Szu-Chuan Chien and Yiu-Kwan Au.

KPMG

KPMG

Taipei, Taiwan (Republic of China)
March 22, 2019

Notes to Readers

The accompanying parent company only financial statements are intended only to present the parent company only financial statements of financial position, financial performance and its cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such parent company only financial statements are those generally accepted and applied in the Republic of China.

COMPAL ELECTRONICS, INC.

Balance Sheets

December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2018		December 31, 2017	
	Assets	**Amount**	**%**	**Amount**	**%**
	Current assets:				
1100	Cash and cash equivalents (note (6)(a))	$ 20,446,378	5.7	28,343,534	8.6
1110	Current financial assets at fair value through profit or loss (note (6)(b))	284,768	0.1	-	-
1125	Current available-for-sale financial assets (note (6)(d))	-	-	46,479	-
1136	Current financial assets at amortized cost (note (6)(f))	350,000	0.1	-	-
1147	Current bond investments without active market (note (6)(g))	-	-	350,000	0.1
1170	Notes and accounts receivable, net (note (6)(h))	189,496,594	53.3	165,540,785	50.5
1180	Notes and accounts receivable due from related parties, net (notes (6)(h) and 7)	1,318,230	0.4	2,095,570	0.7
1200	Other receivables, net (notes (6)(h), (6)(i) and 7)	1,418,750	0.4	711,293	0.2
1310	Inventories (note (6)(j))	51,517,159	14.5	42,985,363	13.1
1470	Other current assets	541,027	0.1	604,564	0.2
		265,372,906	74.6	240,677,588	73.4
	Non-current assets:				
1550	Investments accounted for using equity method (note (6)(k))	83,299,238	23.5	77,919,870	23.7
1510	Non-current financial assets at fair value through profit or loss (note (6)(b))	23,745	-	-	-
1517	Non-current financial assets at fair value through other comprehensive income (note (6)(c))	3,731,918	1.0	-	-
1523	Non-current available-for-sale financial assets (note (6)(d))	-	-	5,735,334	1.8
1543	Non-current financial assets at cost (note (6)(e))	-	-	2,333	-
1546	Non-current bond investments without active market (note (6)(g))	-	-	350,000	0.1
1600	Property, plant and equipment (note (6)(m))	2,128,181	0.6	2,092,272	0.7
1780	Intangible assets	378,745	0.1	146,813	-
1840	Deferred tax assets (note 6(t))	760,580	0.2	1,065,112	0.3
1990	Other non-current assets	117,500	-	106,744	-
		90,439,907	25.4	87,418,478	26.6
	Total assets	$ 355,812,813	100.	328,096,066	100.

		December 31, 2018		December 31, 2017	
	Liabilities and Equity	**Amount**	**%**	**Amount**	**%**
	Current liabilities:				
2100	Short-term borrowings (note (6)(n))	$ 51,305,682	14.4	41,386,000	12.6
2130	Current contract liabilities (note (6)(x))	1,405,452	0.4	-	-
2170	Notes and accounts payable	77,050,816	21.7	72,212,035	22.0
2180	Notes and accounts payable to related parties (note 7)	78,376,843	22.0	71,456,277	21.9
2200	Other payables (note 7)	8,392,511	2.4	7,052,029	2.1
2230	Current tax liabilities	1,787,434	0.5	1,644,175	0.5
2250	Current provisions (note (6)(p))	-	-	1,440,292	0.5
2300	Other current liabilities	587,308	0.2	664,918	0.2
2313	Unearned revenue	-	-	1,617,626	0.5
2365	Current refund liabilities (note (6)(q))	1,480,446	0.4	-	-
2322	Long-term borrowings, current portion (note (6)(o))	17,496,250	4.9	6,018,750	1.8
		237,882,742	66.9	203,492,102	62.1
	Non-Current liabilities:				
2540	Long-term borrowings (note (6)(o))	10,900,000	3.0	21,114,450	6.4
2570	Deferred tax liabilities (note (6)(t))	386,555	0.1	543,621	0.2
2640	Non-current net defined benefit liability (note (6)(s))	621,581	0.2	612,131	0.2
2670	Non-current liabilities, others (note (6)(k))	298,289	0.1	438,178	0.1
		12,206,425	3.4	22,708,380	6.9
	Total liabilities	250,089,167	70.3	226,200,482	69.0
	Equity:				
3110	Ordinary share (note (6)(u))	44,071,466	12.4	44,191,916	13.5
3200	Capital surplus (note (6)(u))	9,932,434	2.8	10,938,773	3.3
3300	Retained earnings (note (6)(u))	60,060,381	16.9	56,557,146	17.2
3400	Other equity interest (notes (6)(u) and (6)(v))	(7,459,388)	(2.1)	(8,911,004)	(2.7)
3500	Treasury shares (note (6)(u))	(881,247)	(0.3)	(881,247)	(0.3)
	Total equity	105,723,646	29.7	101,895,584	31.0
	Total liabilities and equity	$ 355,812,813	100.	328,096,066	100.

See accompanying notes to financial statements.

COMPAL ELECTRONICS, INC.

Statements of Comprehensive Income

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Share)

		2018		2017	
		Amount	%	Amount	%
4000	**Net sales revenue (notes (6)(x), (6)(y) and 7)**	$ 911,050,122	100.0	841,309,602	100.0
5000	**Cost of sales (notes (6)(j), (6)(s), 7 and 12)**	889,171,625	97.6	819,765,642	97.4
	Gross profit	21,878,497	2.4	21,543,960	2.6
5910	Less: Unrealized profit (loss) from sales	(2,344)	-	(480)	-
	Gross profit	21,880,841	2.4	21,544,440	2.6
	Operating expenses: (notes (6)(r), (6)(s) and 12)				
6100	Selling expenses	3,157,897	0.3	5,979,101	0.7
6200	Administrative expenses	2,389,356	0.3	2,100,602	0.2
6300	Research and development expenses	9,396,882	1.0	8,294,188	1.0
		14,944,135	1.6	16,373,891	1.9
	Net operating income	6,936,706	0.8	5,170,549	0.7
	Non-operating income and expenses:				
7020	Other gains and losses, net (notes (6)(d), (6)(k) and (6)(aa))	(126,030)	-	(1,615,111)	(0.1)
7050	Finance costs	(1,938,044)	(0.2)	(975,175)	(0.1)
7190	Other income (notes (6)(r) and (6)(aa))	887,354	0.1	937,671	0.1
7370	Share of profit of subsidiaries, associates and joint ventures accounted for using equity method	4,198,330	0.4	3,160,786	0.4
	Total non-operating income and expenses	3,021,610	0.3	1,508,171	0.3
7900	**Profit before tax**	9,958,316	1.1	6,678,720	1.0
7950	**Less: Tax expense (note (6)(t))**	1,044,951	0.1	929,195	0.1
	Profit	8,913,365	1.0	5,749,525	0.9
8300	**Other comprehensive income:**				
8310	**Items that will not be reclassified subsequently to profit or loss:**				
8311	Other comprehensive income, before tax, remeasurement of defined benefit obligation	(20,189)	-	(79,683)	-
8316	Other comprehensive income, before tax, equity instruments at fair value through other comprehensive income	(1,096,846)	(0.1)	-	-
8330	Share of other comprehensive income (loss) of subsidiaries, associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	(212,493)	-	(1,970)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	69,926	-	13,546	-
	Components of other comprehensive income that will not be reclassified to profit or loss	(1,259,602)	(0.1)	(68,107)	-
8360	**Items that will be reclassified subsequently to profit or loss**				
8361	Other comprehensive income, before tax, exchange differences on translation of foreign financial statement	1,853,763	0.1	(4,606,117)	(0.5)
8362	Other comprehensive income, before tax, available-for-sale financial assets	-	-	147,849	-
8380	Share of other comprehensive income (loss) of subsidiaries, associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	(229,339)	-	(21,111)	-
8399	Income tax relating to components of other comprehensive income that will be reclassified to profit or loss	-	-	(12,221)	-
	Components of other comprehensive income (loss) that will be reclassified to profit or loss	1,624,424	0.1	(4,491,600)	(0.5)
8300	**Other comprehensive income (loss), net**	364,822	-	(4,559,707)	(0.5)
8500	**Total comprehensive income**	**$ 9,278,187**	**1.0**	**1,189,818**	**0.4**
	Earnings per share (note 6(w))				
9750	**Basic earnings per share**	**$**	**2.05**		**1.32**
9850	**Diluted earnings per share**	**$**	**2.02**		**1.31**

See accompanying notes to financial statements.

COMPAL ELECTRONICS, INC.
Statements of Changes in Equity
For the years ended December 31, 2018 and 2017
(Expressed in Thousands of New Taiwan Dollars)

			Retainedearnings				Total other equity interest						
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Unrealized gains (losses) on available-for-sale financial assets	Unearned employee benefit and others	Total other equity interest	Treasury shares	Total equity
Balance at January 1, 2017	$ 44,241,606	11,779,274	17,439,772	3,199,674	34,649,963	55,289,409	1,324,282	-	(5,663,830)	(285,105)	(4,624,653)	(881,247)	105,804,389
Profit for the year ended December 31, 2017	-	-	-	-	5,749,525	5,749,525	-	-	-	-	-	-	5,749,525
Other comprehensive income	-	-	-	-	(68,107)	(68,107)	(4,801,658)	-	310,058	-	(4,491,600)	-	(4,559,707)
Total comprehensive income	-	-	-	-	5,681,418	5,681,418	(4,801,658)	-	310,058	-	(4,491,600)	-	1,189,818
Appropriation and distribution of retained earnings:													
Legal reserve appropriated	-	-	813,089	-	(813,089)	-	-	-	-	-	-	-	-
Special reserve appropriated	-	-	-	1,139,875	(1,139,875)	-	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(4,422,153)	(4,422,153)	-	-	-	-	-	-	(4,422,153)
Cash dividends from capital surplus	-	(884,431)	-	-	-	-	-	-	-	-	-	-	(884,431)
Difference between consideration and carrying amount arising from acquisition or disposal subsidiaries	-	33,016	-	-	(2,179)	(2,179)	-	-	-	-	-	-	30,837
Changes in ownership interests in subsidiaries	-	142	-	-	(424)	(424)	-	-	-	-	-	-	(282)
Changes in equity of associates and joint ventures accounted for using equity method	-	14,217	-	-	(194)	(194)	-	-	-	-	-	-	14,023
Share-based payments transaction	(49,690)	(63,472)	-	-	11,269	11,269	-	-	-	205,249	205,249	-	103,356
Adjustments of capital surplus for company's cash dividends received by subsidiaries	-	60,027	-	-	-	-	-	-	-	-	-	-	60,027
Balance at December 31, 2017	44,191,916	10,938,773	18,252,861	4,339,549	33,964,736	56,557,146	(3,477,376)	-	(5,353,772)	(79,856)	(8,911,004)	(881,247)	101,895,584
Effects of retrospective application	-	-	-	-	494,051	494,051	-	(5,847,823)	5,353,772	-	(494,051)	-	-
Adjusted balance at January 1, 2018	44,191,916	10,938,773	18,252,861	4,339,549	34,458,787	57,051,197	(3,477,376)	(5,847,823)	-	(79,856)	(9,405,055)	(881,247)	101,895,584
Profit for the year ended December 31, 2018	-	-	-	-	8,913,365	8,913,365	-	-	-	-	-	-	8,913,365
Other comprehensive income	-	-	-	-	14,094	14,094	1,624,424	(1,273,696)	-	-	350,728	-	364,822
Total comprehensive income	-	-	-	-	8,927,459	8,927,459	1,624,424	(1,273,696)	-	-	350,728	-	9,278,187
Appropriation and distribution of retained earnings:													
Legal reserve appropriated	-	-	574,953	-	(574,953)	-	-	-	-	-	-	-	-
Special reserve appropriated	-	-	-	4,491,599	(4,491,599)	-	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(4,407,147)	(4,407,147)	-	-	-	-	-	-	(4,407,147)
Cash dividends from capital surplus	-	(881,429)	-	-	-	-	-	-	-	-	-	-	(881,429)
Changes in ownership interests in subsidiaries	-	(32,706)	-	-	(521,643)	(521,643)	-	489,483	-	-	489,483	-	(64,866)
Changes in equity of associates and joint ventures accounted for using equity method	-	(459)	-	-	(1,156)	(1,156)	-	1,130	-	-	1,130	-	(485)
Share-based payments transaction	(120,450)	(151,766)	-	-	36,141	36,141	-	-	-	79,856	79,856	-	(156,219)
Adjustments of capital surplus for company's cash dividends received by subsidiaries	-	60,021	-	-	-	-	-	-	-	-	-	-	60,021
Disposal of investments in equity instruments measured at fair value through other comprehensive income	-	-	-	-	(1,024,470)	(1,024,470)	-	1,024,470	-	-	1,024,470	-	-
Balance at December 31, 2018	**$ 44,071,466**	**9,932,434**	**18,827,814**	**8,831,148**	**32,401,419**	**60,060,381**	**(1,852,952)**	**(5,606,436)**	**-**	**-**	**(7,459,388)**	**(881,247)**	**105,723,646**

See accompanying notes to financial statements.

COMPAL ELECTRONICS, INC.

Statements of Cash Flows

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	2018	2017
Cash flows from (used in) operating activities:		
Profit before tax	$ 9,958,316	6,678,720
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation and amortization	456,117	480,523
Increase in expected credit loss /allowance for uncollectible accounts	1,065	2,928,547
Net gain on financial assets or liabilities at fair value through profit or loss	(95,526)	-
Finance cost	1,938,044	975,175
Interest income	(332,905)	(239,394)
Dividend income	(212,129)	(117,742)
Compensation cost of share-based payments	(156,219)	103,356
Share of profit of subsidiaries, associates and joint ventures accounted for using equity method	(4,198,330)	(3,160,786)
Loss on disposal of investments	-	1,804
Total adjustments to reconcile profit (loss)	(2,599,883)	971,483
Changes in operating assets and liabilities:		
Changes in operating assets:		
Decrease (increase) in notes and accounts receivable	(23,179,534)	(5,685,417)
Decrease (increase) in other receivables	(629,912)	(223,698)
Decrease (increase) in inventories	(8,531,796)	(15,016,352)
Decrease (increase) in other current assets	63,537	(145,850)
Total changes in operating assets	(32,277,705)	(21,071,317)
Changes in operating liabilities:		
Increase (decrease) in notes and accounts payable	11,759,347	(2,770,322)
Increase (decrease) in other payables	1,172,349	(686,997)
Increase (decrease) in refund liabilities	40,154	-
Increase (decrease) in provisions	-	(91,958)
Increase (decrease) in unearned revenue	-	(156,532)
Increase (decrease) in contract liabilities	(212,174)	-
Increase (decrease) in other current liabilities	(77,610)	(261,816)
Others	(12,315)	(9,639)
Total changes in operating liabilities	12,669,751	(3,977,264)
Total changes in operating assets and liabilities	(19,607,954)	(25,048,581)
Total adjustments	(22,207,837)	(24,077,098)
Cash inflow (outflow) generated from operations	(12,249,521)	(17,398,378)
Interest received	314,650	221,027
Dividends received	592,252	660,913
Interest paid	(1,769,911)	(962,095)
Income taxes paid	(684,300)	(517,161)
Net cash flows from (used in) operating activities	(13,796,830)	(17,995,694)
Cash flows from (used in) investing activities:		
Redemption from financial assets at amortized cost	350,000	350,000
Acquisition of investments accounted for using equity method and financial assets at fair value through other comprehensive income	(137,435)	(503,112)
Proceeds from disposal of investments accounted for using equity method and financial assets at fair value through other comprehensive income	291,435	809,196
Acquisition of financial assets at fair value through profit or loss	(23,745)	-
Proceeds from disposal of financial assets at fair value through profit or loss	574,529	-
Proceeds from capital reduction of investments	8,054	1,459,043
Acquisition of property, plant and equipment	(203,186)	(126,108)
Increase in other receivables due from related parties	(321,840)	(293,029)
Acquisition of intangible assets	(521,722)	(193,154)
Others	(10,572)	10,495
Net cash flows from (used in) investing activities	5,518	1,513,331
Cash flows from (used in) financing activities:		
Increase (decrease) in short-term borrowings	9,919,682	10,942,250
Proceeds from long-term borrowings	34,258,000	12,691,630
Repayments of long-term borrowings	(32,994,950)	(16,893,430)
Cash dividends paid	(5,288,576)	(5,306,584)
Others	-	(104)
Net cash flows from (used in) financing activities	5,894,156	1,433,762
Net increase (decrease) in cash and cash equivalents	(7,897,156)	(15,048,601)
Cash and cash equivalents at beginning of period	28,343,534	43,392,135
Cash and cash equivalents at end of period	**$ 20,446,378**	**28,343,534**

See accompanying notes to financial statements.

COMPAL ELECTRONICS, INC.

Notes to the Parent Company Only-Financial Statements

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Company history

Compal Electronics, Inc. (the "Company") was incorporated in June 1984 as a company limited by shares and registered under the Ministry of Economic Affairs, R.O.C. The address of the Company's registered office is No.581 and No.581-1 Ruiguang Rd., Neihu Dist., Taipei City, Taiwan. In accordance with Article 19 of the Business Mergers and Acquisitions Act, the Company merged its subsidiary, Compal Communications, Inc. ("CCI") (the "Merger"), pursuant to the resolutions of the Board of Directors in November, 2013. The Company was the surviving company and CCI was the dissolved company. The effective date of the Merger was February 27, 2014. The Company is primarily involved in the manufacture and sale of notebook personal computers ("notebook PCs"), monitors, LCD TVs, mobile phones and various components and peripherals.

(2) Approval date and procedures of the financial statements:

The accompanying parent-company-only financial statements were authorized for issuance by the Board of Directors and issued on March 22, 2019.

(3) New standards, amendments and interpretations adopted:

(a) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. (“FSC”) which have already been adopted.

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2018.

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendment to IFRS 2 “Classification and Measurement of Share-based Payment Transactions”	January 1, 2018
Amendments to IFRS 4 “Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts”	January 1, 2018
IFRS 9 “Financial Instruments”	January 1, 2018
IFRS 15 “Revenue from Contracts with Customers”	January 1, 2018
Amendment to IAS 7 “Statement of Cash Flows–Disclosure Initiative”	January 1, 2017
Amendment to IAS 12 “Income Taxes–Recognition of Deferred Tax Assets for Unrealized Losses”	January 1, 2017
Amendments to IAS 40 “Transfers of Investment Property”	January 1, 2018

(Continued)

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Annual Improvements to IFRS Standards 2014–2016 Cycle:	
Amendments to IFRS 12	January 1, 2017
Amendments to IFRS 1 and Amendments to IAS 28	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

Except for the following items, the Company believes that the adoption of the above IFRSs would not have any material impact on its financial statements. The extent and impact of significant changes are as follows:

(i) IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, using a five-step model framework to determine the method, timing and amount of revenue recognized. This standard replaces existing revenue recognition guidance, including IAS 18, Revenue, IAS 11, Construction Contracts, and the related interpretations. The Company applies this standard retrospectively with the cumulative effect, it needs not restate those contracts, but instead, continues to apply IAS 11, IAS 18 and the related Interpretations for comparative reporting period. Upon the initial application of this standard, there was no cumulative effect and no adjustment was made to retained earnings on January 1, 2018.

The following are the nature and impacts on changing of accounting policies:

1) Sales of goods

For the sale of the Company's products, revenue was used to be recognized when the goods are delivered to the customers' premises, which is taken to be the point in time at which the customer accepts the goods and the related risks and rewards of ownership transfer, the revenue and costs can be measured reliably, the recovery of the consideration is probable and there is no continuing management involvement with the goods. Under IFRS 15, revenue will be recognized when a customer obtains control of the goods. The Company believes that the point at which the related risks and rewards of ownership transfer to the customers is similar to the point of control transfer. Therefore, the changes in accounting policy of the above-mentioned sales of goods do not result in a material adjustment of the financial statements.

2) Impacts on financial statements

The following tables summarize the impacts of adopting IFRS 15 on the Company's financial statements for the year ended December 31, 2018:

(Continued)

COMPAL ELECTRONICS, INC.

Notes to Parent-Company-Only Financial Statements

Impacted line items on the balance sheet	December 31, 2018 Carrying amount under IAS 18 and related standards and interpretations	Adjustments from changes in accounting policies	Carrying amount under IFRS 15	January 1, 2018 Carrying amount under IAS 18 and related standards and interpretations	Adjustments from changes in accounting policies	Carrying amount under IFRS 15
Current contract liabilities (note 2)	$ -	1,405,452	1,405,452	-	1,617,626	1,617,626
Current provisions (note 1)	1,480,446	(1,480,446)	-	1,440,292	(1,440,292)	-
Unearned revenue (note 2)	1,405,452	(1,405,452)	-	1,617,626	(1,617,626)	-
Current refund liabilities (note 1)	-	1,480,446	1,480,446	-	1,440,292	1,440,292
Impact on liabilities		$ -			-	

Impacted line items on the statement of cash flows	For the year ended December 31, 2018 Carrying amount under IAS 18 and related standards and interpretations	Adjustments from changes in accounting policies	Carrying amount under IFRS 15
Cash flows from (used in) operating activities:			
Adjustments:			
Increase (decrease) in contract liabilities	$ -	(212,174)	(212,174)
Increase (decrease) in provisions	40,154	(40,154)	-
Increase (decrease) in unearned revenue	(212,174)	212,174	-
Increase (decrease) in refund liabilities	-	40,154	40,154
Cash inflow (outflow) generated from operations		$ -	

Note 1: Prior to the adoption of IFRS 15, the sales returns and discounts were recognized as sales returns and allowances provisions. Under IFRS 15, it was recognized as refund liabilities.

Note 2: Prior to the adoption of IFRS 15, unearned revenue were recognized as other current liabilities or expressed it alone. Under IFRS 15, it was recognized as contract liabilities.

(ii) IFRS 9 "Financial Instruments"

IFRS 9 replaces IAS 39 "Financial Instruments: Recognition and Measurement" which contains classification and measurement of financial instruments, impairment and hedge accounting.

As a result of the adoption of IFRS 9, the Company adopted the consequential amendments to IAS 1 "Presentation of Financial Statements" which requires impairment of financial assets to be presented in a separate line item in the statement of profit or loss and OCI. Previously, the Company's approach was to include the impairment of trade receivables in selling expenses. Additionally, the Company adopted the consequential amendments to IFRS 7 "Financial Instruments: Disclosures" that are applied to disclosures about 2018 but generally have not been applied to comparative information.

The detail of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below:

1) Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVTPL"). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification. For an explanation of how the Company classifies and measures financial assets and accounts for related gains and losses under IFRS 9, please see note (4)(f).

The adoption of IFRS 9 did not have any significant impact on its accounting policies on financial liabilities.

2) Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with the 'expected credit loss' ("ECL") model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than those under IAS 39. Please see note (4)(f).

3) Transition

The adoption of IFRS 9 have been applied retrospectively, except as described below,

- Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognized in retained earnings and reserves as on January 1, 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9.

COMPAL ELECTRONICS, INC.

Notes to Parent-Company-Only Financial Statements

- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.

  —The determination of the business model within which a financial asset is held.

  —The designation of certain investments in equity instruments not held for trading as at FVOCI.

- If an investment in a debt security had low credit risk at the date of initial application of IFRS 9, then the Company assumed that the credit risk on its asset will not increase significantly since its initial recognition.

4) Classification of financial assets on the date of initial application of IFRS 9

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company’s financial assets as of January 1, 2018 (no change in measurement categories and carrying amounts for financial liabilities).

	IAS 39		IFRS 9	
	Measurement categories	**Carrying Amount**	**Measurement categories**	**Carrying Amount**
Financial Assets				
Cash and cash equivalents	Loans and receivables (note 3)	$ 28,343,534	Amortized cost	28,343,534
Debt securities	Loans and receivables (Bond investment without active market-current and non-current) (note 1)	700,000	Amortized cost	700,000
Investment in equity instruments	At cost (note 2)	2,333	FVOCI	2,333
	Available for sale─current and non-current (note 2)	763,771	FVTPL	763,771
	Available for sale─current and non-current (note 2)	5,018,042	FVOCI	5,018,042
Notes and accounts receivable net (including related parties)	Loans and receivables (note 3)	128,447,972	Amortized cost	128,447,972
Notes and accounts receivable, net (including related parties)	Loans and receivables (note 4)	39,188,383	FVOCI	39,188,383
Other receivables and guarantee deposits	Loans and receivables (note 3)	818,037	Amortized cost	818,037

(Continued)

COMPAL ELECTRONICS, INC.

Notes to Parent-Company-Only Financial Statements

Note1: The corporate debt securities that were previously classified as bond investment without an active market are now classified at amortized cost. The Company intends to hold the assets to maturity to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

Note2: These equity securities (including financial assets measured at cost) represent investments that the Company intends to hold for the long term for strategic purposes. As permitted by IFRS 9, the Company has designated these investments at the date of initial application as measured at FVOCI and FVTPL. Accordingly, a decrease of $377,309 thousands in the reserves, as well as the increase of $377,309 thousands in retained earnings were recognized on January 1, 2018. Besides, on the date of initial application, a decrease of $ 116,742 thousands in the reserve, as well as the increase of $116,742 thousands in retained earnings were recognizes due to the adjustment resulted from investments accounted for using equity method.

Note3: Cash and cash equivalents, notes and accounts receivable (including related parties), other receivables and guarantee deposits that were classified as loans and receivables under IAS 39 are now classified at amortized cost.

Note4: Accounts receivable are held within a business model whose objective is achieved by both collecting the contractual cash flows and by selling accounts receivables that were classified as loans and receivables under IAS 39 are now classified at FVOCI, and recorded as accounts receivable.

The following table reconciles the carrying amounts of financial assets under IAS 39 to the carrying amounts under IFRS 9 upon transition to IFRS 9 on January 1, 2018.

	2017.12.31 IAS 39 Carrying Amount	Reclassifications	Remeasurements	2018.1.1 IFRS 9 Carrying Amount	2018.1.1 Adjustments to retained earnings	2018.1.1 Adjustments to other equity
Fair value through profit or loss						
Beginning balance of FVTPL (IAS 39)	$ -	-	-		-	-
Additions – equity instruments:						
From available for sale	-	763,771	-		125,134	(125,134)
Total	$ -	763,771	-	763,771	125,134	(125,134)
Fair value through other comprehensive income						
Beginning balance of available for sale (including measured at cost) (IAS 39)	$ 5,784,146	-	-		252,175	(252,175)
Addition – debt instruments:						
From loans and receivables	-	39,188,383	-		-	-
Subtractions – debt instruments:						
From available for sale	-	(763,771)	-		-	-
Total	$ 5,784,146	38,424,612	-	44,208,758	252,175	(252,175)
Amortized cost						
Beginning balance of cash and cash equivalents, bond investment without an active market, trade and other receivables, and other financial assets	$ 197,391,197	-	-		-	-
Subtractions – debt instrument:						
To FVOCI	-	(39,188,383)	-		-	-
Total	$ 197,391,197	(39,188,383)	-	158,202,814	-	-

(Continued)

COMPAL ELECTRONICS, INC.

Notes to Parent-Company-Only Financial Statements

(iii) Amendments to IAS 7 “Disclosure Initiative”

The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

To satisfy the new disclosure requirements, the Company presents a reconciliation between the opening and closing balances for liabilities with changes arising from financing activities as note 6(af).

(iv) Amendments to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Loss”

The amendments clarify the accounting for deferred tax assets for unrealized losses on debt instruments measured at fair value.

The Company believes that the above changes in accounting policies would not have any material impact on its parent-company-only financial statements.

(b) The impact of IFRS endorsed by FSC but not yet effective

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2019 in accordance with Ruling No. 1070324857 issued by the FSC on July 17, 2018:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
IFRS 16 “Leases”	January 1, 2019
IFRIC 23 “Uncertainty over Income Tax Treatments”	January 1, 2019
Amendments to IFRS 9 “Prepayment features with negative compensation”	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
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019

Except for the following items, the Company believes that the adoption of the above IFRSs would not have any material impact on its financial statements. The extent and impact of signification changes are as follows:

(i) IFRS 16 “Leases”

IFRS 16 replaces the existing leases guidance, including IAS 17 “Leases”, IFRIC 4 “Determining whether an Arrangement contains a Lease”, SIC-15 “Operating Leases – Incentives” and SIC-27 “Evaluating the Substance of Transactions Involving the Legal Form of a Lease”.

(Continued)

IFRS 16 introduces a single and an on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. In addition, the nature of expenses related to those leases will now be changed since IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities. There are recognition exemptions for short-term leases and leases of low-value items. The lessor accounting remains similar to the current standard – i.e. the lessors will continue to classify leases as finance or operating leases.

1) Determining whether an arrangement contains a lease

On transition to IFRS 16, the Company can choose to apply either of the following:

- IFRS 16 definition of a lease to all its contracts; or
- a practical expedient that does not need any reassessment whether a contract is, or contains, a lease.

The Company plans to apply the practical expedient to grandfather the definition of a lease upon transition. This means that it will apply IFRS 16 to all contracts entered into before January 1, 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

2) Transition

As a lessee, the Company can apply the standard using either of the following:

- retrospective approach; or
- modified retrospective approach with optional practical expedients.

The lessee applies the election consistently to all of its leases.

On January 1, 2019, the Company plans to initially apply IFRS 16 using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognized as an adjustment to the opening balance of retained earnings at January 1, 2019, with no restatement of comparative information.

When applying the modified retrospective approach to leases previously classified as operating leases under IAS 17, the lessee can elect, on a lease-by-lease basis, whether to apply a number of practical expedients on transition. The Company chooses to elect the following practical expedients:

– apply a single discount rate to a portfolio of leases with similar characteristics.

– apply the exemption not to recognize the right-of-use assets and liabilities to leases with lease term that ends within 12 months of the date of initial application.

– exclude the initial direct costs from measuring the right-of-use assets at the date of initial application.

– use hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

3) So far, the most significant impact identified is that the Company will have to recognize the new assets and liabilities for the operating leases of its offices, warehouses, and factory facilities. The Company estimated that the right-of-use assets and the lease liabilities to increase by $823,996 thousands and $823,996 thousands respectively, on January 1, 2019.

(ii) IFRIC 23 Uncertainty over Income Tax Treatments

In assessing whether and how an uncertain tax treatment affects the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, as well as tax rates, an entity shall assume that a taxation authority will examine the amounts it has the right to examine and have a full knowledge on all related information when making those examinations.

If an entity concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the entity shall determine the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, as well as tax rates consistently with the tax treatment used or planned to be used in its income tax filings. Otherwise, an entity shall reflect the effect of uncertainty for each uncertain tax treatment by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty.

So far, the company believes that above changes in accounting policies would not have any material impact on its financial statements.

The actual impacts of adopting the standards may change depending on the economic conditions and events which may occur in the future.

(c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

As of the date, the following IFRSs that have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

New, Revised or Amended Standards and Interpretations	**Effective date per IASB**
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”	Effective date to be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020

Those which may be relevant to the Company are set out below:

Issuance / Release Dates	Standards or Interpretations	Content of amendment
October 31, 2018	Amendments to IAS 1 and IAS 8 "Definition of Material"	The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS Standards. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards.

The Company is evaluating the impact on its financial position and financial performance upon the initial adoption of the above-mentioned standards or interpretations. The results thereof will be disclosed when the Company completes its evaluation.

(4) Summary of significant accounting policies:

The significant accounting policies presented in the parent-company-only financial statements are summarized as follows. The following accounting policies were applied consistently throughout the periods presented in the financial statements.

(a) Statement of compliance

These parent-company-only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(b) Basis of preparation

(i) Basis of measurement

Except for the following significant accounts in the statement of financial position, the parent-company-only financial statements have been prepared on the historical cost basis:

1) Financial instruments measured at fair value through profit or loss are measured at fair value;

2) Financial instruments measured at fair value through other comprehensive income (Available-for-sale) are measured at fair value;

3) The defined benefit liability (or asset) is recognized as plan assets less the present value of the defined benefit obligation and the effect of the asset ceiling mentioned in note (4)(q).

(ii) Functional and presentation currency

The functional currency of the Company is determined based on the primary economic environment in which the Company operates. The parent-company-only financial statements are presented in New Taiwan Dollar, which is the Company's functional currency. All financial information presented in New Taiwan Dollar has been rounded to the nearest thousand.

(c) Foreign currency

(i) Foreign currency transaction

Transactions in foreign currencies are translated to the respective functional currencies of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between the amortized cost in the functional currency at the beginning of the year adjusted for the effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the reporting date.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of translation.

Foreign currency differences arising on retranslation are recognized in profit or loss, except for the following differences which are recognized in other comprehensive income arising on the retranslation:

1) fair value through other comprehensive income (available-for-sale) financial assets financial assets;

2) a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or

3) qualifying cash flow hedges to the extent the hedge is effective

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the Company’s functional currency at exchange rates of the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to the Company’s functional currency at average rate. Foreign currency differences are recognized in other comprehensive income, and presented in the foreign currency translation differences in equity.

When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Company disposes of any part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interest. When the Company disposes of only part of investment in an associate of joint venture that includes a foreign operation while retaining significant or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign currency gains and losses arising from such items are considered to form part of a net investment in the foreign operation and are recognized in other comprehensive income, and presented in the translation reserve in equity.

(d) Classification of current and non-current assets and liabilities

An entity shall classify an asset as current when:

(i) It expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;

(ii) It holds the asset primarily for the purpose of trading;

(iii) It expects to realize the asset within twelve months after the reporting period; or

(iv) The asset is cash and cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

An entity shall classify all other assets as non-current.

An entity shall classify a liability as current when:

(i) It expects to settle the liability in its normal operating cycle;

(ii) It holds the liability primarily for the purpose of trading;

(iii) The liability is due to be settled within twelve months after the reporting period; or

(iv) It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not impact its classification.

An entity shall classify all other liabilities as non-current.

(e) Cash and cash equivalents

Cash comprise cash on hand and demand deposits. Cash equivalents are subject to an insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments.

(Continued)

The time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes are reclassified as cash equivalents.

(f) Financial instruments

(i) Financial assets (policy applicable from January 1, 2018)

Financial assets are classified into the following categories: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).

The Company shall reclassify all affected financial assets only when it changes its business model for managing its financial assets.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset measured at amortized cost is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses, and impairment loss, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

2) Fair value through other comprehensive income (FVOCI)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Some accounts receivables are held within a business model whose objective is achieved by both collecting contractual cash flows and selling by the Company, therefore, those receivables are measured at FVOCI and presented as accounts receivable.

(Continued)

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment’s fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

A financial asset measured at FVOCI is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses, and impairment losses, deriving from debt investments are recognized in profit or loss; whereas dividends deriving from equity investments are recognized as income in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses of financial assets measured at FVOCI are recognized in OCI. On derecognition, gains and losses accumulated in OCI of debt investments are reclassified to profit or loss. However, gains and losses accumulated in OCI of equity investments are reclassified to retain earnings instead of profit or loss. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

Dividend income derived from equity investments is recognized on the date that the Company’s right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date.

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Subsequent changes that are measured at fair value, which take into account any dividend and interest income, are recognized in profit or loss. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

4) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses on financial assets measured at amortized cost (including cash and cash equivalents, financial assets measured at amortized costs, notes and accounts receivable, other receivable, guarantee deposit and other financial assets), debt investments measured at FVOCI, and accounts receivable measured at FVOCI.

The Company measures loss allowances at an amount equal to lifetime expected credit loss (ECL), except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 month after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience and informed credit assessment as well as forward-looking information.

The Company considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade which is considered to be BBB- or higher per Standard & Poor's, Baa3 or higher per Moody's or twA or higher per Taiwan Ratings'.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Company considers a financial asset to be in default when the financial asset is more than 90 days past due or the borrower is unlikely to pay its credit obligations to the Company in full.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. An evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is recognized in other comprehensive income instead of reducing the carrying amount of the asset. The Company recognizes the amount of expected credit losses (or reversal) in profit or loss, as an impairment gain or loss.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company’s procedures for recovery of amounts due.

5) Derecognition of financial assets

Financial assets are derecognized when the contractual rights to the cash flows from the assets expire, or when the Company transfers substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a debt instrument in its entirety, the Company recognizes the difference between its carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income and presented in “other equity – unrealized gains or losses on fair value through other comprehensive income”, in profit or loss, and presented it in the line item of non-operating income.

On derecognition of a financial asset other than in its entirety, the Company allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in profit or loss, and presented in the line item of non-operating income and expenses. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

(ii) Financial assets (policy applicable before January 1, 2018)

Financial assets are classified into the following categories: financial assets at fair value through profit or loss, available-for-sale financial assets, and loans and receivables.

1) Financial assets at fair value through profit or loss

A financial asset is classified in this category if it is classified as held-for-trading or is designated as such on initial recognition. Financial assets are classified as held-for-trading if they are acquired principally for the purpose of selling in the short term. The Company designates financial assets, other than ones classified as held-for-trading, as at fair value through profit or loss at initial recognition under one of the following situations:

a) Designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;

b) Performance of the financial asset is evaluated on a fair value basis

c) A hybrid instrument contains one or more embedded derivatives.

Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein, which take into account any dividend and interest income, are recognized in profit or loss, and are included in non-operating income and expenses. Under a regular way, purchase or sale of financial assets shall be recognized and derecognized as applicable using trade date accounting.

2) Available-for sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the other categories of financial assets. Available-for-sale financial assets are recognized initially at fair value, plus, any directly attributable transaction cost. Subsequent to initial recognition, they are measured at fair value, and changes therein, other than impairment losses, interest income calculated using the effective interest method, dividend income, and foreign currency differences on available-for-sale debt instruments, are recognized in other comprehensive income and

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presented in the fair value reserve in equity. When an investment is derecognized, the gain or loss accumulated in equity is reclassified to profit or loss, and is included in non-operating income and expenses. A regular way purchase or sale of financial assets shall be recognized and derecognized as applicable using trade date accounting.

Investments in equity instruments that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured, are measured at cost less impairment losses, and are included in financial assets measured at cost.

Dividend income is recognized in profit or loss on the date that the Company's right to receive payment is established, which in the case of quoted securities is normally on the date the shareholders' meeting approved the earning distribution. Such dividend income is included in non-operating income and expenses.

3) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables comprise trade receivables, other receivables, and investment in debt security with no active market. Such assets are recognized initially at fair value, plus, any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less, any impairment losses other than insignificant interest on short-term receivables. Under a regular way, purchase or sale of financial assets shall be recognized and derecognized as applicable using trade date accounting.

Interest income is recognized in profit or loss, and it is included in non-operating income and expenses.

4) Impairment of financial assets

A financial asset is impaired if, and only if, there is an objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be estimated reliably.

The objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is accounted for as objective evidence of impairment.

All individually significant receivables are assessed for specific impairment. Receivables that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics. In assessing collective impairment, the Company uses historical trends of the probability of default, the timing of recoveries, and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or lesser than those suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

An impairment loss in respect of a financial asset measured at cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversible in subsequent periods.

An impairment loss in respect of a financial asset is deducted from the carrying amount, except for trade receivables, for which an impairment loss is reflected in an allowance account against the receivables. When it is determined a receivable is uncollectible, it is written off from the allowance account. Any subsequent recovery of receivable written off is recorded in the allowance account. Changes in the amount of the allowance account are recognized in profit or loss.

Impairment losses on available-for-sale financial assets are recognized by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss.

If, in a subsequent period, the amount of the impairment loss of a financial asset measured at amortized cost decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the decrease in impairment loss is reversed through profit or loss to the extent that the carrying value of the asset does not exceed its amortized cost before impairment was recognized at the reversal date.

Impairment losses recognized on an available-for-sale equity security are not reversed through profit or loss. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income and accumulated in other equity.

Impairment losses and recoveries are recognized in profit or loss. Recovery and loss on doubtful debts of account receivables is included in operating expense, others are included in non-operating income and expense.

5) Derecognition of financial assets

The Company derecognizes financial assets when the contractual rights of the cash inflow from the asset are terminated, or when the Company transfers substantially all the risks and rewards of ownership of the financial assets.

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On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income and presented in other equity – unrealized gains or losses from available-for-sale financial assets is recognized in profit or loss, and included in non-operating income or expenses.

The Company separates the part that continues to be recognized and the part that is derecognized based on the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part derecognized and the sum of the consideration received for the part derecognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income shall be recognized in profit or loss, and is included in non-operating income or expenses. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is derecognized based on the relative fair values of those parts.

(iii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt or equity instruments issued by the Company are classified as financial liabilities or equity in accordance with the substance of the contractual agreement.

Equity instruments refer to surplus equities of the assets after the deduction of all the debts for any contracts. Equity instruments issued are recognized as the amount of consideration received, less, the direct cost of issuing.

Interest and loss or gain related to financial liabilities are recognized as profit or loss and are reported under non-operating income and expenses. Financial liabilities are reclassified as equity when converted, and conversions do not generate profit or loss.

2) Financial liabilities at fair value through profit or loss

A financial liability is classified in this category if acquired principally for the purpose of selling in the short term. This type of financial liability is measured at fair value at the time of initial recognition, and attributable transaction costs are recognized in profit or loss as incurred. Financial liabilities at fair value through profit or loss are measured at fair value, and changes therein, which take into account any interest expense, are recognized in profit or loss, and are included in non-operating income or expenses.

3) Other financial liabilities

Financial liabilities not classified as held-for-trading or designated as at fair value through profit or loss, which comprise loans and borrowings, and trade and other payable, are measured at fair value, plus, any directly attributable transaction cost at the time of initial recognition. Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method other than significant interest on short-term loans and payables. Interest expense not capitalized as capital cost is recognized in profit or loss, and is included in non-operating income or expenses.

(Continued)

4) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligation has been discharged, cancelled or expired. The difference between the carrying amount of a financial liability removed and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss, and is included in non-operating income or expenses.

5) Offsetting of financial assets and liabilities

The Company presents financial assets and liabilities on a net basis when the Company has the legally enforceable right to offset and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

(iv) Derivative financial instruments (policy applicable from January 1, 2018)

The Company holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Derivatives are initially measured at fair value. Any attributable transaction costs thereof are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in profit or loss and are included in the line item of non-operating income. When a derivative is designated as, and effective for, a hedging instrument, its timing of recognition in profit or loss is determined based on the nature of the hedging relationship. When the fair value of a derivative instrument is positive, it is classified as a financial asset, whereas when the fair value is negative, it is classified as a financial liability.

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the non-financial asset’ s host contract are not closely related to the embedded derivatives and the host contract is not measured at FVTPL.

(v) Derivative financial instruments (policy applicable before January 1, 2018)

Except for the following items, the Company applies the same accounting policies as applicable from January 1, 2018.

For derivatives that are linked to investments in equity instruments that do not have a quoted market price in an active market and must be settled by delivery of such unquoted equity instruments, such derivatives that are classified as financial assets are measured at amortized cost, and are included in financial assets measured at cost; and such derivatives that are classified as financial liabilities are measured at cost, and are included in financial liabilities measured at cost.

Embedded derivatives are separated from the host contract and accounted for separately when the economic characteristics and risk of the host contract and the embedded derivatives are not closely related, and the host contract is measured as at fair value through profit or loss.

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(g) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the weighted-average-cost principle and includes expenditure incurred in acquiring the inventories, production or transition costs, and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less, the estimated costs of completion and selling expenses.

(h) Investment in associates

Associates are those entities in which the Company has significant influence, but not control or join control, over their financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition, less, any accumulated impairment losses.

The parent-company-only financial statements include the Company's share of the profit or loss and other comprehensive income of equity-accounted investees after adjustments to align the accounting policies with those of the Company from the date that significant influence commences until the date that significant influence ceases. When changes in an associate's equity are not recognized in profit or loss or other comprehensive income of the associate and such changes do not affect the Company's ownership percentage of the associate, the Company recognizes the changes in ownership interests of its associate in capital surplus in proportion to its ownership.

Unrealized profits resulting from the transactions between the Company and an associate are eliminated to the extent of the Company's interest in the associate. Unrealized losses on transactions with associates are eliminated in the same way, except to the extent that the underlying asset is impaired.

When the Company's share of losses exceeds its interest in associates, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Company has an obligation or has made payments on behalf of the investee.

The Company shall discontinue the use of the equity method from the date when its investment ceases to be an associate or a joint venture. The Company shall measure the retained interest at fair value. The difference between the fair value of retained interest and proceeds from disposal, and the carrying amount of the investment at the date the equity method was discontinued is recognized in profit or loss. The Company shall account for all the amounts previously recognized in other comprehensive income in relation to that investment on the same basis as would have been required if the associates had directly disposed of the related assets or liabilities. If a gain or loss previously recognized in other comprehensive income would be reclassified to profit or loss on the disposal of the related assets or liabilities, the entity shall reclassify the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued. If an entity's ownership interest in an associate or a joint venture is reduced while the entity continues to apply the equity method, the entity shall reclassify the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interest to profit or loss.

If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Company shall continue to apply the equity method without remeasuring the retained interest.

When the Company subscribes to additional shares in an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Company’s proportionate interest in the net assets of the associate. The Company records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus, however, when the balance of the capital surplus arising from the investment was insufficient, the difference charged or credited to retained earnings. If the Company’s ownership interest is reduced due to the additional subscription to the shares of associate by other investors, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate shall be reclassified to profit or loss on the same basis as would be required if the associate had directly disposed of the related assets or liabilities.

(i) Investment in subsidiaries

When preparing the parent-company-only financial statements, investment in subsidiaries which are controlled by the Company is accounted for using the equity method. Under the equity method, the amounts of net income, other comprehensive income and equity attributable to shareholders of the Company in the parent-company-only financial statement are equal to those in the consolidated financial statements.

Changes in the Company’s ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions

(j) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the asset. The cost of the software is capitalized as part of the property, plant and equipment if the purchase of the software is necessary for the property, plant and equipment to be capable of operating.

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 shall be depreciated separately, unless the useful life and the depreciation method of a significant part of an item of property, plant and equipment are the same as the useful life and depreciation method of another significant part of that same item.

The gain or loss arising from the derecognition of an item of property, plant and equipment shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, and it shall be recognized as other gains and losses.

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(ii) Subsequent cost

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Company. The carrying amount of those parts that are replaced is derecognized. Ongoing repairs and maintenance are expensed as incurred.

(iii) Depreciation

The depreciable amount of an asset is determined after deducting its residual amount, and it shall be allocated on a systematic basis over its useful life. Items of property, plant and equipment with the same useful life may be grouped in determining the depreciation charge. The remainder of the items may be depreciated separately. The depreciation charge for each period shall be recognized in profit or loss.

The depreciable amount of a leased asset is allocated to each accounting period during the period of expected use on a systematic basis consistent with the depreciation policy the lessee adopts for depreciable assets that are owned. If there is reasonably certainty that the lessee will obtain ownership by the end of the lease term, the period of expected use is the useful life of the asset; otherwise, the asset is depreciated over the shorter of the lease term and its useful life.

Land has an unlimited useful life and therefore is not depreciated.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

1) Buildings: 35~50 years

2) Building improvement: 8~15 years

3) Research equipment: 3 years

4) Other equipment: 0.5~5 years

Depreciation methods, useful lives, and residual values are reviewed at each reporting date. If expectations differ from the previous estimates, the change is accounted for as a change in an accounting estimate.

(k) Leases

(i) The Company as lessor

Lease income from operating lease is recognized in income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as the lease income. Incentives granted to the lessee to enter into the operating lease are spread over the lease term on a straight-line basis so that the lease income received is reduced accordingly.

(Continued)

(ii) The Company as lessee

Operating leases are not recognized in the Company’s balance sheets.

Payments made under operating lease (excluding insurance and maintenance expenses) are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

(l) Intangible assets

(i) Goodwill

1) Initial recognition

Goodwill arising from acquisition of subsidiaries is included in intangible assets. The measurement of initial recognition of goodwill, please refer to note (4)(t).

2) Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses.

Goodwill related to an investment accounted for using equity method is included in the carrying amount of the investment, and not allocated to any asset, including goodwill, forms part of the carrying amount of the investment accounted for using the equity method.

(ii) Research & Development

During the research phase, activities are carried out to obtain and understand new scientific or technical knowledge. Expenditures during this phase are recognized in profit or loss as incurred.

Expenditures arising from the development phase shall be recognized as an intangible asset if all the conditions described below can be demonstrated; otherwise, they will be recognized in profit or loss as incurred.

1) The technical feasibility of completing the intangible asset so that it will be available for use or sale.

2) Its intention to complete the intangible asset and use or sell it.

3) Its ability to use or sell the intangible asset.

4) How the intangible asset will generate probable future economic benefits.

5) The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.

6) Its ability to measure reliably the expenditure attributable to the intangible asset during its development.

(Continued)

Capitalized expenditure arising from the development phase is measured at cost less accumulated amortization and accumulated impairment losses.

(iii) Other intangible assets

Other intangible assets that are acquired by the Company are measured at cost, less accumulated amortization and any accumulated impairment losses.

(iv) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(v) Amortization

The amortizable amount is the cost of an asset, or other amount substituted for cost, less its residual value.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill and intangible assets with all indefinite useful life, from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

1) Patents: the shorter of contract period and estimated useful lives

2) Computer software: 1~3 years

The residual value, the amortization period, and the amortization method for an intangible asset with a finite useful life shall be reviewed at least annually at each fiscal year-end. Any change shall be accounted for as changes in accounting estimates.

(m) Impairment of non-derivative financial assets

Non-derivative financial assets except for inventories, deferred tax assets, and assets arising from employee benefits are assessed at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the Company shall estimate the recoverable amount of the asset. If it is not possible to determine the recoverable amount (fair value less cost to sell and value in use) for the individual asset, then the Company will have to determine the recoverable amount for the asset's cash-generating unit.

The Company assesses goodwill and intangible assets, which have indefinite useful lives and are not available for use, on an annual basis and recognizes an impairment loss on excess of carrying value over the recoverable amount.

The recoverable amount for an individual asset or a cash-generating unit is the higher of its fair value, less costs to sell and its value in use. If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount. That reduction is an impairment loss. An impairment loss shall be recognized immediately in profit or loss.

For the purpose of impairment testing, goodwill acquired in a business combination shall, from the acquisition date, be allocated to each of the acquirer's cash-generating units, or groups of cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquire are assigned to those units or group of units. If the carrying amount of the cash-generating units exceeds the recoverable amount of the unit, the entity shall recognize the impairment loss and the impairment loss shall be allocated to reduce the carrying amount of each asset in the unit. Reversal of an impairment loss for goodwill is prohibited.

The Company assesses at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. An impairment loss recognized in prior periods for an asset other than goodwill shall be reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset shall be increased to its recoverable amount. That increase is a reversal of an impairment loss.

(n) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probably that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

(o) Treasury stock

Repurchased shares are recognized under treasury shares (a contra-equity account) based on its repurchase price (including all directly accountable costs), and net of tax. Gains on disposal of treasury shares should be recognized under Capital Reserve – Treasury Shares Transactions; losses on disposal of treasury shares should be offset against existing capital reserves arising from similar types of treasury shares. If there are insufficient capital reserves to be offset against, then such losses should be accounted for under retained earnings. The carrying amount of treasury shares should be calculated using the weighted average different types of repurchase.

During the cancellation of treasury shares, Capital Reserve – Share Premiums and Share Capital should be debited proportionately. Gains on cancellation of treasury shares should be recognized under existing capital reserves arising from similar types of treasury shares; losses on cancellation of treasury shares should be offset against existing capital reserves arising from similar types of treasury shares. If there are insufficient capital reserves to be offset against, then such losses should be accounted for under retained earnings.

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(p) Recognition of revenue

(i) Revenue from contracts with customers (policy applicable from January 1, 2018)

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Company’s main types of revenue are explained below.

1) Sale of goods

The Company manufactures and sells electronic products to electronic products brand vendor. The Company recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price 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, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

The Company assesses sales discounts based on historical experience, management's judgment and other known reasons. Such allowances are recognized as a deduction of sales revenue in the same period in which sales are made. The aforementioned provisions are expected to settle over the next year. A refund liability is recognized for expected discounts payable to customers in relation to sales made until the end of the reporting period. No element of financing is deemed present as the sales of electronic products are made with a credit term which is consistent with the market practice.

A receivable is recognized when the goods are delivered as this is the point in time that the Company has a right to an amount of consideration that is unconditional.

2) Financing components

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

(ii) Revenue (policy applicable before January 1, 2018)

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

The timing of the transfers of risks and rewards varies depending on the individual terms of the sales agreement.

(q) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

(ii) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company’s net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Company’s obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation of defined benefit obligation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognized asset is limited to the total of the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Company. An economic benefit is available to the Company if it is realizable during the life of the plan, or on settlement of the plan liabilities.

If the benefits of a plan are improved, the pension cost incurred from the portion of the increased benefit relating to past service by employees, is recognized immediately in profit or loss.

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Re-measurement of net defined benefit liability (asset) (including actuarial gains, losses and the return on plan asset and changes in the effect of the asset ceiling, excluding any amounts included in net interest) is recognized in other comprehensive income (loss). The effect of re-measurement of the defined benefit plan is charged to retained earnings.

The Company recognizes gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment comprises any resulting change in the fair value of plan assets and change in the present value of defined benefit obligation.

(iii) Short term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(r) Share-based payment

The grant-date fair value of share-based payment awards granted to employee is recognized as employee expenses, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of award that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions, and there is no true-up for differences between expected and actual outcomes.

(s) Income taxes

Income tax expenses include both current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes shall be recognized in profit or loss.

Current taxes include tax payables and tax deduction receivables on taxable gains (losses) for the year calculated using the statutory tax rate on the reporting date or the actual legislative tax rate, as well as tax adjustments related to prior years.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes shall not be recognized for the following exceptions:

(i) Assets and liabilities that are initially recognized but are not related to the business combination and have no effect on net income or taxable gains (losses) during the transaction.

(Continued)

(ii) Temporary differences arising from equity investments in subsidiaries or joint ventures where there is a high probability that such temporary differences will not reverse.

(iii) Initial recognition of goodwill.

Deferred tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities may be offset against each other if the following criteria are met:

(i) The entity has the legal right to settle tax assets and liabilities on a net basis; and

(ii) the taxing of deferred tax assets and liabilities fulfill one of the below scenarios:

1) levied by the same taxing authority; or

2) levied by different taxing authorities, but where each such authority intends to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of expected asset realization or debt liquidation, or where the timing of asset realization and debt liquidation is matched.

A deferred tax asset should be recognized for the carry-forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized. Such unused tax losses, unused tax credits, and deductible temporary differences shall also be re-evaluated every year on the financial reporting date, and they shall be adjusted based on the probability that future taxable profit that will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized.

The surtax on unappropriated earnings is recoded as current tax expense in the following year after the resolution to appropriate retained earnings is approved in a stockholders' meeting.

(t) Business combination

Goodwill is measured as an aggregation of the consideration transferred (which generally is measured at fair value at the acquisition date) and as an amount of any non-controlling interest in the acquiree, net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed (generally at fair value). If the residual balance is negative, the Company shall re-assess whether it has correctly identified all of the assets acquired and liabilities assumed, and recognize a gain on the bargain purchase thereafter.

All the transaction costs incurred for the business combination are recognized immediately as the Company's expenses when incurred, except for the issuance of debt or equity instruments.

If the business combination is achieved in stages, the Company shall measure any non-controlling equity interest in the acquire, either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Other non-controlling interest is measured (1) at fair value at the acquisition date or (2) by using other valuation techniques acceptable under the IFRS as endorsed by the FSC.

In a business combination achieved in stages, the Company shall re-measure its previously held equity interest in the acquiree at its acquisition-date fair value and recognize the resulting gain or loss, if any, in profit or loss. In prior reporting periods, the Company may have recognized changes in the value of its equity interest in the acquiree in other comprehensive income. If so, the amount that was recognized in other comprehensive income shall be recognized on the same basis as would be required if the Company had disposed directly of the previously held equity interest. If the disposal of the equity interest required a reclassification to profit or loss, such an amount shall be reclassified to profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the Company shall retrospectively adjust the provisional amounts recognized at the acquisition date, or recognize additional assets or liabilities to reflect new information obtained about facts and circumstances that existed as of the acquisition date. The measurement period shall not exceed one year from the acquisition date.

(u) Earnings per share

The Company discloses the basic and diluted earnings per share attributable to ordinary equity holders of the Company. The calculation of basic earnings per share is based on the profit attributable to the ordinary shareholder of the Company divided by weighted average number of ordinary shares outstanding. The calculation of diluted earnings per share is based on the profit attributable to ordinary shareholders of the Company divided by weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares. Dilutive potential ordinary shares comprise restricted employee stock and employee compensation not yet approved by the Board of Directors.

(v) Operating segments

The operating segment information is disclosed within the consolidated financial statements but not disclosed in the parent-company-only financial statement.

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:

The preparation of the financial statements in conformity with the IFRSs endorsed by the FSC requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the next period.

(Continued)

There are no critical judgments in applying the accounting policies that have significant effect on the amounts recognized in the financial statements. In addition, information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is as follows:

(a) Recognition and measurement of refund liabilities (provisions)

Because of the sales returns and allowances, the Company records refund liabilities (sales returns and allowances provisions) for estimated returns and other allowances in the same period the related revenue is recorded. The estimate is made based on historical experience, market and economic conditions, and any other known factors using the expected value or the most likely amount, and it could be different from actual sales returns and allowances, therefore, the management periodically reviews the adequacy of the estimation used. Refer to notes 6(p) and 6(q) for further description of the recognition of provisions and refund liabilities.

(b) Valuation of inventories

As inventories are stated at the lower of cost or net realizable value, the net realizable value of the inventory is mainly determined based on assumptions as to future demand within a specific time horizon. Due to the rapid industrial changes, there may be significant differences in the net realizable value of inventories. Refer to note (6)(j) for further description of the valuation of inventories.

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2018	December 31, 2017
Cash on hand	$ 1,596	1,358
Checking accounts and demand deposits	3,972,558	812,541
Time deposits	15,609,214	27,387,135
Bonds purchased under resale agreements	863,010	142,500
	$ 20,446,378	28,343,534

Please refer to note (6)(ac) for the disclosure of the exchange rate risk, the interest rate risk and the fair value sensitivity analysis of the financial assets and liabilities of the Company.

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

		December 31, 2018
Mandatorily measured at fair value through profit or loss:		
Non-derivative financial assets		
Stock listed in domestic markets	$	284,768
Unlisted fund in foreign markets		23,745
Total	$	308,513
Current	$	284,768
Non-current		23,745
	$	308,513

The aforementioned stock listed in domestic markets were recorded under available-for-sale financial assets as of December 31, 2017. Please refer to note (6)(d).

The market risk related to the financial instruments please refer to note (6)(ad).

As of December 31, 2018, the Company did not provide any aforementioned financial assets as collaterals for its loans.

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

		December 31, 2018
Equity investments at fair value through other comprehensive income:		
Stock listed in domestic markets	$	2,383,976
Stock listed in foreign markets		400,184
Stock unlisted in domestic markets		896,395
Stock unlisted in foreign markets		51,363
Total	$	3,731,918

The purpose that the Company invests in the abovementioned equity securities is for long-term strategies, but rather for trading purpose. Therefore, these equity securities are designated as at FVOCI, whereas, were presented under financial assets carried at cost and available-for-sale financial assets as of December 31, 2017. Please refer to note (6)(d) and (6)(e).

In 2018, the Company has sold parts of its shares held in Innolux Corporation measured at fair value through other comprehensive income. The fair value of the shares was $291,435 when dispose, and the cumulative losses amounted to $1,024,470, which has been transferred to retained earnings from other comprehensive income.

(Continued)

If there is an increase (decrease) in the market price by 5% on the reporting date of the equity securities hold by the Company, the increase (decrease) in other comprehensive income (pre-tax) for the year ended December 31, 2018, will be $186,596. These analyses are performed on the same basis for the period and assume that all other variables remain the same.

The Company's information of market risk please refer to note (6)(ad).

As of December 31, 2018, the Company did not provide any financial assets at fair value through other comprehensive income as collaterals for its loans.

(d) Available-for-sale financial assets

	December 31, 2017
Stocks listed in domestic markets	$ 3,794,069
Stocks listed in foreign markets	654,192
Stocks unlisted in domestic markets	1,207,219
Stocks unlisted in foreign markets	126,333
Total	$ 5,781,813
Current	$ 46,479
Non-current	5,735,334
	$ 5,781,813

(i) The Company and its subsidiaries, Zhaopal Investment Co., Ltd. ("Zhaopal"), Yongpal Investment Co., Ltd. ("Yongpal") and Kaipal Investment Co., Ltd. ("Kaipal") ("the Company and its subsidiaries"), purchased newly issued shares of Chunghwa Picture Tubes, Ltd. ("CPT") via private placement in 2009. The cost was 2.5 New Taiwan dollars per share, totally amounting to $7,000,000. The Company signed an agreement with Tatung Company ("Tatung", the parent company of CPT) on such matter. In accordance with the agreement, the Company and its subsidiaries have the right to request Tatung to purchase all the CPT shares obtained via the private placement within certain agreed periods, at the price the Company and its subsidiaries originally paid for the CPT shares plus interest. Accordingly, since the fair value of CPT shares obtained via the private placement were below the original costs, the Company measured the book value of the shares at its original cost.

The Company filed an arbitration based on the agreement on March 29, 2013, requesting Tatung to perform its obligations. The Company received the verdict on May 12, 2014. According to the verdict, Tatung should pay $2,118,607 to the Company and its subsidiaries for purchasing all the CPT shares held by the Company and its subsidiaries. Additionally, Tatung should pay the interest which is calculated by the annual rate of 5% in the period from April 3, 2013 to the actual payment date. Therefore, the Company recognized both the impairment loss of $1,689,000 and the related share of loss of associates and joint ventures accounted for using equity method of $3,041,000 in the first quarter of 2014 accordingly. On June 13, 2014, the Company filed a civil complaint with the Taiwan Taipei District Court to revoke the arbitration award. At the end, the Taiwan Supreme Court dismissed the appeal on January 11, 2017. The Company and its subsidiaries sold all shares of CPT to Tatung on

(Continued)

February 9, 2017 in accordance with the arbitration. The selling prices of the Company and its subsidiaries amounted to $811,466 (including the interest) and $1,460,638 (including the interest), respectively, totaling $2,272,104 (including the interest). The loss of sale was $1,804 and $2,448, respectively, and the total loss was $4,252. The total price has been fully recovered.

(ii) If there is an increase (decrease) in the market price of the equity securities by 5% on the reporting date, the increase (decrease) in other comprehensive income (pre-tax) for the year ended December 31, 2017, will be $289,091. These analyses is performed on the same basis and assume that all other variables remain the same.

(iii) As of December 31, 2017, the Company did not provide any available-for-sale financial assets as collaterals for its loans.

(iv) As of December 31, 2018, the aforementioned investments were classified as financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. Please refer to note (6)(b) and (6)(c).

(e) Financial assets at cost

	December 31, 2017
Unlisted common stock in domestic markets	$ 2,333

(i) The aforementioned unlisted common stock in domestic markets held by the Company were measured at cost, less accumulated impairment losses on the reporting date. The fair values of these investments cannot be measured reliably because the range of reasonable fair value estimates is large and the probabilities for each estimate cannot be reasonably determined.

(ii) As of December 31, 2017, the Company did not provide any financial assets at cost as collaterals for its loans.

(iii) The aforementioned investments were classified as financial assets at fair value through other comprehensive income on December 31, 2018. Please refer to note (6)(c).

(f) Current financial assets measured at amortized costs

	December 31, 2018
Common bonds – Taiwan Star Telecom Corporation Limited (Taiwan Star)	$ 350,000

The Company has assessed that these financial assets are held to maturity to collect contractual cash flows, which consist solely of payments of principal and interest on the principal amount outstanding. Therefore, these investments were classified as financial assets measured at amortized cost on January 1, 2018. As of December 31, 2017, the aforementioned financial assets measured at amortized costs of the Company were classified as bond investment without as active market. Please refer to note (6)(g).

As of December 31, 2018, the Company did not provide the aforementioned financial assets as collaterals for its loans.

(g) Bond investment without active market

	December 31, 2017
Common bonds – Taiwan Star Telecom Corporation Limited (Taiwan Star)	$ 700,000
Current	$ 350,000
Non-current	350,000
	$ 700,000

The Company subscribed the five-year common bonds issued by Taiwan Star via private placement for $1,750,000 in June 2014 with an interest rate of 2%. Taiwan Star will repay the amount of $350,000 per annum from the date of issuance till the maturity of the bond in June 2019. The aforementioned bond investments was classified as financial assets measured at amortized cost on December 31, 2018. Please refer to note (6)(f).

As of December 31, 2017, the Company did not provide the aforementioned financial assets as collaterals for its loans.

(h) Notes and accounts receivable

	December 31, 2018	December 31, 2017
Notes receivable from operating activities	$ 1,218	605
Accounts receivable – measured as amortized cost	171,635,955	171,353,245
Accounts receivable – fair value through other comprehensive income	22,896,211	-
	194,533,384	171,353,850
Less: allowance for uncollectible accounts	(3,718,560)	(3,717,495)
	$ 190,814,824	167,636,355
Notes and accounts receivable	$ 189,496,594	165,540,785
Notes and accounts receivable – related parties	$ 1,318,230	2,095,570

The Company has assessed a portion of its trade receivables that was held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; therefore, such trade receivables were measured at fair value through other comprehensive income on January 1, 2018.

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The Company applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables on December 31, 2018. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information. The loss allowance provision of the Company as of December 31, 2018 was determined as follows:

Credit rating	Carrying amount of accounts receivable	Weighted- ave rage ECL rate	Lifetime ECLs	Credit-impai red
Level A	$ 187,485,567	0%	-	No
Level B	3,424,080	2.769%	94,823	No
Level C	3,623,737	100%	3,623,737	Yes
	$ 194,533,384		3,718,560	

As of December 31, 2018 the aging analysis of accounts receivable, which were past due but not impaired, was as follows:

	December 31, 2018
Overdue 1 to 180 days	$ 1,770,814

As of December 31, 2017, the Company applies the incurred loss model to consider the loss allowance provision of notes and accounts receivable, and the aging analysis of notes and accounts receivable, which were past due but not impaired, was as follows:

	December 31, 2017
Overdue 1 to 180 days	$ 344,920

For the years ended December 31, 2018 and 2017, the movement in the allowance for notes and accounts receivable were as follow:

		2017	
	2018	Individually assessed impairment	Collectively assessed impairment
Balance at beginning of the period (IAS 39)	$ 3,717,495	-	788,948
Adjustment on initial application of IFRS 9	-		
Balance at beginning of the period (IFRS 9)	3,717,495		
Assessment category reclassified	-	689,097	(689,097)
Impairment losses recognized	1,065	2,929,599	(1,052)
Balance at the end of the period	$ 3,718,560	3,618,696	98,799

Allowance for uncollectible account is the balance of accounts receivables which are uncollectable. Except for evaluating the situation of the customers' payment records and widely analyzing the credit rating of customers, the Company also takes all the necessary procedures for collection. The Company believes that there is no doubt for the recovery of the due but unimpaired account receivable, therefore, no allowance recognized. The Company had recognized full loss for the uncollectible accounts receivables of Leshi, however, the Company will make the utmost effort to recover the accounts receivable, including taking proper legal actions.

The Company entered into accounts receivable factoring agreements with banks. As of December 31, 2018 and 2017, except for the amount used under the actual sales amount in thousand accordance with certain agreements, the factoring amount granted by the banks was USD 950,000 thousands and USD 985,000 thousands, respectively. Based on the agreements, the Company is not responsible for guaranteeing the ability of the accounts receivable obligor to make payment when it is affected by credit risk. Thus, this is a non-recourse accounts receivable factoring. After the transfer of the accounts receivable, the Company can request partial advanced amount, while the interest calculated at an agreed rate is paid to the bank in the period during the time of receiving advance and the accounts receivable is collected. The remaining amounts with no advance are received when the accounts receivable are settled by the customers. As of December 31, 2018 and 2017, the factored accounts receivable with no advance amounting to $0 and $44,641, respectively, are accounted for as other receivables.

The Company, customers, and banks signed the three-party contracts in which the banks purchase accounts receivable from the Company. The total amount of the accounts receivable should not exceed the facility limit provided by the banks to the Company' s customers. Based on the contracts, the banks have no right to request the Company to repurchase the accounts receivable. Thus, this is a non-recourse accounts receivable transfer. As of December 31, 2018 and 2017, accounts receivable factored were recovered and derecognized since the conditions of derecognition were met.

As of December 31, 2018 and 2017, the details of the factored accounts receivable were as follows:

December 31, 2018

Purchaser	Accounts receivable factored (gross)	Advanced amount	Collateral	Amount derecognized	Interest rate
Financial Institution	$ 32,098,074	32,098,074	-	32,098,074	3.02%~3.52%

December 31, 2017

Purchaser	Accounts receivable factored (gross)	Advanced amount	Collateral	Amount derecognized	Interest rate
Financial Institution	$ 35,315,810	35,271,169	-	35,315,810	1.79%~2.56%

As of December 31, 2018 and 2017, the Company did not provide any aforementioned notes and accounts receivable as collaterals.

(i) Other receivables

	December 31, 2018	December 31, 2017
Other accounts receivable - loans to subsidiaries	$ 301,137	360,473
Other accounts receivable - related parties	144,455	25,829
Others	973,158	324,991
	$ 1,418,750	711,293

As of December 31, 2018 and 2017, none of other receivables were past due.

(j) Inventories

	December 31, 2018	December 31, 2017
Finished goods	$ 18,779,873	11,546,680
Work in progress	44,008	45,980
Raw materials	32,693,278	30,826,430
Raw materials in transit	-	566,273
	$ 51,517,159	42,985,363

(i) During the years ended December 31, 2018 and 2017, inventory cost recognized as cost of sales amounted to $889,171,625 and $819,765,642, respectively.

(ii) The write-down of inventories to net realizable value amounted to $171,790, in the year ended December 31, 2018. The Company reversed its allowance for inventory valuation loss amounting to $494,472 due to the sale and disposal of its obsolete inventories in the year ended December 31, 2017.

(iii) As of December 31, 2018 and 2017, the Company did not provide any inventories as collaterals for its loans.

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(k) Investments accounted for using equity method

A summary of the Company's financial information for equity-accounted investees at the reporting date is as follows:

	December 31, 2018	December 31, 2017
Subsidiaries	$ 79,891,379	74,925,869
Associates	2,619,501	2,330,648
	82,510,880	77,256,517
Plus: Other receivables–related parties	494,744	232,194
Credit balance of investment in equity method (other non-current liability)	298,023	437,912
Less: unrealized profits or losses	(4,409)	(6,753)
	$ 83,299,238	77,919,870

(i) Subsidiaries

Please refer to the consolidated financial statement for the year ended December 31, 2018.

(ii) Associates

1) The fair value of the shares of listed company based on the closing price was as follow:

	December 31, 2018	December 31, 2017
Allied Circuit Co., Ltd. ("Allied Circuit")	$ 621,653	802,461
Avalue Technology Inc. ("Avalue")	586,743	696,471
	$ 1,208,396	1,498,932

2) The Company's share of the net gain (loss) of associates was as follows:

	2018	2017
The Company's share of the gain of associates	$ 483,812	138,286

3) The Company's financial information for investments accounted for using the equity method that are individually immaterial was as follows:

	December 31, 2018	December 31, 2017
Carrying amount of individually immaterial associates	$ 2,619,501	2,330,648

(Continued)

COMPAL ELECTRONICS, INC.

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		2018	2017
The Company's share of the net income (loss) of associates:			
Profit from continuing operations	$	483,812	138,286
Other comprehensive income (loss)		(97,800)	(89,325)
Total comprehensive income	$	386,012	48,961

(iii) As of December 31, 2018 and 2017, the Company did not provide any investments accounted for using equity method as collaterals for its loans.

(l) Changes in subsidiaries' equity

(i) Changes in ownership interests while retaining control (increase in ownership interest)

The Company purchased 3% ownership of HengHao Technology Co., Ltd. ("HengHao") from non-controlling interest with an amount of $25,203 in 2017; therefore, the Company has acquired 100% ownership of HengHao.

The Company's subsidiary, Arcadyan Technology Corp. ("Arcadyan"), purchased shares of other subsidiaries from non-controlling interest amounting to $634 and $10,496, respectively, in 2018 and 2017.

The following summarizes the effect of changes in equity of the parent due to changes in the ownership interest of the subsidiaries:

		2018	2017
Acquisition of non-controlling interest (carrying amount)	$	631	30,117
Consideration paid for the non-controlling interest		(634)	(35,699)
Difference	$	(3)	(5,582)
Capital surplus – difference between consideration and carrying amount of subsidiaries acquired or disposed	$	-	(3,492)
Capital surplus – changes in ownership interests in subsidiaries		(3)	89
Retained earnings		-	(2,179)
	$	(3)	(5,582)

(ii) Disposal of part of equity ownership of subsidiaries interest without losing control

The Company's subsidiaries disposed 23% interest of Compal Broadband Network Inc. ("CBN") in 2017, and the total consideration was $413,257. The capital surplus－difference between consideration and carrying amount of subsidiaries acquired or disposal related to above transaction amounted to $36,508.

(Continued)

COMPAL ELECTRONICS, INC.

Notes to Parent-Company-Only Financial Statements

(iii) Changes in subsidiaries' equity did not result in the Company's loss of control

1) Subsidiaries' employee stock options exercised

CBN issued 351 thousand and 1,612 thousand new shares because of its employees' exercised stock options in 2018 and 2017, respectively, which resulted in reducing the Company and its subsidiaries' ownership of CBN by 0.41% and 2.80%, respectively.

2) Issuance of new shares for cash of subsidiaries

The Company and its subsidiaries did not purchase newly issued shares of CBN in the fourth quarter of 2018, which resulted in reducing the Company and its subsidiaries' ownership of CBN by 7.27%.

3) Issuance of subsidiaries' restricted shares

Arcadyan issued 4,500 thousand restricted new shares in the year ended Decebmer 31, 2018, which resulted in reducing 0.84% interest of the Company and its subsidiaries' ownership of Arcadyan.

4) The following summarizes the effect of changes in equity of the parent due to changes in the ownership interest of subsidiaries:

	2018	2017
Capital surplus – changes in ownership interest in subsidiaries	$ (32,703)	53
Retained earnings	(32,160)	(424)
	$ (64,863)	(371)

(m) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Company for the years ended December 31, 2018 and 2017, were as follows:

	Land	Buildings and building improvement	Other equipment	Under construction and prepayment for purchase of equipment	Total
Cost or deemed cost:					
Balance on January 1, 2018	$ 1,047,797	2,173,951	2,002,114	27,007	5,250,869
Additions	-	18,716	124,095	60,375	203,186
Disposals and derecognitions	-	(476)	(62,516)	-	(62,992)
Reclassifications	-	2,570	48,325	(50,895)	-
Balance on December 31, 2018	$ 1,047,797	2,194,761	2,112,018	36,487	5,391,063

COMPAL ELECTRONICS, INC.

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	Land	Buildings and building improvement	Other equipment	Under construction and prepayment for purchase of equipment	Total
Balance on January 1, 2017	$ 1,047,797	2,135,715	2,042,004	2,478	5,227,994
Additions	-	28,876	57,171	40,061	126,108
Disposals and derecognitions	-	(395)	(102,838)	-	(103,233)
Reclassifications	-	9,755	5,777	(15,532)	-
Balance on December 31, 2017	$ 1,047,797	2,173,951	2,002,114	27,007	5,250,869
Depreciation and impairments loss:					
Balance on January 1, 2018	$ -	1,312,069	1,846,528	-	3,158,597
Depreciation for the period	-	57,362	108,965	-	166,327
Disposals and derecognitions	-	(476)	(61,566)	-	(62,042)
Balance on December 31, 2018	$ -	1,368,955	1,893,927	-	3,262,882
Balance on January 1, 2017	$ -	1,261,391	1,834,489	-	3,095,880
Depreciation for the period	-	51,073	114,792	-	165,865
Disposals and derecognitions	-	(395)	(102,753)	-	(103,148)
Balance on December 31, 2017	$ -	1,312,069	1,846,528	-	3,158,597
Carrying amounts:					
Balance on December 31, 2018	$ 1,047,797	825,806	218,091	36,487	2,128,181
Balance on January 1, 2017	$ 1,047,797	874,324	207,515	2,478	2,132,114
Balance on December 31, 2017	$ 1,047,797	861,882	155,586	27,007	2,092,272

As of December 31, 2018 and 2017, the Company did not provide property, plant and equipment as collateral for its borrowing.

(n) Short-term borrowings

The details of short-term borrowings were as following:

	December 31, 2018	December 31, 2017
Unsecured bank loans	$ 51,305,682	41,386,000
Unused credit line for short-term borrowings	$ 40,694,000	35,919,000
Range of interest rates	0.72%~3.56%	0.60%~2.54%

For information on the Company's interest risk, foreign currency risk and liquidity risk, please refer to note (6)(ac).

(o) Long-term borrowings

The details of long-term borrowings were as follows:

	December 31, 2018			
	Currency	**Annual range of interest rates**	**Maturity year**	**Amount**
Unsecured bank loans	TWD	0.79%~1.22%	2019~2021	$ 28,396,250
Less: current portion				(17,496,250)
Total				$ 10,900,000
Unused credit line for long-term borrowings				$ 5,414,750

	December 31, 2017			
	Currency	**Annual range of interest rates**	**Maturity year**	**Amount**
Unsecured bank loans	TWD	0.78%~1.22%	2018~2020	$ 25,050,000
Unsecured bank loans	USD	1.95%~1.96%	2018	2,083,200
Less: current portion				(6,018,750)
Total				$ 21,114,450
Unused credit line for long-term borrowings				$ 4,377,000

For information on the Company’ s interest risk, foreign currency risk and liquidity risk, please refer to note (6)(ac).

(p) Provisions

	Sales returns and allowances
Balance on January 1, 2017	$ 1,532,250
Provisions made during the period	1,078,600
Provisions used during the period	(219,727)
Provisions reversed during the period	(950,831)
Balance on December 31, 2017	$ 1,440,292

Provisions related to sales of products are assessed based on historical experience, management's judgment and other known reasons. Such allowances are recognized as a deduction of sales revenue in the same period in which sales are made. The aforementioned provisions are expected to settle over the next year. Due to the application of IFRS 15 on January 1, 2018, the sales returns and allowances provisions were reclassified as refund liabilities.

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Notes to Parent-Company-Only Financial Statements

(q) Refund liabilities

		December 31, 2018
Refund liabilities	$	1,480,446

Due to the application of IFRS 15 from January 1, 2018, the provision of sale return and allowance were reclassified from provision to refund liabilities.

(r) Operating lease

(i) The Company as lessee

1) The rental payables of the non-cancellable operating lease are as follows:

		December 31, 2018	December 31, 2017
Less than one year	$	264,145	300,385
Between one and five years		257,020	387,446
	$	521,165	687,831

The Company leased several office areas under operating leases with the leasing terms from 1 to 5 years and had an option to renew the leases when the leases expired.

For the years ended December 31, 2018 and 2017, expenses recognized in profit or loss under operating leases amounted to $297,582 and $273,839, respectively.

The lease contract includes those of the land and building, with their residual values being assumed by the landlord. The rental is regularly adjusted based on the current market price. Based on the risks and rewards of leased assets not transferred to the Company, the Company recognized the lease as operating lease.

(ii) The Company as lessor

The Company leased out a few offices buildings, plants and equipments to third parties under operating lease with lease terms of 1 to 7 years. For the years ended December 31, 2018 and 2017, rentals recognized in profit or loss amounted to $5,533 and $8,630, respectively. The future minimum lease receivables under non-cancellable leases are as follows:

		December 31, 2018	December 31, 2017
Less than one year	$	1,222	2,426
Between one and five years		2,951	2,455
More than five years		352	880
	$	4,525	5,761

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(s) Employee benefits

(i) Defined benefit plans

Reconciliation of defined benefit obligations at present value and plan assets at fair value were as follows:

		December 31, 2018	December 31, 2017
Present value of defined benefit obligations	$	(1,246,221)	(1,220,613)
Fair value of plan assets		624,640	608,482
Net defined benefit liabilities	$	(621,581)	(612,131)

The Company makes defined benefit plan contributions to the pension fund account with Bank of Taiwan that provides pensions for employees upon retirement. The plans (covered by the Labor Standards Law) entitle a retired employee to receive retirement benefits based on years of service and average salary for the six months prior to retirement.

1) Composition of plan assets

The Company allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Labor Pension Fund Supervisory Committee. With regard to the utilization of the funds, 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 interest rates offered by local banks.

The balance of the Company's labor pension reserve account in the Bank of Taiwan amounted to $618,575 (excluding the ending balance of interest receivable) as of December 31, 2018. For information on the utilization of the labor pension fund assets including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in the present value of the defined benefit obligations

The movements in the present value of defined benefit obligations for the Company were as follows:

		2018	2017
Defined benefit obligations on January 1	$	(1,220,613)	(1,172,961)
Current service costs and interest		(22,168)	(25,168)
Remeasurements of net benefit liabilities		(37,000)	(76,106)
Benefit paid by the plan		33,560	53,622
Balance on December 31	$	(1,246,221)	(1,220,613)

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3) Movements of the fair value of defined benefit plan assets

The movements in the fair value of the defined benefit plan assets for the Company were as follows:

	2018	2017
Fair value of plan assets on January 1	$ 608,482	631,268
Expected return on plan assets	8,141	9,724
Remeasurements of net benefit plan assets	16,811	(3,577)
Contributions paid by the employer	24,766	24,689
Benefits paid by the plan	(33,560)	(53,622)
Fair value of plan assets on December 31	**$ 624,640**	**608,482**

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Company were as follows:

	2018	2017
Current service cost	$ 5,635	6,981
Net interest on the net defined benefit liability (asset)	8,392	8,463
	$ 14,027	**15,444**
Cost of sales	$ 436	423
Selling expenses	745	825
Administrative expenses	3,395	4,301
Research and development expenses	9,451	9,895
	$ 14,027	**15,444**

5) Remeasurement of the net defined benefit liability (asset) recognized in other comprehensive income

The Company’ s remeasurements of the net defined benefit liability (assets) recognized in other comprehensive income were as follows:

	2018	2017
Cumulative amount on January 1	$ 406,910	327,227
Recognized during the period	20,189	79,683
Cumulative amount on December 31	**$ 427,099**	**406,910**

6) Actuarial assumptions

The following were the Company' s principal actuarial assumptions at the reporting date:

	December 31, 2018	December 31, 2017
Discount rate	1.30%	1.40%
Future salary increase rate	3.00%	3.00%

The expected allocation payment made by the Company to the defined benefit plans for the one year period after the reporting date is $24,967.

The weighted-average lifetime of the defined benefit plan is 10.3 years.

7) Sensitivity analysis

If the main actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

	Effects to the defined benefit obligation	
	Increased 0.25%	**Decreased 0.25%**
December 31, 2018		
Discount rate	(31,218)	32,390
Future salary increasing rate	31,779	(30,797)
December 31, 2017		
Discount rate	(31,448)	32,670
Future salary increasing rate	32,086	(31,054)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation on the net defined benefit liabilities in the balance sheets.

The method and assumption used in the sensitivity analysis is consistent with prior period.

(ii) Defined contribution plans

The Company allocates 6% of each employee' s monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Company allocates the labor pension at a specific percentage to the Bureau of the Labor Insurance without additional legal or constructive obligations.

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The Company recognized the pension costs under the defined contribution method amounting to $306,912 and $286,820 for the years ended December 31, 2018 and 2017, respectively. Payment was made to the Bureau of Labor Insurance.

(t) Income taxes

According to the amendments to the "Income Tax Act" enacted by the office of the President of the Republic of China (Taiwan) on February 7, 2018, an increase in the corporate income tax rate from 17% to 20% is applicable upon filing the corporate income tax return effective from 2018.

(i) Income tax expenses

1) The amount of income tax for the years ended December 31, 2018 and 2017, was as follows:

	2018	2017
Current tax expense		
Recognized during the period	$ 1,010,943	1,290,833
10% surtax on unappropriated earnings	-	168,132
Tax credit of investment	(183,384)	(322,319)
	827,559	1,136,646
Deferred tax expense		
Recognition and reversal of temporary differences	292,600	(207,451)
Adjustment in tax rate	(75,208)	-
	217,392	(207,451)
Income tax expense	**$ 1,044,951**	**929,195**

2) The amount of income tax recognized in other comprehensive income for the years ended December 31, 2018 and 2017, was as follows:

	2018	2017
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement of defined benefit obligation	$ (32,146)	(13,546)
Unrealized gains (losses) on equity instruments at fair value through other comprehensive income	(37,780)	-
	$ (69,926)	**(13,546)**
Items that will be reclassified subsequently to profit or loss:		
Unrealized gain (loss) of available-for-sale financial assets	**$ -**	**12,221**

(Continued)

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Notes to Parent-Company-Only Financial Statements

3) The income tax expense that was reconciled between the actual income tax expense and profit before tax for the years ended December 31, 2018 and 2017, was as follows:

	2018	2017
Profit before tax	$ 9,958,316	6,678,720
Income tax calculated based on tax rate	$ 1,991,663	1,135,382
Adjustment in tax rate	(75,208)	-
Estimated tax effect of tax exemption on investment income, net	(877,600)	49,686
Realized investment loss	(133,869)	(142,901)
Investment tax credit	(183,384)	(322,319)
Changes in temporary differences	(56,660)	(342,691)
Adjustment of estimated difference and other	380,009	383,906
10% surtax on unappropriated earnings	-	168,132
	$ 1,044,951	929,195

(ii) Deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2018 and 2017 were as follows:

	Exchange differences on translation	Refund liabilities (Provision-sales return and allowance)	Contract liabilities (Unearned revenue)	Unrealized exchange losses, net	Others	Total
Deferred tax assets:						
Balance on January 1, 2018	$ 9,823	259,546	176,283	365,646	253,814	1,065,112
Recognized in profit or loss	-	(81,521)	(11,328)	(259,120)	15,291	(336,678)
Recognized in other comprehensive income	-	-	-	-	32,146	32,146
Balance on December 31, 2018	$ 9,823	178,025	164,955	106,526	301,251	760,580
Balance on January 1, 2017	$ 9,823	295,900	202,893	246,246	257,728	1,012,590
Recognized in profit or loss	-	(36,354)	(26,610)	119,400	(17,460)	38,976
Recognized in other comprehensive income	-	-	-	-	13,546	13,546
Balance on December 31, 2017	$ 9,823	259,546	176,283	365,646	253,814	1,065,112

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	Unrealized exchange gains, net	Others	Total
Deferred tax liabilities:			
Balance on January 1, 2018	$ (171,868)	(371,753)	(543,621)
Recognized in profit or loss	171,868	(52,582)	119,286
Recognized in other comprehensive income	-	37,780	37,780
Balance on December 31, 2018	$ -	(386,555)	(386,555)
Balance on January 1, 2017	$ (340,343)	(359,532)	(699,875)
Recognized in profit or loss	168,475	-	168,475
Recognized in other comprehensive income	-	(12,221)	(12,221)
Balance on December 31, 2017	$ (171,868)	(371,753)	(543,621)

(iii) Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following items:

	December 31, 2018	December 31, 2017
Tax effect of deductible temporary differences	$ 362,131	325,419

The Company assesses and considers that some of the income tax reduction items may be unrealized, hence they are not recognized as deferred tax assets.

(iv) Unrecognized deferred tax assets and liabilities related to investments in subsidiaries

The temporary differences associated with investment in subsidiaries were not recognized as deferred income tax assets and liabilities as the Company has the ability to control the reversal of these temporary differences which are not expected to reverse in the foreseeable future.

As of December 31, 2018 and 2017, the aggregate deductible temporary differences relating to investments in subsidiaries not recognized as deferred tax assets amounted to $2,162,721 and $3,205,580, respectively.

As of December 31, 2018 and 2017, the aggregate taxable temporary differences relating to investments in subsidiaries not recognized as deferred tax liabilities amounted to $54,430,545 and $47,433,268, respectively.

(i) Examination and approval

The Company’ s tax returns for the year through 2016 were assessed by the Taipei National Tax Administration. The Company disagreed with the assessment and filed formal tax appeals for 2012. In accordance with the conservatism, the total amounts of the assessed additional income tax were recognized in the statements of income. Any differences will be reflected as an adjustment after the tax is resolved.

(u) Capital and other equities

As of December 31, 2018 and 2017, the Company's authorized common stock consisting of 6,000,000 thousand shares with a par value of 10 New Taiwan dollar per share amounted to $60,000,000 of which 4,407,147 thousand shares and 4,419,192 thousand shares, respectively, were issued. All issued shares were paid up upon issuance.

(i) Ordinary shares

In 2015, the Company issued its employee restricted shares amounting to $493,600, wherein the amount of $120,450 and $49,690 had been cancelled due to failure in meeting the vested requirements in the years ended December 31, 2018 and 2017, respectively. As of December 31, 2018, the registration procedure had been completed.

(ii) Capital surplus

The balances of capital surplus were as follows:

	December 31, 2018	December 31, 2017
Additional paid-in capital	$ 7,183,919	7,898,905
Treasury share transactions	2,421,864	2,361,843
Difference between consideration and carrying amount arising from acquisition or disposal of subsidiaries	36,766	36,766
Recognition of changes in ownership interests in subsidiaries	15,642	48,348
Employee restricted shares	-	318,209
Changes in equity of associates and joint ventures accounted for using equity method	274,243	274,702
	$ 9,932,434	**10,938,773**

In accordance with the ROC Company Act, realized capital reserves can only be used to increase the common stock or distributed as cash dividends after offsetting losses. The aforementioned capital reserves include share premiums and donation gains. In accordance with the Securities Offering and Issuance Guidelines, the amount of capital reserves to be reclassified under share capital shall not exceed 10% of the actual share capital amount.

The Company's shareholders' meeting held on June 22, 2018 and 2017, approved to distribute the cash dividend of $881,429 and $884,431, respectively, representing 0.2 New Taiwan dollars per share by using the additional paid-in capital.

(Continued)

(iii) Retained earnings

Based on the Company’s articles of incorporation, if there is any profit after closing of books in a given year, the Company shall first defray tax due, cover accumulated losses and set aside ten percent of it as legal reserve and then set aside or reverse a special reserve in accordance with laws and regulations. The balance of earnings available for distribution is composed of the remainder of the said profit and the unappropriated retained earnings of previous years. The earnings appropriation proposal to distribute dividend and bonus shall be proposed by the Board of Directors and approved by the General Shareholders Meeting. The rest of the unappropriated retained earnings shall be reserved.

The lifecycle of the industry of the Company is in the growing stage. To meet the need of the Company for the future capital and the need of shareholders for cash flow, if there is any profit after close of books, the cash dividend allocated by the Company each year shall not be lower than ten percent of the total dividend (including cash and share dividend) for such year.

According to the law, when there is a deduction from stockholders' equity (excluding treasury stock and unearned employee benefit) during the year, an amount equal to the deduction item is set aside as a special reserve before the earnings are appropriated. A special reserve is made available for earning distribution only after the deduction of the related shareholders’ equity has been reversed.

1) Legal reverse

In accordance with the Company Act, 10% of net income should be set aside as legal reserve until it is equal to the paid-in capital. When a company incurs no loss, it may, in pursuant to a resolution to be adopted by the shareholders’ meeting as required, distribute its legal reserve by issuing new shares and distributing stock dividends or distributing cash to shareholders. Only the portion of the legal reserve which exceeds 25% of the paid-in capital may be distributed.

2) Special reverse

In accordance with Ruling No. 1010012865 issued by the FSC on April 6, 2012, a portion of current earnings and previous unappropriated earnings shall be set aside as a special reserve during earnings distribution. The amount to be set aside should equal the total amount of contra accounts that are accounted for as deductions to other equity interests. A portion of previous unappropriated earnings shall be set aside as a special reserve, which should not be distributed, to account for cumulative changes to other equity interests pertaining to prior periods. The special reserve shall be made available for appropriation when the net deductions of other equity interests are reversed in the subsequent periods.

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3) Earnings distribution

Earnings distribution for 2017 and 2016 was approved by the shareholders during their annual meeting held on June 22, 2018 and 2017, respectively. The relevant information was as follows:

	2017		**2016**	
	Amount per share	**Total amount**	**Amount per share**	**Total amount**
Cash dividends distributed to common shareholders	$ 1.0	4,407,147	1.0	4,422,153

Earnings distribution for 2018 was approved by the Board of Directors on March 22, 2019. The relevant information was as follows:

	2018	
	Amount per share	**Total amount**
Cash dividends distributed to common shareholders from the unappropriated earnings	$ 1.0	4,407,147
Cash dividends distributed to common shareholders from the capital surplus	0.2	881,429
		$ 5,288,576

The earnings distribution for the year ended December 31, 2018 is still subject to be approved by the shareholders during their annual meeting. The related information can be accessed through the Market Observation Post System website after the shareholders' meeting.

(iv) Treasury stock

The subsidiaries of the Company did not sell the ordinary shares of the Company in the years ended December 31, 2018 and 2017. As of December 31, 2018, Panpal and Gempal, subsidiaries of the Company, held 50,017 thousand shares of ordinary shares of the Company, recorded as the Company's treasury stock, with a book value of 17.6 New Taiwan dollars per share. The total cost was $881,247. The fair value of the ordinary shares of the Company was 17.45 and 21.30 New Taiwan dollars per share as of December 31, 2018 and 2017, respectively.

Pursuant to the Securities and Exchange Act, the number of treasury shares purchased cannot exceed 10% of the number of shares issued. The total purchase cost cannot exceed the sum of retained earnings, paid-in capital in excess of par value and realized capital surplus. The shares purchased for the purpose of transferring to employees shall be transferred within three years from the date of share repurchase. Those not transferred within the said limit shall be deemed as not issued by the Company and it should be cancelled. Furthermore, treasury stock cannot be pledged for debts, and treasury stock does not carry any shareholder rights until it is transferred.

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Notes to Parent-Company-Only Financial Statements

(v) Other equity interests (net-of-taxes)

		Exchange differences on transaction of foreign operation financial statements	Unrealized gain (loss) from financial assets at fair value through other comprehensive income	Unrealized gain (loss) on available-for-sale financial assets	Unearned compensation for restricted employee shares and others	Total
Balance on January 1, 2018	$	(3,477,376)	-	(5,353,772)	(79,856)	(8,911,004)
Effect of retrospective application		-	(5,847,823)	5,353,772	-	(494,051)
Adjusted balance on January 1, 2018		(3,477,376)	(5,847,823)	-	(79,856)	(9,405,055)
The Company		1,853,763	(34,596)	-	79,856	1,899,023
Subsidiaries		(67,150)	401,300	-	-	334,150
Associates		(162,189)	(125,317)	-	-	(287,506)
Balance on December 31, 2018	**$**	**(1,852,952)**	**(5,606,436)**	**-**	**-**	**(7,459,388)**
Balance on January 1, 2017	$	1,324,282	-	(5,663,830)	(285,105)	(4,624,653)
The Company		(4,606,117)	-	135,628	205,249	(4,265,240)
Subsidiaries		(148,238)	-	157,203	-	8,965
Associates		(47,303)	-	17,227	-	(30,076)
Balance on December 31, 2017	**$**	**(3,477,376)**	**-**	**(5,353,772)**	**(79,856)**	**(8,911,004)**

(v) Share-based payment

At the meeting held on June 20, 2014, the Company's Shareholders' Meeting adopted a resolution to issue 100,000 thousand new shares of employee restricted stock with no consideration to those full time employees who meet certain requirements. The first issuance of 50,000 thousand shares had been approved by the FSC on October 30, 2014. Moreover, the Company's Board of Directors resolved to issue 49,980 thousand shares on January 22, 2015, and 49,360 thousand shares had actually been issued, in which the effective date of the share issuance was on February 25, 2015.

40%, 30% and 30% of the aforementioned restricted shares are vested, respectively, when the employees continue to provide service for at least 2 years, 3 years and 4 years from the registration and effective date and in the meantime, meet the performance requirement. After the issuance, the restricted shares are kept by a trust, which is appointed by the Company, before they are vested. These restricted shares shall not be sold, pledged, transferred, gifted or by any other means of disposal to third parties during the custody period. The voting rights of these shares are executed by the custodian, and the custodian shall act based on law and regulations. If the shares remain unvested after the vesting period, the Company will purchase all the unvested shares without consideration and cancel the shares thereafter. Restricted shares could receive cash and stock dividends. The aforementioned new shares are not considered as restricted shares.

The information of the Company's restricted shares (in thousands) is as follows:

	2018	2017
Outstanding shares on January 1	23,571	44,740
Vested during the period	(11,526)	(16,200)
Canceled during the period	(12,045)	(4,969)
Outstanding shares on December 31	-	23,571

The fair value of the restricted employee shares are evaluated by using the market price of $23.50 on the grant date. As of December 31, 2018 and 2017, the unearned employee benefits were $0 and $79,856, respectively. For the year ended December 31, 2018, due to the failure in meeting the vested requirements of the employee restricted shares, the Company reversed compensation cost amounted to $156,219 and capital surplus－employee restricted shares amounted to $318,209. Besides, due to meet the vested requirements of the employee restricted shares, the Company recognized capital surplus–additional paid-in capital amounted to $155,601. The compensation cost related to the employee restricted shares amounted to $103,356 for the year ended December 31, 2017.

(w) Earnings per share

The Company's basic and diluted earnings per share are calculated as follows:

	2018	2017
Basic earnings per share:		
Profit attributable to ordinary shareholders of the Company	$ 8,913,365	5,749,525
Weighted-average number of outstanding ordinary shares (in thousands)	4,356,448	4,344,646
Diluted earnings per share:		
Profit attributable to ordinary shareholders of the Company (after adjustment of potential diluted ordinary shares)	$ 8,913,365	5,749,525
Weighted-average number of outstanding ordinary shares of potential diluted ordinary shares		
Weighted-average number of outstanding ordinary shares (in thousands)	4,356,448	4,344,646
Effect of potential diluted common stock		
Employee compensation (in thousands)	59,637	39,737
Employee restricted shares (in thousands)	682	20,670
Weighted-average number of ordinary shares (after adjustment of potential diluted ordinary shares) (in thousands)	4,416,767	4,405,053

(x) Revenue from contracts with customers

(i) Disaggregation of revenue

	2018 IT Product Segment
Primary geographical markets:	
United states	$ 361,991,920
China	110,187,798
Netherlands	109,185,154
United Kingdom	43,573,507
Others	286,111,743
	$ 911,050,122
Major products：	
5C electronics	$ 910,647,211
Others	402,911
	$ 911,050,122

For details on revenue for the year ended December 31, 2017, please refer to note (6)(y).

(ii) Contract balance

	December 31, 2018	January 1, 2018
Notes and accounts receivable (including related parties)	$ 194,533,384	171,353,850
Less: allowance for impairment	(3,718,560)	(3,717,495)
Total	**$ 190,814,824**	**167,636,355**
Contract liabilities	**$ 1,405,452**	**1,617,626**

For the details on accounts receivable and allowance for impairment, please refer to note (6)(h).

The amount of revenue recognized for the year ended December 31, 2018 that was included in the contract liability balance at the beginning of the period was $1,585,446.

The major change in the balance of contract assets and contract liabilities is the difference between the time frame in the performance obligation to be satisfied and the payment to be received.

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COMPAL ELECTRONICS, INC.

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(y) Revenue

The detail of revenue for the year ended December 31, 2017 of the Company was as follows:

	2017
Sale of goods	$ 840,684,789
Rendering of services and other	624,813
	$ 841,309,602

For the details on revenue for the year ended December 31, 2018, please refer to note (6)(x).

(z) Employees' and directors' compensations

Based on the Company's articles of incorporation, if there is any profit in a fiscal year, the Company's pre-tax profits in such fiscal year, prior to deduction of compensations to employees and directors, shall be distributed to employees as compensations in an amount of not less than two percent (2%) thereof and to directors as compensations in an amount of not more than two percent (2%) of such profits. In the event that the Company has accumulated losses, the Company shall reserve an amount to offset accumulated losses. The compensations to employees as mentioned above may be distributed in the form of stock or cash. Employees entitled to receive the said stock or cash may include the employees of the Company's subordinate companies pursuant to the Company Act.

The Company accrued and recognized its employee compensation of $930,857 and $624,296, respectively, and directors' compensation of $49,223 and $33,012 for the years ended December 31, 2018 and 2017, respectively. The estimated amounts mentioned above are based on the net profit before tax without the compensations to employees and directors of each respective ending period, multiplied by the percentage of the compensation to employees and directors, which was approved by the management. The estimations are recorded under operating expenses and cost. The differences between the amounts estimated and recognized in the financial statements, if any, are accounted for as changes in accounting estimates and recognized as profit or loss in the distribution year. If the Board of Directors approve to distribute employee compensation in the form of stock, the number of the shares of the employee compensation is based on the closing price of the day before the Board of Directors' meeting, the related information can be accessed through the Market Observation Post System website. There is no differences between the amount approved in the Board of Directors' meeting and those recognized in the financial statements in 2018 and 2017.

There is no differences between the amount estimated and recognized in the financial statements in 2017. The related information can be accessed through the Market observation Post System website.

(aa) Non-operating income and expenses

(i) Other income

The other income for the years ended December 31, 2018 and 2017, were as follows:

		2018	2017
Interest income			
Financial assets at amortized cost	$	9,992	15,803
Bank deposits		313,098	206,990
Others		9,815	16,601
Dividend revenue		212,129	117,742
Overdue payable reversed as other income		37,657	210,862
Sale of expensed assets		162,265	180,230
Other revenue		142,398	189,443
	$	**887,354**	**937,671**

(ii) Other gains and losses

The other gains and losses for the years ended December 31, 2018 and 2017, were as follows:

		2018	2017
Losses on disposal of investments	$	-	(1,804)
Gains (losses) on financial assets and liabilities at fair value through profit or loss, net		97,682	-
Foreign currency exchange gains (losses), net		(221,786)	(1,613,222)
Others		(1,926)	(85)
	$	**(126,030)**	**(1,615,111)**

(ab) Reclassification of the components of other comprehensive income

The details of reclassification of the components of other comprehensive income for the years ended December 31, 2018 and 2017, were as follows:

		2018	2017
Available-for-sale financial assets:			
Net change in fair value (net of tax)	$	-	135,628
Net change in fair value reclassified to profit or loss (net of tax)		-	-
Net change in fair value recognized in other comprehensive income (net of tax)	**$**	**-**	**135,628**

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COMPAL ELECTRONICS, INC.

Notes to Parent-Company-Only Financial Statements

(ac) Financial instruments

(i) Credit risk

1) The carrying amount of financial assets represents the maximum amount exposed to credit risk.

The Company’ s customers are mainly from the high-tech industry. The Company does not concentrate on a specific customer and the sales regions are widely spread, thus there should be no concern on the significant concentrations of accounts receivable credit risk. And in order to mitigate accounts receivable credit risk, the Company constantly assesses the financial status of the customers.

2) Receivables and debt securities

Information of exposure to credit risk of notes and accounts receivable, please refer to note (6)(h).

Other financial assets at amortized cost includes other receivables, investments in corporate bonds and time deposits (previously classified as bond investment without an active market on December 31, 2017). These financial assets are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses (Regarding how the financial instruments are considered to have low credit risk, please refer to note (4)(f).). Due to the counter parties and the performing parties of the Company’ s time deposits are financial institutions with investment grade and above, these time deposits are considered to have low credit risk.

(ii) Liquidity risk

The following are the contractual maturities of financial liabilities, excluding estimated interest payments.

	Carrying Amount	Contractual cash flows	Within 1 year	1 ~ 2 years	Over 2 years
December 31, 2018					
Non-derivative financial liabilities					
Unsecured borrowings	$ 79,701,932	(79,701,932)	(68,801,932)	(8,600,000)	(2,300,000)
Notes and accounts payable	155,427,659	(155,427,659)	(155,427,659)	-	-
Other payables	5,044,541	(5,044,541)	(5,044,541)	-	-
	$ 240,174,132	**(240,174,132)**	**(229,274,132)**	**(8,600,000)**	**(2,300,000)**
December 31, 2017					
Non-derivative financial liabilities					
Unsecured borrowings	$ 68,519,200	(68,519,200)	(47,404,750)	(13,514,450)	(7,600,000)
Notes and accounts payable	143,668,312	(143,668,312)	(143,668,312)	-	-
Other payables	4,346,361	(4,346,361)	(4,346,361)	-	-
	$ 216,533,873	**(216,533,873)**	**(195,419,423)**	**(13,514,450)**	**(7,600,000)**

The Company is not expecting that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

(iii) Currency risk

1) Exposure to foreign currency risk

The Company's significant exposure to foreign currency risk was as follows:

	December 31, 2018			December 31, 2017		
	Foreign currency	**Exchange rate**	**TWD**	**Foreign currency**	**Exchange rate**	**TWD**
Financial assets						
Monetary items						
USD to TWD	$ 6,889,285	30.715	211,604,389	6,517,889	29.76	193,972,377
Non-monetary items						
THB to TWD	423,027	0.946	400,184	712,938	0.9176	654,192
Financial liabilities						
Monetary items						
USD to TWD	6,819,596	30.715	209,463,891	6,125,248	29.76	182,287,380

2) Sensitivity analysis

The Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable, other receivables, loans and borrowings, accounts payable, and other payables that are denominated in foreign currency. Assuming all other variable factors remain constant, a strengthening (weakening) 5% of appreciation (depreciation) of the each major foreign currency against the Company's functional currency as of December 31, 2018 and 2017, would have increased (decreased) the net profit before tax as follows. The analysis is performed on the same basis for both periods.

	December 31, 2018	**December 31, 2017**
USD (against the TWD)		
Strengthening 5%	$ 107,025	584,250
Weakening 5%	(107,025)	(584,250)

3) Exchange gains and losses of monetary items

As the Company deals with diverse foreign currencies, gains or losses on foreign exchange were summarized as a single amount. For the years ended December 31, 2018 and 2017, the foreign exchange losses, including both realized and unrealized, amounted to $221,786 and $1,613,222, respectively.

(iv) Interest rate analysis

The interest risk exposure from financial assets and liabilities has been disclosed in the note of liquidity risk management.

The following sensitivity analysis is based on the risk exposure to interest rate on the derivative and non-derivative financial instruments on the reporting date. Regarding the assets and liabilities with variable interest rates, the analysis is on the basis of the assumption that the amount of assets and liabilities outstanding at the reporting date were outstanding throughout the year. The rate of change is expressed as the interest rate increase or decrease by 0.25%, when reporting to management internally, which also represents the assessment of the Company's management for the reasonably possible interval of interest rate change.

Assuming all other variable factors remaining constant, if the interest rate had increased or decreased by 0.25%, the impact to the net profit before tax would be as follows for the years ended December 31, 2018 and 2017, which would be mainly resulted from the bank savings and borrowings with variable interest rates.

	2018	2017
Interest increased by 0.25%	$ (30,511)	(47,830)
Interest decreased by 0.25%	30,511	47,830

(v) Fair value information

1) The categories and fair value of financial instruments

The Company's financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income (available- for-sale financial assets) were measured at fair value on a recurring basis. The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It shall not include fair value information of the financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value and investments in equity instruments which do not have any quoted price in an active market in which the fair value cannot be reasonably measured.

	December 31, 2018				
		Fair Value			
	Book value	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss─current and non-current					
Non-derivative financial assets					
Mandatorily measured at fair value through profit or loss	$ 308,513	284,768	-	23,745	308,513
Financial assets at fair value through other comprehensive income					
Stocks listed on domestic markets	2,383,976	2,383,976	-	-	2,383,976
Stocks listed on foreign markets	400,184	400,184	-	-	400,184
Stocks unlisted on domestic markets	896,395	-	-	896,395	896,395
Stocks unlisted on foreign markets	51,363	-	-	51,363	51,363
Accounts receivable	22,896,211	-	22,896,211	-	22,896,211
Subtotal	26,628,129				

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	December 31, 2018				
		Fair Value			
	Book value	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at amortized cost					
Cash and cash equivalents	20,446,378	-	-	-	-
Corporate bonds－current	350,000	-	-	-	-
Notes and accounts receivable, net	166,600,383	-	-	-	-
Notes and accounts receivable due from related parties, net	1,318,230	-	-	-	-
Other receivables	1,418,750	-	-	-	-
Guarantee deposits	117,500	-	-	-	-
Subtotal	190,251,241				
Total	$ 217,187,883				
Financial liabilities measured at amortized cost					
Short-term borrowings	$ 51,305,682	-	-	-	-
Notes and accounts payable	77,050,816	-	-	-	-
Notes and accounts payable to related parties	78,376,843	-	-	-	-
Other payables	5,044,541	-	-	-	-
Long-term borrowings current portion	17,496,250	-	-	-	-
Long-term borrowings	10,900,000	-	-	-	-
Total	$ 240,174,132				

	December 31, 2017				
		Fair Value			
	Book value	**Level 1**	**Level 2**	**Level 3**	**Total**
Available-for-sale financial assets					
Stocks listed on domestic markets	$ 3,794,069	3,794,069	-	-	3,794,069
Stocks listed on foreign markets	654,192	654,192	-	-	654,192
Stocks unlisted on domestic markets	1,207,219	-	-	1,207,219	1,207,219
Stocks unlisted on foreign markets	126,333	-	-	126,333	126,333
Subtotal	5,781,813				
Financial assets at cost (non-current)	2,333	-	-	-	-
Loans and receivables					
Cash and cash equivalents	28,343,534	-	-	-	-
Bond investment without active market-including current and non-current	700,000	-	-	-	-
Notes and accounts receivable, net	165,540,785	-	-	-	-
Notes and accounts receivable due from related parties, net	2,095,570	-	-	-	-
Other receivables	711,293	-	-	-	-
Guarantee deposits	106,744	-	-	-	-
Subtotal	197,497,926				
Total	$ 203,282,072				

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	December 31, 2017				
		Fair Value			
	Book value	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial liabilities measured at amortized cost					
Short-term borrowings	$ 41,386,000	-	-	-	-
Notes and accounts payable	72,212,035	-	-	-	-
Notes and accounts payable to related parties	71,456,277	-	-	-	-
Other payables	4,346,361	-	-	-	-
Long-term borrowings current portion	6,018,750	-	-	-	-
Long-term borrowings	21,114,450	-	-	-	-
Total	$ 216,533,873				

2) Fair value valuation technique of financial instruments not measured at fair value

The Company estimates financial instruments that not measured at fair value by methods and assumption as follows:

a) Financial assets measured at amortized cost (bond investment without active market) and financial liabilities measured at amortized cost

If there is quoted price generated by transactions, the recent transaction price and quoted price data is used as the basis for fair value measurement. However, if no quoted prices are available, the discounted cash flows are used to estimate fair values.

3) Fair value valuation technique of financial instruments measured at fair value

a) Non-derivative financial instruments

Financial instruments trade in active markets is based on quoted market prices. The quoted price of a financial instrument obtained from main exchanges and on-the-run bonds from Taipei Exchange can be used as a base to determine the fair value of the listed companies' equity instrument and debt instrument of the quoted price in an active market.

If a quoted price of a financial instrument can be obtained in time and often from exchanges, brokers, underwriters, industrial union, pricing institute, or authorities and such price can reflect those actual trading and frequently happen in the market, then the financial instrument is considered to have a quoted price in an active market. If a financial instrument is not in accord with the definition mentioned above, then it is considered to be without a quoted price in an active market. In general, market with low trading volume or high bid-ask spreads is an indication of a non-active market.

The fair value of the listed company is determined by reference to the market quotation.

The measurements on fair value of the financial instruments without an active market are determined using the valuation technique or the quoted market price of its competitors. Fair value measured using the valuation technique can be extrapolated from similar financial instruments, discounted cash flow method, or other valuation techniques which include the model used in calculating the observable market data at the balance sheet date.

The measurement of fair value of a non-active market financial instruments held by the Company which do not have quoted market prices are based on the comparable market approach, with the use of key assumptions of price-book ratio multiple or earnings multiple of comparable listed companies as its basic measurement. These assumptions have been adjusted for the effect of discount without the marketability of the equity securities.

b) Derivative financial instruments

Measurement of the fair value of derivative instruments is based on the valuation techniques that are generally accepted by the market participants. For instance, discount method or option pricing models. Fair value of forward currency exchange is usually determined by using the forward currency rate.

4) Transfer from one level to another

There was no transfer from one level to another in 2018 and 2017.

5) Changes in level 3

The change in level 3 at fair value in the years ended December 31, 2018 and 2017, were as follow:

	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income (available-for-sale financial assets)
Balance on January 1, 2018	$ -	1,333,552
Effects of retrospective application	-	2,333
Adjusted balance on January 1, 2018	-	1,335,885
Total gains and losses recognized:		
In other comprehensive income	-	(487,950)
Purchased	23,745	107,877
Proceeds of capital reduction of investment	-	(8,054)
Balance on December 31, 2018	$ 23,745	947,758

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	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income (available-for-sale financial assets)
Balance on January 1, 2017	$ -	2,101,861
Total gains and losses recognized:		
In other comprehensive income	-	(4,440)
Purchased	-	60,180
Proceeds of capital reduction of investment	-	(13,049)
Disposal	-	(811,000)
Balance on December 31, 2017	$ -	1,333,552

For the years ended December 31, 2018 and 2017, total gains and losses that were included in "other comprehensive income, before tax, available-for-sale financial assets" and "other comprehensive income, before tax, equity instruments at fair value through other comprehensive income" were as follows:

	2018	2017
Total gains and losses recognized:		
In other comprehensive income (as "other comprehensive income, before tax, available-for-sale financial assets")	$ -	(4,440)
In other comprehensive income (as "other comprehensive income, before tax, equity instruments at fair value through other comprehensive income")	$ (487,950)	-

6) The quantified information for significant unobservable inputs (level 3) used in fair value measurement

The Company's financial instruments that use level 3 input to measure fair values include financial assets at fair value through other comprehensive income –equity instruments, financial assets at fair value through profit or loss –equity securities investment and available-for-sale financial assets – equity investment.

Most of fair value measurements of the Company which are categorized as equity investment into level 3 have several significant unobservable inputs. Significant unobservable inputs of equity investments without quoted price are independent of each other.

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The quantified information for significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationships between significant unobservable inputs and fair value
Financial assets at fair value through other comprehensive income (available-for-sale financial assets)－equity investment without an active market	Comparable market approach	Price-Book ratio multiples (1.33~5.86, 1.7671~2.63, respectively, on December 31, 2018 and 2017)	The higher the multiple is, the higher the fair value will be.
		Multiples of earnings (2.32~2.95 on December 31, 2018)	The higher the multiple is, the higher the fair value will be.
		Lack-of-Marketability discount rate (40%~82%, and 45%~65%, respectively, on December 31, 2018 and 2017)	The higher the Lack-of-Marketability discount rate is, the lower the fair value will be.
Financial assets at fair value through other comprehensive income (available-for-sale financial assets)- investment in private placement	Net asset value method	Net asset value	Inapplicable

7) Sensitivity analysis for fair value of financial instruments using level 3 inputs

The Company's fair value measurement on financial instruments is reasonable. However, the measurement would be different if different valuation models or valuation parameters are used. For financial instruments using level 3 inputs, if the valuation parameters changed, the impact on other comprehensive income or loss are as follows:

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	Input	Move up or down	Other comprehensive income Favorable change	Unfavorable change
December 31, 2018				
Financial assets at fair value through other comprehensive income	Price-Book ratio multiples	5%	$ 24,924	24,935
	Multiples of earnings	5%	$ 18,629	17,648
	Lack-of-Marketability discount rate	5%	$ 4,913	4,925
December 31, 2017				
Available-for-sale financial assets	Price-Book ratio multiples	5%	$ 2,531	2,602
	Lack-of-Marketability discount rate	5%	$ 4,633	4,562

The favorable and unfavorable changes reflect the movement of the fair value, in which the fair value is calculated by using the different unobservable inputs in the valuation technique. The table above shows the effects of one unobservable input, without considering the inter-relationships with another unobservable input for financial instrument, if there are one or more unobservable inputs.

(ad) Financial risk management

(i) Overview

The Company is exposed to the following risks arising from financial instruments:

1) Credit risk

2) Liquidity risk

3) Market risk

In this note expressed the information on risk exposure and objectives, policies and procedures of risk measurement and management of the Company. For detailed information, please refer to the related notes of each risk.

(ii) Structure of risk management

The Company’s finance management department provides business services for the overall internal department. It sets the objectives, policies and processes for managing the risk and the methods used to measure the risk arising from both the domestic and international financial market operations.

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The Company minimizes the risk exposure through derivative financial instruments. The Board of Directors regulated the use of derivative financial instruments in accordance with the Company's policy about risks arising from financial instruments such as currency risk, interest rate risk, credit risk, the use of derivative and non-derivative financial instruments and the investments of excess liquidity. The internal auditors of the Company continue with the review of the amount of the risk exposure in accordance with the Company's policies and the risk management policies and procedures. The Company has no transactions in financial instruments (including derivative financial instruments) for the purpose of speculation.

(iii) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investment securities.

1) Accounts receivable and other receivables

The Company has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer, and these limits are reviewed periodically.

2) Investments

The credit risks exposure in the bank deposits, investments with fixed income and other financial instruments are measured and monitored by the Company's finance department. Since the Company's transaction counterparties and the contractually obligated counterparties are banks, financial institutes and corporate organizations with good credits, there are no compliance issues, and therefore, no significant credit risk.

3) Guarantees

Pursuant to the Company's policies, it is only permissible to provide financial guarantees to subsidiaries and companies that the Company has business with. As of December 31, 2018 and 2017, The guarantees provide to the subsidiaries amounted to $325,179 and $372,963, respectively.

(iv) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities which be settled by delivering cash or another financial asset.

The Company manages and maintains sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. The Company's management supervises the banking facilities and ensures in compliance with the terms of the loan agreements. Please refer to notes (6)(n) and (6)(o) for unused credit lines of short-term and long-term borrowings as of December 31, 2018 and 2017.

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(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices which will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

1) Currency risk

The Company is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the functional currencies of the Company, primarily USD.

As for other monetary assets and liabilities denominated in other foreign currencies, when short-term imbalance takes place, the Company buys or sells foreign currencies at spot rate to ensure that the net exposure is kept on an acceptable level.

2) Interest rate risk

The Company borrows funds on fixed and variable interest rates, which has a risk exposure to changes in fair value and cash flow. Therefore, the Company manages the interest rates risk by maintaining an adequate combination of fixed and variable interest rates.

3) Other price risk

The Company is exposed to equity price risk arising from investments in listed equity securities.

(ae) Capital management

The policy of capital management made by the Board of Directors is to maintain a strong capital base so as to stabilize the confidence of the investors, creditors and the public market and to sustain future development of the business. Capital consists of ordinary shares, capital surplus and retained earnings. The Board of Directors monitors the return on capital as well as the level of dividends to ordinary shareholders.

The Company monitors the capital structure by way of periodical review the debt ratio. As of December 31, 2018 and 2017, the debt ratio was as follows:

	December 31, 2018	**December 31, 2017**
Total liabilities	$ 250,089,167	226,200,482
Total assets	$ 355,812,813	328,096,066
Debt ratio		

The Company could purchase its own shares in the public market in accordance with the corresponding rules and regulations. The timing of the purchases depends on market prices.

As of December 31, 2018, there were no changes in the Company’s approach of capital management.

(af) Investing and financing activities not affecting current cash flow

There is no investing and financing activities which did not affect the current cash flow in the year ended December 31, 2018.

Reconciliation of liabilities arising from financial activities were as follows:

	January 1, 2018	Cash flow	December 31, 2018
Long-term borrowings	$ 27,133,200	1,263,050	28,396,250
Short-term borrowings	41,386,000	9,919,682	51,305,682
Total liabilities from financing activities	**$ 68,519,200**	**11,182,732**	**79,701,932**

(7) Related-party transactions:

(a) Name and relationship with related parties

The following are the subsidiaries and entities that have transactions with related party during the periods covered in the financial statements.

Name of related party	Country of incorporation
Panpal Technology Corp. (“Panpal”)	The Company's subsidiary
Gempal Technology Corp. (“Gempal”)	The Company's subsidiary
Hong Ji Capital Co., Ltd. (“Hong Ji”)	The Company's subsidiary
Hong Jin Investment Co., Ltd. (“Hong Jin”)	The Company's subsidiary
Zhaopal	The Company's subsidiary
Yongpal	The Company's subsidiary
Kaipal	The Company's subsidiary
Accesstek, Inc. (“ATK”)	The Company's subsidiary
Arcadyan	The Company's subsidiary
Rayonnant Technology Co., Ltd. (“Rayonnant Technology”)	The Company's subsidiary
HengHao	The Company's subsidiary
Ripal Optortronics Co., Ltd. (“Ripal”)	The Company's subsidiary
Auscom Engineering Inc. (“Auscom”)	The Company's subsidiary
Just International Ltd. (“Just”)	The Company's subsidiary
Compal International Holding Co., Ltd. (“CIH”)	The Company's subsidiary
Compal Electronics (Holding) Ltd. (“CEH”)	The Company's subsidiary
Bizcom Electronics, Inc. (“Bizcom”)	The Company's subsidiary

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Name of related party	Country of incorporation
Flight Global Holding Inc. (“FGH”)	The Company's subsidiary
High Shine Industrial Corp. (“HSI”)	The Company's subsidiary
Compal Europe (Poland) Sp. z o.o. (“CEP”)	The Company's subsidiary
Big Chance International Co., Ltd. (“BCI”)	The Company's subsidiary
Compal Rayonnant Holdings Limited (“CRH”)	The Company's subsidiary
Core Profit Holdings Limited (“CORE”)	The Company's subsidiary
Compalead Electronics B.V. (“CPE”)	The Company's subsidiary
Compalead Eletronica do Brasil Industria e Comercio Ltda. (“CEB”)	The Company's subsidiary
Compal Display Holding (HK) Limited (“CDH (HK)”)	The Company's subsidiary
Compal Electronics International Ltd. (“CII”)	The Company's subsidiary
Compal International Ltd. (“CPI”)	The Company's subsidiary
Compal Electronics (China) Co., Ltd. (“CPC”)	The Company's subsidiary
Compal Optoelectronics (Kunshan) Co., Ltd. (“CPO”)	The Company's subsidiary
Compal System Trading (Kunshan) Co., Ltd. (“CST”)	The Company's subsidiary
Smart International Trading Ltd. (“Smart”)	The Company's subsidiary
Amexcom Electronics Inc. (“AEI”)	The Company's subsidiary
Mexcom Electronics, LLC (“MEL”)	The Company's subsidiary
Mexcom Technologies, LLC (“MTL”)	The Company's subsidiary
CENA Electromex, S.A. de C.V. (“CMX”)	The Company's subsidiary
Compal International Holding (HK) Limited (“CIH (HK)”)	The Company's subsidiary
Jenpal International Ltd. (“Jenpal”)	The Company's subsidiary
Prospect Fortune Group Ltd. (“PFG”)	The Company's subsidiary
Compal Electronics Technology (Kunshan) Co., Ltd. (“CET”)	The Company's subsidiary
Compal Information (Kunshan) Co., Ltd. (“CIC”)	The Company's subsidiary
Compal Information Technology (Kunshan) Co., Ltd. (“CIT”)	The Company's subsidiary
Kunshan Botai Electronics Co., Ltd. (“BT”)	The Company's subsidiary
Compal Information Research and Development (Nanjing) Co., Ltd. (“CIN”)	The Company's subsidiary
Compal Digital Technology (Kunshan) Co., Ltd. (“CDT”)	The Company's subsidiary
Compower Global Service Co., Ltd. (“CGS”)	The Company's subsidiary
Compal Investment (Jiansu) Co., Ltd. (“CIJ”)	The Company's subsidiary
Compal Display Electronics (Kunshan) Co., ltd. (“CDE”)	The Company's subsidiary
Etrade Management Co., Ltd. (“Etrade”)	The Company's subsidiary

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Name of related party	Country of incorporation
Webtek Technology Co., Ltd. (“Webtek”)	The Company's subsidiary
Forever Young Technology Inc. (“Forever”)	The Company's subsidiary
Unicom Global, Inc. (“UCGI”)	The Company's subsidiary
Palcom International Corporation (“Palcom”)	The Company's subsidiary
Compal Communication (Nanjing) Co., ltd. (“CCI Nanjing”)	The Company's subsidiary
Compal Digital Communication (Nanjing) Co., Ltd. (“CDCN”)	The Company's subsidiary
Compal Wireless Communication (Nanjing) Co., Ltd. (“CWCN”)	The Company's subsidiary
Hanhelt Communication (Nanjing) Co., Ltd. (“Hanhelt”)	The Company's subsidiary
Giant Rank Trading Ltd. (“GIA”)	The Company's subsidiary
OptoRite Inc.	The Company's subsidiary
MSI-ATK Otpics Holding Corporation (“MSI-ATK”)	The Company's subsidiary
Maitek (BVI) Corporation (“Maitek”)	The Company's subsidiary
Arcadyan Technology N.A. Corp. (“Arcadyan USA”)	The Company's subsidiary
Arcadyan Germany Technology GmbH (“Arcadyan Germany”)	The Company's subsidiary
Arcadyan Technology Corporation Korea (“Arcadyan Korea”)	The Company's subsidiary
Arcadyan Holding (BVI) Corp. (“Arcadyan Holding”)	The Company's subsidiary
Arcadyan do Brasil Ltda. (“Arcadyan Brasil”)	The Company's subsidiary
Arcadyan Technology Limited (“Arcadyan UK”)	The Company's subsidiary
Arcadyan Technology Australia Pty Ltd. (“Arcadyan AU”)	The Company's subsidiary
Zhi-pal Technology Inc. (“Zhi-pal”)	The Company's subsidiary
Tatung Technology Inc. (“TTI”)	The Company's subsidiary
AcBel Telecom Inc. (“AcBel Telecom”)	The Company's subsidiary
CBN	The Company's subsidiary
Speedlink Tradings Limited (“Speedlink”)	The Company's subsidiary
Compal Broadband Networks Belgium BVBA ("CBNB”)	The Company's subsidiary
Sinoprime Global Inc. (“Sinoprime”)	The Company's subsidiary
Arcadyan Technology (Shanghai) corp. (“SVA Arcadyan”)	The Company's subsidiary
Arch Holding (BVI) Corp. (“Arch Holding”)	The Company's subsidiary
Compal Networking (Kunshan) Co., Ltd. (“CNC”)	The Company's subsidiary
Leading Images Ltd. (“Leading Images”)	The Company's subsidiary
Great Arch Group Ltd. (“Great Arch”)	The Company's subsidiary
Astoria Networks GmbH (“Astoria GmbH”)	The Company's subsidiary

(Continued)

Name of related party	Country of incorporation
Quest International Group Co., Ltd. (“Quest”)	The Company's subsidiary
Exquisite Electronic Co., Ltd. (“Exquisite”)	The Company's subsidiary
Tatung Home Appliances (Wujiang) Co., Ltd. (“THAC”)	The Company's subsidiary
Tatung Technology of Japan Co., Ltd.	The Company's subsidiary
Intelligent Universal Enterprise Ltd. (“IUE”)	The Company's subsidiary
Goal Reach Enterprises Ltd. (“Goal”)	The Company's subsidiary
Compal (Vietnam) Co., Ltd. (“CVC”)	The Company's subsidiary
Compal Development &Management (Vietnam) Co., Ltd. (“CDM”)	The Company's subsidiary
Allied Power Holding Corp. (“APH”)	The Company's subsidiary
Primetek Enterprises Limited (“PEL”)	The Company's subsidiary
Rayonnant Technology (HK) Co., Ltd. (“Rayonnant Technology (HK)”)	The Company's subsidiary
Royonnant Technology (Taicang) Co., Ltd. (“Rayonnant Technology (Taicang)”)	The Company's subsidiary
HengHao Holdings A Co., Ltd. (“HHA”)	The Company's subsidiary
HengHao Holdings B Co., Ltd. (“HHB”)	The Company's subsidiary
HengHao Trading Co., Ltd.	The Company's subsidiary
HengHao Optoelectronics Technology (Kunshan) Co., Ltd.	The Company's subsidiary
LUCOM Display Technology (Kunshan) Limited (“Lucom”)	The Company's subsidiary
Center Mind International Co., Ltd. (“CMI”)	The Company's subsidiary
Prisco International Co., Ltd. (“PRI”)	The Company's subsidiary
Compal Electronic (Sichuan) Co., Ltd. (“CIS”)	The Company's subsidiary
Compal Electronic (Chongqing) Co., Ltd. (“CEQ”)	The Company's subsidiary
Compal Electronic (Chengdu) Co., Ltd. (“CEC”)	The Company's subsidiary
Compal Management (Chengdu) Co., Ltd. (“CMC”)	The Company's subsidiary
Compal Smart Device (Chongqing) Co., Ltd. (“CSD”)	The Company's subsidiary
Billion Sea Holdings Limited (“BSH”)	The Company's subsidiary
Fortune Way Technology Corp. (“FWT”)	The Company's subsidiary
General Life Biotechnology Co., Ltd. (“GLB”)	The Company's subsidiary
Mactech Co., Ltd. (“Mactech”)	The Company's subsidiary
Rapha Bio Ltd. (“Rapha”)	The Company's subsidiary
Compal Electronics India Private Limited (“CEIN”)	The Company's subsidiary
Shennona Corporation (“Shennona”)	The Company's subsidiary
Unicore BioMedical Co., Ltd. (“Unicore”)	The Company's subsidiary

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Notes to Parent-Company-Only Financial Statements

Name of related party	Country of incorporation
Raycore Biotech Co., Ltd. (“Raycore”)	The Company's subsidiary
AcBel Polytech Inc. (AcBel) and its subsidiaries (“AcBel”)	The same chairman of the board with the Company
Avalue Technology Inc (“Avaulue”)	An associate
Crownpo Technology Inc (“Crownpo”)	An associate
Kinpo Group Management Consultant Company (“Kinpo Group Management”)	An associate
Allied Circuit Co., Ltd. (“Allied Circuit”)	An associate
Compal Connector Manufacture Ltd. (“CCM”)	A joint venture company

(b) Transactions with key management personnel

Key management personnel remunerations comprised:

	2018	2017
Short-term employee benefits	$ 487,007	385,294
Post-employment benefits	5,913	6,226
Share-based payments	(91,809)	68,529
	$ 401,111	460,049

There are no termination benefits and other long-term benefits. Please refer to note (6)(v) for explanations related to share-based payments.

(c) Significant related-party transactions

(i) Sale of goods to related parties

The amounts of significant sales transactions between the Company and related parties were as follows:

	2018	2017
Subsidiaries	$ 2,649,187	3,767,204
Associates	246	216
Other related parties	-	1,630
	$ 2,649,433	3,769,050

Sales prices for related parties were similar to those of the third-party customers. The collection period was 45~180 days for related parties.

(ii) Purchase of goods from related parties

The amounts of significant purchase transactions between the Company and related parties were as follows:

	2018	2017
Subsidiaries	$ 287,509,094	223,224,665
Associates	9,234	915
Joint venture	370	122
	$ 287,518,698	223,225,702

Purchase prices and payment period from related parties were similar to those from third-party suppliers. The payment period was 60~120 days for related parties.

(iii) Product warranty service expenses

The product warranty service expenses paid to subsidiaries for the years ended December 31, 2018 and 2017, amounted to $278,993 and $331,126, respectively. As of December 31, 2018 and 2017, the unpaid warranty service expenses were record as other payables.

(iv) Technical service expense

The Company engaged its subsidiaries to research and develop of notebooks, and the related technical service expenses for the years ended December 31, 2018 and 2017, amounted to $154,412 and $155,085, respectively. As of December 31, 2018 and 2017, the unpaid technical service expenses were recorded as other payables.

(v) Receivable due from relate parties

The receivables arising from the transactions mentioned above, the sale of machinery and equipment to related parties, and the purchasing of machinery, equipment and others on behalf of the related parties as of December 31, 2018 and 2017, were as follows:

Account	Related party categories	December 31, 2018	December 31, 2017
Notes and accounts receivable	Subsidiaries	$ 1,318,230	2,095,564
Notes and accounts receivable	Other related parties	-	6
Other receivables	Subsidiaries	520,598	204,779
Other receivables	Joint venture	120	179
Other receivables	Other related parties	-	127
		1,838,948	2,300,655
Less: Credit balance of investments accounted for using equity method		(376,263)	(179,256)
		$ 1,462,685	2,121,399

As of December 31, 2018 and 2017, the Company's investment accounted for using the equity method in subsidiaries was a credit balance, recorded as a deduction from other receivable (other receivables) – related party. Please refer to note (6)(k).

(vi) Payable to related parties

The payables to related parties as of December 31, 2018 and 2017, were as follows:

Account	Related party categories		December 31, 2018	December 31, 2017
Notes and accounts payable	Subsidiaries	$	78,367,526	71,455,385
Notes and accounts payable	Associates		9,157	782
Notes and accounts payable	Joint venture		160	110
Other payable	Subsidiaries		199,328	159,814
Other payable	Associates		1,019	-
		$	78,577,190	71,616,091

(vii) Loan to related parties

The interest rate of unsecured loans to subsidiaries was 1.20%~2.82%, and the Company had assessed that no bad debt expenses should be recognized. As of December 31, 2018 and 2017, the loans due to related parties were recorded as other receivables.

Account	Related party categories		December 31, 2018	December 31, 2017
Other receivable	Subsidiaries	$	419,618	413,411
Less: Credit balance of investments accounted for using the equity method			(118,481)	(52,938)
		$	301,137	360,473

As of December 31, 2018 and 2017, the Company's investment accounted for using the equity method in some subsidiaries was a credit balance, recorded as a deduction from other receivable (other receivables) – related parties. Please refer to note (6)(k).

(viii) Guarantees

As of December 31, 2018 and 2017, the guarantees provided to subsidiaries were $325,179 and $372,963, respectively.

(8) Pledged assets: None.

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(9) Commitments and contingencies:

The details of commitments and contingencies were as follows:

(a) On May 17, 2017, Qualcomm Inc. filed a lawsuit to the Southern District Court of California, USA against the Company for not paying the royalties of the patent license agreement. The Company has filed counterclaims against Qualcomm Inc. based on the antitrust law in the same court on July 19, 2017. The Company has engaged counsels to defend the lawsuits. The final result of this case is subject to future litigation procedures; therefore, there is no significant impact on the Company's business and financial performance in the current year.

(b) The Company entered into various patent license agreements with third parties, and was required to make royalty payments of a predetermined amount periodically.

(10) Losses due to major disasters: None

(11) Subsequent events: None

(12) Other:

(c) The employee benefits, depreciation and amortization expenses by categorized function are summarized as follows:

By function / By item	2018			2017		
	Operating costs	**Operating expenses**	**Total**	**Operating costs**	**Operating expenses**	**Total**
Employee benefits						
Salary	322,825	8,227,841	8,550,666	293,925	7,023,336	7,317,261
Labor and health insurance	27,602	517,757	545,359	24,351	496,735	521,086
Pension	12,469	308,470	320,939	11,124	291,140	302,264
Remuneration of directors	-	59,182	59,182	-	41,531	41,531
Others	48,089	385,959	434,048	45,473	374,941	420,414
Depreciation	15,342	150,985	166,327	17,912	147,953	165,865
Amortization	40,050	249,740	289,790	7,271	307,387	314,658

The Company had 7,405 and 6,590 employees as of December 31, 2018 and 2017, of which 11 and 11, directors were not in concurrent employment, respectively.

(13) Other disclosures:

(a) Information on significant transactions:

The following were the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Company for the year ended December 31, 2018:

(i) Loans to other parties:

(In Thousands of New Taiwan Dollars)

No	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits	Maximum limit of fund financing
													Item	Value		
0	The Company	UCGI	Other receivables	Y	500,000	250,000	220,000	1.2%	Short-term financing	-	Operating demand	-	-	-	21,144,729	42,289,458 (Note 1)
0	The Company	HengHao	〃	Y	402,354	199,618	199,618	1.8%~2.82%	〃	-	〃	-	-	-	21,144,729	42,289,458 (Note 1)
1	CIH	CEP	〃	Y	108,343	107,503	44,537	3.50%	〃	-	〃	-	-	-	34,926,977	34,926,977 (Note 2)
2	CPI	CEB	〃	Y	437,925	-	-	2.50%	〃	-	〃	-	-	-	900,177	90 (N
2	CPI	CVC	〃	Y	307,150	307,150	127,467	3.2%	〃	-	〃	-	-	-	900,177	900,177 (Note 3)
3	CET	CDE	〃	Y	1,405,800	-	-	4.35%	〃	-	〃	-	-	-	4,824,445	4,824,445 (Note 4)
4	CPC	CDE	〃	Y	1,377,900	1,341,600	1,341,600	2.20%	〃	-	〃	-	-	-	2,040,377	2,040,377 (Note 5)
5	CIT	CCI Nanjing	〃	Y	4,316,900	2,150,050	2,150,050	2.50%~2.7 %	〃	-	〃	-	-	-	20,445,466	20,445,466 (Note 6)
5	CIT	Rayonnant Technology (Taicang)	〃	Y	67,080	67,080	-	4.35%	〃	-	〃	-	-	-	20,445,466	20,445,466 (Note 6)
6	PFG	CEB	〃	Y	309,550	307,150	307,150	2.50%	〃	-	〃	-	-	-	421,799	421,799 (Note 7)
7	Arcadyan	Arcadyan AU	〃	Y	122,860	122,860	-	1.00%	Transaction for business between two parties	1,535,750	-	-	-	-	1,228,600	3,626,457 (Note 8)
7	Arcadyan	Arcadyan Brasil	〃	Y	245,720	245,720	33,787	1.00%	〃	307,150	-	-	-	-	245,720	3,626,457 (Note 8)
8	Arcadyan Holding	CNC	〃	Y	522,155	522,155	-	1.00%	Short-term financing	-	Operat financing	-	-	-	970,670	970,670 (Note 9)

Note 1: According to the Company’ s Procedures of Lending Funds to Other Parties, the total amount of loans to others shall not exceed 40% of the net worth of the Company. When a short-term financing facility with the Company is necessary, the total amount for lending to any company shall not exceed 80% of the borrower’ s net worth, nor shall it be more than 50% of the Company’ s lendable amount limit, and shall be combined with the company’ s endorsements/guarantees for calculation. In addition, the total amount lendable to 100% directly or indirectly owned subsidiaries by the Company is unrestricted by the aforesaid restriction of 80%, but the maximum amount shall not exceed 50% of the Company’ s lendable limit, and shall be combined with the company’ s amount of loans to others when calculating.

Note 2. According to CIH’ s Procedures for Lending Funds to Other Parties, the total amount of loans to others shall not exceed 40% of the net worth of CIH. When a short-term financing facility with CIH is necessary, the total amount for lending the borrower shall not exceed 80% of the borrower’ s net worth, nor shall it exceed 50% of CIH’ s total amount of lendable capital, and shall be combined with the company’ s endorsements/guarantees for calculation. In addition, when lending to the ultimate parent company’ s 100% directly or indirectly owned overseas subsidiaries, the total amount of loans is not limited by the two aforesaid restrictions, but the maximum amount shall not exceed the net worth of CIH, and shall be combined with the company’ s endorsements/guarantees for the borrower when calculating.

Note 3. According to CPI’ s Procedures for Lending Funds to Other Parties, the total amount of loans to others shall not exceed 40% of the net worth of CPI. When a short-term financing facility with CPI is necessary, the total amount for lending the borrower shall not exceed 80% of the borrower’ s net worth, nor shall it exceed 50% of CPI’ s total amount of lendable capital, and shall be combined with the company’ s endorsements/guarantees for calculation. In addition, when lending to the ultimate parent company’ s 100% directly or indirectly owned overseas subsidiaries, the total amount of loans is not limited by the two aforesaid restrictions, but the maximum amount shall not exceed the net worth of CPI, and shall be combined with the company’ s endorsements/guarantees for the borrower when calculating.

Note 4. According to CET’ s Procedures for Lending Funds to Other parties, the total amount of loans to others shall not exceed 40% of the net worth of CET. When a short-term financing facility with CET is necessary, the total amount for lending the borrower shall not exceed 80% of the borrower’ s net worth, nor shall it exceed 50% of CET’ s total amount of lendable capital, and shall be combined with the company’ s endorsements/guarantees for calculation. In addition, when lending to the ultimate parent company’ s 100% directly or indirectly owned overseas subsidiaries, the total amount of loans is not limited by the two aforesaid restrictions, but the maximum amount shall not exceed the net worth of CET, and shall be combined with the company’ s endorsements/guarantees for the borrower when calculating.

Note 5. According to CPC’ s Procedures for Lending Funds to Other parties, the total amount of loans to others shall not exceed 40% of the net worth of CPC. When a short-term financing facility with CPC is necessary, the total amount for lending the borrower shall not exceed 80% of the borrower’ s net worth, nor shall it exceed 50%
of CPC’ s total amount of capital lent, and shall be combined with the company’ s endorsements/guarantees for calculation. In addition, when lending to the ultimate parent company’ s 100% directly or indirectly owned overseas subsidiaries, the total amount of loans is not limited by the two aforesaid restrictions, but the maximum amount shall not exceed the net worth of CPC, and shall be combined with the company’ s endorsements/guarantees for the borrower when calculating.

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Note 6. According to CIT's Procedures for Lending Funds to Other parties, the total amount of loans to others shall not exceed 40% of the net worth of CIT. When a short-term financing facility with CIT is necessary, the total amount for lending the borrower shall not exceed 80% of the borrower's net worth, nor shall it exceed 50% of CIT's total amount of capital lent, and shall be combined with the company's endorsements/guarantees for calculation. In addition, when lending to the ultimate parent company's 100% directly or indirectly owned overseas subsidiaries, the total amount of loans is not limited by the two aforesaid restrictions, but the maximum amount shall not exceed the net worth of CIT, and shall be combined with the company's endorsements/guarantees for the borrower when calculating.

Note 7. According to PFG's Procedures for Lending Funds to Other parties, the total amount of loans to others shall not exceed 40% of the net worth of PFG. When a short-term financing facility with PFG is necessary, the total amount for lending the borrower shall not exceed 80% of the borrower's net worth, nor shall it exceed 50% of PFG's total amount of lendable capital, and shall be combined with the company's endorsements/guarantees for calculation. In addition, when lending to the ultimate parent company's 100% directly or indirectly owned overseas subsidiaries, the total amount of loans is not limited by the two aforesaid restrictions, but the maximum amount shall not exceed the net worth of PFG, and shall be combined with the company's endorsements/guarantees for the borrower when calculating.

Note 8. According to Arcadyan's Procedures for Lending Funds to Other parties, the total amount of loans to others shall not exceed 40% of the net worth of Arcadyan. To borrowers having business relationship with Arcadyan, the total amount for lending the borrower shall not exceed 80% of the transaction amount in the last fiscal year or the expecting amount for the current year, nor shall it exceed 20% of the net worth of Arcadyan. Also, the amount shall be combined with the Arcadyan's endorsements/guarantees for the borrower when calculating. When a short-term financing facility is necessary, the borrower should be Arcadyan's investee. The total amount for lending the borrower shall not exceed 80% of the net worth of the borrower, nor shall it exceed 20% of the net worth of Arcadyan, and shall be combined with the Arcadyan's endorsements/guarantees for the borrower when calculating.

Note 9. According to Arcadyan Holding's Procedures of Lending Funds to Other Parties, the total amount of loans to others shall not exceed the net worth of Arcadyan Holding. When a short-term financing facility is necessary, the borrower should be Arcadyan Holding's investee. The total amount for lending the borrower shall not exceed the net worth of Arcadyan Holding, and shall be combined with the Arcadyan Holding's endorsements/ guarantees for the borrower when calculating.

(ii) Guarantees and endorsements for other parties:

(In Thousands of New Taiwan Dollars)

No.	Name of guarantor	Counter-party of guarantee and endorsement: Name	Counter-party of guarantee and endorsement: Relationship with the Company	Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
0	The Company	CEB	(Note 3)	26,430,911	61,910	61,430	61,430	-	0.06%	52,861,823 (Note 1)	Y	-	-
0	〃	CEP	(Note 2)	26,430,911	315,364	263,749	263,749	-	0.25%	52,861,823 (Note 1)	Y	-	-
1	Arcadyan	Arcadyan Brasil	(Note 5)	1,208,819	245,720	245,720	-	-	2.71%	3,626,457 (Note 4)	Y	-	-

Note 1: According to the Company's Procedures for Endorsement and Guarantee, the total amount of endorsements/ guarantees the Company or the Group is permitted to make shall not exceed 50% of the Company's net worth. Endorsements/ guarantees the Company and the Group are permitted to make for a single company shall not exceed 25% of the Company's net worth. For entities having business relationship with the Company, the amount of endorsements/ guarantees for a single company shall not exceed 80% of the transaction amount in the last fiscal year or the expecting amount of the current year, and shall be combined with the amount lend to others when calculating. The amount of endorsements/ guarantees permitted to make between subsidiaries whose over 90% of its voting shares are owned, directly or indirectly, by the Company shall be no more than 10% of the net worth of the Company. The amount of endorsements/ guarantees permitted to make between directly or indirectly wholly owned subsidiaries is not limited by the aforementioned restriction, only the maximum amount shall be no more than 25% of the net worth of the Company.

Note 2: Subsidiary whose over 50% common stock is directly owned.

Note 3: Subsidiary whose over 50% common stock is indirectly owned.

Note 4: According to Arcadyan's Procedures for Endorsement and Guarantee, the total amount shall not exceed 40% of the net worth for latest financial statements audited or reviewed by Certified Public Accountants, and the amount for a single company shall not exceed 1/3 of the total amount.

Note 5: Subsidiary whose 100% common stock is directly owned by Arcadyan.

(iii) Securities held as of December 31, 2018 (excluding investment in subsidiaries, associates and joint ventures):

(In Thousands of Shares / Units)

Name of holder	Category and name of security	Relationship with security issuer	Account name	Ending balance: Shares/Units (thousands)	Ending balance: Carrying value	Ending balance: Holding percentage (%)	Ending balance: Fair value	Note
The Company	Common bond－Taiwan Star	－	Financial assets at amortized cost-current	-	350,000	-	-	
	Taiwan Star	－	Financial assets at fair value through other comprehensive income-non-current	98,046	734,368	3%	734,368	
	Kinpo Electronics, Inc. ("Kinpo")	The same chairman of the Company	〃	124,044	1,252,842	9%	1,252,842	
	Cal-Comp Electronics ("Thailand") Public Co., Ltd.	〃	〃	239,631	400,184	5%	400,184	
	Innolux Corporation ("Innolux")	－	〃	109,227	1,061,690	1%	1,061,690	
	Chipbond Technology Corp. ("Chipbond")	－	Financial assets at fair value through profit or loss-current	4,593	284,768	1%	284,768	

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Notes to Consolidated Financial Statements

Name of holder	Category and name of security	Relationship with security issuer	Account name	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Holding percentage (%)	Fair value	
The Company	HWA VI Venture Capital Corp.	－	Financial assets at fair value through other comprehensive income-non-current	290	20,551	10%	20,551	
	HWA Chi Venture Capital Corp.	－	〃	1,053	22,926	11%	22,926	
	mProbe Ltd.	－	〃	4,000	50,040	3%	50,040	
	Global BioPharma, Inc.	－	〃	2,000	40,740	3%	40,740	
	Chen Feng Optoelectronics	－	〃	5,829	22,909	13%	22,909	
	PrimeSensor Technology Inc.	－	〃	1,357	14,542	3%	14,542	
	Macroblock, Inc.	－	〃	749	67,903	2%	67,903	
	Others		Financial assets at fair value through profit or loss and other comprehensive income		66,968		66,968	
	Total				4,040,431			
Panpal	Compal Electronics, Inc.	The parent company	Financial assets at fair value through other comprehensive income-non-current	31,648	552,259	1%	552,259	
	Kinpo	The same chairman of the Company	〃	23,172	234,042	2%	234,042	
	CDIB Partners Investment Holding Corp.	－	〃	54,000	817,020	5%	817,020	
	AcBel	The same chairman of the Company	〃	5,677	107,289	1%	107,289	
	Chipbond	－	Financial assets at fair value through profit or loss-current	5,251	325,560	1%	325,560	
	Taiwan Biotech Co., Ltd.	－	Financial assets at fair value through other comprehensive income-non-current	4,897	119,589	3%	119,589	
	Others		〃		76,178		76,178	
	Total				2,231,937			
Gempal	Compal Electronics, Inc.	The parent company	Financial assets at fair value through other comprehensive income-non-current	18,369	320,545	-	320,545	
	Lian Hong Art. Co., Ltd.	－	〃	2,140	34,921	8%	34,921	
	Global BioPharma, Inc.	－	〃	2,000	40,740	3%	40,740	
	Others		〃		2,277		2,277	
	Total				398,483			
Hong Ji	SUYIN Optronics Co., Ltd. (“SUYIN Optronics”)	－	Financial assets at fair value through other comprehensive income-non-current	380	182	1%	182	
Hong Jin	SUYIN Optronics	－	Financial assets at fair value through other comprehensive income-non-current	332	160	1%	160	
Arcadyan	GeoThings Inc.	－	Financial assets at fair value through profit or loss-non current	200	-	9%	-	(Note 1)
	AirHop Communication Inc.	－	〃	1,152	-	7%	-	〃
	Adant Technologies Inc.	－	〃	349	-	6%	-	〃
	IOT EYE, Inc.	－	〃	60	-	6%	-	〃
	TIEF Fund, L.P	－	〃	-	45,645	7%	45,645	
	Hitron Technologies Inc.	－	Financial assets at fair value through profit or loss-current	543	10,426	-	10,426	
	RichWare Technology Corp.	－	〃	110	5,115	-	5,115	
	Wistron NeWeb Corp.	－	〃	100	7,990	-	7,990	
	Total				69,176			

(Continued)

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Name of holder	Category and name of security	Relationship with security issuer	Account name	Ending balance: Shares/Units (thousands)	Ending balance: Carrying value	Ending balance: Holding percentage (%)	Ending balance: Fair value	Note
Mactech	Taichung International Golf Country Club	−	Financial assets at fair value through other comprehensive income-non-current	-	7,980	-	7,980	(Note 1)
HHB	HWALLAR OPTRONICS (Fuzhou) CO., LTD.	−	Financial assets at fair value through profit or loss-non current	-	-	19%	-	〃
CPO	Structured deposits–SPD Bank Yield Plus Structured Deposit	−	Financial assets at fair value through profit or loss-current	-	480,285	-	480,285	
	Structured deposits–Bank of Communications Yun Tong Cai Fu. Structured Deposit.	−	〃	-	448,948	-	448,948	
	Total				929,233			
CET	Structured deposits–Bank of Communications Yun Tong Cai Fu, Structured Deposit.	−	Financial assets at fair value through profit or loss-current	-	225,651	-	225,651	
	Structured deposits–Agricultural Bank of China "HuiLiFeng" customization RMB Structured Deposit	−	〃	-	676,881	-	676,881	
	Structured deposits–The RMB "Open On Schedule "Financial Product	−	〃	-	451,154	-	451,154	
	Total				1,353,686			
CIC	Structured deposits–SPD Bank Yield Plus Structured Deposit	−	Financial assets at fair value through profit or loss-current	-	179,699		179,699	
CEC	Structured deposits–Bank of Communications Yun Tong Cai Fu. Structured Deposit.	−	Financial assets at fair value through profit or loss-current	-	576,466	-	576,466	
CPC	Structured deposits–The RMB "Open On Schedule "Financial Product	−	Financial assets at fair value through profit or loss-current	-	226,281	-	226,281	
	Structured deposits–SPD Bank Yield Plus Structured Deposit	−	〃	-	179,963	-	179,963	
	Total				406,244			
CEQ	Structured deposits–Industrial Bank Structured Deposit	−	Financial assets at fair value through profit or loss-current	-	259,705		259,705	
	Structured deposits–Bank of Communications Yun Tong Cai Fu. Structured Deposit.	−	〃	-	260,029		260,029	
	Total				519,734			

Note 1: The carrying value is the remaining amount after deducting accumulated impairment.

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars/CNY)

Name of company	Category and name of security	Account name	Name of counter-party	Relationship with the company	Beginning Balance: Shares/ Units (thousands)	Beginning Balance: Amount	Purchases: Shares/ Units (thousands)	Purchases: Amount	Sales: Shares/ Units (thousands)	Sales: Price	Sales: Cost	Sales: Gain (loss) on disposal	Others: Shares/ Units (thousands)	Others: Amount	Ending Balance: Shares/ Units (thousands)	Ending Balance: Amount
The Company	Chipbond	Financial assets at fair value through profit or loss-current	-	-	13,542	763,771	-	-	8,949	574,528	574,528	-	-	95,525 (Note 1)	4,593	284,768
BSH	LC Future Center (Hong Kong) Ltd.	Investments accounted for using equity method	Hefei Zhi Ju Sheng Bao Equity Investment Co., Ltd.	-	147,000	4,742,832	-	-	147,000	7,384,102 (Note 3)	4,873,017	2,511,085	-	130,185 (Note 2)	-	-

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Name of company	Category and name of security	Account name	Name of counter-party	Relationship with the company	Beginning Balance		Purchases		Sales				Others		Ending Balance	
					Shares/ Units (thousands)	Amount	Shares/ Units (thousands)	Amount	Shares/ Units (thousands)	Price	Cost	Gain (loss) on disposal	Shares/ Units (thousands)	Amount	Shares/ Units (thousands)	Amount
CPC	Structured deposits–The RMB "Open On Schedule "Financial Product	Financial assets at fair value through profit or loss-current	Bank of China		-	-	-	543,072 (RMB$ 119,000)	-	325,989 (RMB$ 69,448)	318,780 (RMB$ 69,000)	7,209 (RMB$448) (Note 2)	-	1,989 (RMB$444) (Note 1)	-	226,281 (RMB$ 50,444)
CPC	Structured deposits–SPD Bank Yield Plus Structured Deposit	Financial assets at fair value through profit or loss-current	Shanghai Pudong Development Bank	-	-	-	-	508,363 (RMB$ 110,000)	-	328 (R 70,264)	328,930 (RMB$ 70,000)	(655) (RMB264) (Note 2)	-	530 (RMB$118) (Note 1)	-	179,963 (RMB$ 40,118)
CEC	Structured deposits–Win-win Interest Rate Structure RMB Structural Deposits.	Financial assets at fair value through profit or loss-current	China CITTIC Bank	-	-	-	-	699,581 (RMB$ 153,000)	-	715,328 (RMB$ 154,881)	706,643 (RMB$ 153,000)	8,686 (RMB$1,881) (Note 2)	-	-	-	-
CEC	Structured deposits-Bank of Communications Yun Tong Cai Fu. Structured Deposit	Financial assets at fair value through profit or loss-current	Bank of Communications		-	-	-	838,610 (RMB$ 188,000)	-	276,248 (RMB$ 60,595)	273,535 (RMB$ 60,000)	2,713 (RMB$595) (Note 2)	-	3,958 (RMB$885) (Note 1)	-	576,466 (RMB$ 128,885)
CEQ	Structured deposits-Bank of Communications Yun Tong Cai Fu. Structured Deposit	Financial assets at fair value through profit or loss-current	Bank of Communications		-	-	-	702,920 (RMB$ 158,000)	-	462,760 (RMB$ 101,111)	443,503 (RMB$ 100,000)	19,256 (RMB$1,111) (Note 2)	-	610 (RMB$137) (Note 1)	-	260,029 (RMB$ 58,137)
CPO	Structured deposits–Agricultural Bank of China "Golden Key. Ben Li Feng" RMB finance products	Financial assets at fair value through profit or loss-current	Agricultural Bank of China	-	-	-	-	523,488 (RMB$ 112,000)	-	528,448 (RMB$ 113,061)	523,488 (RMB$ 112,000)	4,960 (RMB$1,061) (Note 2)	-	-	-	-
CPO	Structured deposits–SPD Bank Yield Plus Structured Deposit	Financial assets at fair value through profit or loss-current	Shanghai Pudong Development Bank		-	-	-	953,248 (RMB$ 214,000)	-	492,965 (RMB$ 108,132)	474,652 (RMB$ 107,000)	18,314 (RMB$ 1,132)	-	1,689 (RMB$378) (Note 1)	-	480,285 (RMB$ 107,378)
CPO	Structured deposits–Bank of Communications Yun Tong Cai Fu. Structured Deposit.	Financial assets at fair value through profit or loss-current	Bank of Communications		-	-	-	890,886 (RMB$ 200,000)	-	460,437 (RMB$ 100,997)	443,600 (RMB$ 100,000)	16,838 (RMB$ 997)	-	1,662 (RMB$371) (Note 1)	-	448,948 (RMB$ 100,371)
CET	Structured deposits–Bank of Communications Yun Tong Cai Fu. Structured Deposit.	Financial assets at fair value through profit or loss-current	Bank of Communications		-	-	-	578,442 (RMB$ 130,000)	-	367,162 (RMB$ 80,537)	354,807 (RMB$ 80,000)	16,308 (RMB$ 537)	-	2,016 (RMB$460) (Note 1)	-	225,651 (RMB$ 50,460)

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COMPAL ELECTRONICS, INC.

Notes to Consolidated Financial Statements

Name of company	Category and name of security	Account name	Name of counter-party	Relationship with the company	Beginning Balance		Purchases		Sales				Others		Ending Balance	
					Shares/ Units (thousands)	Amount	Shares/ Units (thousands)	Amount	Shares/ Units (thousands)	Price	Cost	Gain (loss) on disposal	Shares/ Units (thousands)	Amount	Shares/ Units (thousands)	Amount
CET	Structured deposits–SPD Bank Yield Plus Structured Deposit	Financial assets at fair value through profit or loss-current	Shanghai Pudong Development Bank	-	-	-	-	310,456 (RMB$ 70,000)	-	323,446 (RMB$ 70,948)	310,456 (RMB$ 70,000)	16,573 (RMB$ 948)	-	-	-	-
CET	Structured deposits-Agricultural Bank of China "HuiLiFeng" customization RMB structured deposit	Financial assets at fair value through profit or loss-current	Agricultural Bank of China		-	-	-	670,906 (RMB$ 150,000)	-	-	-	-	-	5,975 (RMB$ 1,365) (Note 1)	-	676,881 (RMB$ 151,365)
CET	Structured deposits-The RMB "Open on schedule" Financial Product	Financial assets at fair value through profit or loss-current	Bank of China		-	-	-	669,025 (RMB$ 150,000)	-	231,780 (RMB$ 50,841)	221,754 (RMB$ 50,000)	12,199 (RMB$ 841)	-	3,883 (RMB$ 888) (Note 1)	-	451,154 (RMB$ 10,888)
CIC	Structured deposits-SPD Bank Yield Plus Structured Deposit	Financial assets at fair value through profit or loss-current	Shanghai Pudong Development Bank		-	-	-	357,794 (RMB$ 80,000)	-	184,258 (RMB$ 40,417)	178,897 (RMB$ 40,000)	5,361 (RMB$ 417)	-	802 (RMB$ 184) (Note 1)	-	179,699 (RMB$ 40,184)

Note 1: Others were valuation gains and losses and foreign exchange gains and losses.
Note 2: These were gains and losses on disposal and foreign exchange gains and losses.
Note 3: The related transactions costs were deducted from the selling price.

(v) Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock: None

(vi) Disposal of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock: None

(vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT$100 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Company Name	Counter party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/ (Sale)	Amount	Percentage of total purchases/ (sales)	Payment terms	Unit price	Payment Terms	Ending Balance	Percentage of total notes/ accounts receivable (payable)	
The Company	CBN	The Company's subsidiaries	Sale	(2,138,005)	(0.2) %	90 days	Similar to non-related parties	There is no significant difference	739,065	0.4 %	
	CIH and its subsidiaries	Subsidiaries wholly owned by the Company	Purchase	111,112,129	12.4 %	120 days	Similar to non-related parties	There is no significant difference, and adjustments will be made based on demand for funding if necessary	(49,114,165)	(31.6) %	
	UCGI	〃	Sale	(238,388)	-	〃	Similar to non-related parties	There is no significant difference	89,586	0.1 %	

COMPAL ELECTRONICS, INC.

Notes to Consolidated Financial Statements

			Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		
Company Name	Counter party	Nature of relationship	Purchase/ (Sale)	Amount	Percentage of total purchases/ (sales)	Payment terms	Unit price	Payment Terms	Ending Balance	Percentage of total notes/ accounts receivable (payable)	Note
The Company	Just and its subsidiaries	Subsidiaries wholly owned by the Company	Purchase	132,833	-	120 days	Similar to non-related parties	There is no significant difference, and adjustments will be made based on demand for funding if necessary	(504,568)	(0.3) %	
	BCI and its subsidiaries	〃	Purchase	770,924	0.1 %	〃	〃	〃	(758,108)	(0.5) %	
	Bizcom	〃	Sale	(121,850)	-	45~180 days	Similar to non-related parties	There is no significant difference	99,370	0.1 %	
	Palcom	〃	Sale	(114,565)	-	Net 60 days from delivery	〃	〃	23,209	- %	
	Webtek	Subsidiaries wholly owned by the Company	Purchase	108,584,993	12.1 %	Net 60 days from purchase	Markup based on Webtek's cost	There is no significant difference	(7,073,274)	(4.6) %	
	Forever	〃	Purchase	66,812,621	7.5 %	〃	Markup based on Forever's cost	〃	(20,843,862)	(13.4) %	
Just and its subsidiaries	Webtek	With the same ultimate parent company	Sale	(68,265,549)	(63.3) %	Net 60 days from delivery	According to markup pricing	Adjustments will be made based on demand for funding	20,177,943	74.6 %	
	Forever	〃	Sale	(30,470,633)	(28.3) %	〃	Similar to non-related parties	〃	6,472,633	23.9 %	
	CIH and its subsidiaries	〃	Purchase	387,992	4.0 %	Net 60 days from purchase	Similar to non-related parties	〃	(308,041)	(6.9) %	
	The Company	Parent Company	Sale	(132,833)	(0.1) %	120 days	Similar to non-related parties	There is no significant difference, and adjustments will be made based on demand for funding if necessary	504,568	1.5 %	
CIH and its subsidiaries	The Company	Parent Company	Sale	(113,457,780)	(77.1) %	〃	〃	There is no significant difference, and adjustments will be made based on demand for funding if necessary	49,114,165	45.4 %	
	Forever	With the same ultimate parent company	Sale	(29,538,636)	(20.1) %	Net 60 days from delivery	According to markup pricing	Adjustments will be made based on demand for funding	8,931,246	8.3 %	
	Just and its subsidiaries	〃	Sale	(387,992)	(0.3) %	〃	〃	〃	308,041	0.3 %	
	BCI and its subsidiaries	〃	Purchase	30,045,061	27.3 %	120 days	Similar to non-related parties	〃	(9,852,148)	(24.1) %	
	CEB	〃	Purchase	(145,211)	(0.1) %	〃	Similar to non-related parties	There is no significant difference	45,759	-	
CBN	The Company	Parent Company	Purchase	2,126,356	57.0 %	Net 90 days from delivery	-	There is no significant difference	(739,183)	(87.0) %	
BCI and its subsidiaries	The Company	〃	Sale	(783,081)	(2.3) %	120 days	According to markup pricing	Adjustments will be made based on demand for funding if necessary	758,108	6.3 %	
	CIH and its subsidiaries	With the same ultimate parent company	Sale	(30,045,061)	(89.3) %	〃	〃	〃	9,852,148	81.5 %	
	CEB	〃	Sale	(1,892,352)	(5.6) %	〃	〃	There is no significant difference	562,737	4.7 %	

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			Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		
Company Name	Counter party	Nature of relationship	Purchase/ (Sale)	Amount	Percentage of total purchases/ (sales)	Payment terms	Unit price	Payment Terms	Ending Balance	Percentage of total notes/ accounts receivable (payable)	Note
Webtek	The Company	Parent Company	Sale	(108,584,993)	(100.0) %	Net 60 days from delivery	〃	Adjustments will be made based on demand for funding	7,073,274	100.0 %	
	Etrade and its subsidiaries	With the same ultimate parent company	Purchase	40,334,951	37.1 %	Net 60 days from purchase	〃	〃	(4,489,304)	(18.2) %	
	Just and its subsidiaries	〃	Purchase	68,265,549	62.9 %	〃	〃	〃	(20,177,943)	(81.8) %	
CEB	BCI and its subsidiaries	With the same ultimate parent company	Purchase	1,903,878	17.3 %	120 days	Similar to non-related parties	There is no significant difference	(558,273)	(38.2) %	
	CIH and its subsidiaries	〃	Purchase	148,236	1.4 %	120 days	〃	〃	(45,479)	(3.1) %	
Etrade and its subsidiaries	Webtek	With the same ultimate parent company	Sale	(40,334,951)	(100.0) %	Net 60 days from delivery	According to markup pricing	Adjustments will be made based on demand for funding	4,489,304	100.0 %	
Forever	The Company	Parent Company	Sale	(66,812,621)	(85.6) %	〃	〃	〃	20,843,862	91.0 %	
	CIH and its subsidiaries	With the same ultimate parent company	Purchase	29,538,636	38.0 %	Net 60 days from purchase	Similar to non-related parties	〃	(8,931,246)	(34.0) %	
	Just and its subsidiaries	〃	Purchase	30,470,633	39.0 %	〃	〃	〃	(6,472,633)	(25.0) %	
UCGI	The Company	Parent company	Purchase	241,529	72.8 %	120 days	〃	There is no significant difference	(89,586)	(84.5) %	
Palcom	The Company	Parent company	Purchase	114,565	100.0 %	Net 120 days from delivery	〃	〃	(23,209)	(100.0) %	
Bizcom	The Company	Parent company	Purchase	121,850	(78.8) %	45~180 days	〃	〃	(99,370)	(85.2) %	
THAC	TTI	With the same ultimate parent company	Sale	(383,948)	(100.0) %	Net 60 days from the end of the moth of delivery	According to markup pricing	-	351,268	100.0 %	(Note 1)
TTI	THAC	With the same ultimate parent company	Purchase	383,948	4.0 %	〃	-	-	(351,268)	(28.0) %	〃
THAC	CNC	〃	Purchase	164,591	3.0 %	Net 90 days from the ended of the month of delivery	-	-	(64,808)	(59.0) %	〃
CNC	THAC	〃	Sale	(164,591)	(1.0) %	〃		-	64,808	2.0 %	〃
Arcadyan	Arcadyan Germany	Arcadyan's subsidiaries	Sale	(2,457,020)	(11.0) %	Net 120 days from delivery	-	-	805,017	14.0 %	
	Arcadyan USA	〃	Sale	(496,199)	(2.0) %	Net 60 days from the end of the month of delivery	-	-	104,031	2.0 %	
〃	Arcadyan AU	〃	Sale	(1,329,743)	(6.0) %	Net 45 days from the end of the month of delivery	-	-	727,600	13.0 %	
CNC	Arcadyan	The Company's subsidiaries	Sale	(11,249,751)	(100.0) %	Net 45ays from the end of the month of delivery	According to markup pricing	-	3,404,030	98.0 %	(Note 1)
〃	AcBel Polytech	Same Director of Board as ultimate parent company	Purchase	108,030	1.0 %	Net 120 days from the end of the month of delivery	-	-	(79,455)	(2.0) %	(Note 1)
Arcadyan Germany	Arcadyan	The Company's subsidiaries	Purchase	2,457,020	100.0 %	Net 120 days from delivery	-	-	(805,017)	(100.0) %	
Arcadyan USA	Arcadyan	〃	Purchase	496,199	100.0 %	Net 60 days from the end of the month of delivery	-	-	(104,031)	(100.0) %	
Arcadyan AU	Arcadyan	〃	Purchase	1,329,743	100.0 %	Net 45 days from the end of the month of delivery	-	-	(727,600)	(100.0) %	
Arcadyan	CNC	Arcadyan's subsidiaries	Purchase	11,249,751	35.0 %	Net 45ays from the end of the month of delivery	According to markup pricing	-	(3,404,030)	(40.0) %	(Note 1)

Note 1: The remaining balance is the net value of commissioned processing and sales of raw material.

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Notes to Consolidated Financial Statements

(viii) Receivables from related parties with amounts exceeding the lower of NT$100 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period	Allowance for bad debts	Note
					Amount	Action taken			
The Company	CBN	The Company's subsidiary	739,065	1.98	-	-	434,844 (Note 1)	-	
Just and its subsidiaries	Forever	With the same ultimate parent company	6,472,633	6.32	-	-	6,277,163 (Note 1)	-	
〃	Webtek	With the same ultimate parent company	20,177,943	6.18	-	-	20,177,943 (Note 1)	-	
	Compal Electronic, Inc.	Parent company	504,568	0.27	-	-	-(Note 1)	-	
CIH and its subsidiaries	Compal Electronic, Inc.	Parent company	49,111,165	2.25	-	-	30,770,107 (Note 1)	-	
〃	Forever	With the same ultimate parent	8,931,246	4.05	-	-	8,050,832 (Note 1)	-	
	Just and its subsidiaries	With the same ultimate parent	308,041	1.24	-	-	- (Note 1)	-	
BCI and its subsidiaries	Compal Electronic, Inc.	Parent company	758,108	1.65	-	-	70,422 (Note 1)	-	
〃	CIH and its subsidiaries	With the same ultimate parent company	9,852,148	2.91	-	-	6,788,977 (Note 1)	-	
〃	CEB	With the same ultimate parent company	562,737	3.31	-	-	316,880 (Note 1)	-	
Forever	Compal Electronic, Inc.	Parent company	20,843,862	4.09	-	-	14,413,628 (Note 1)	-	
Webtek	Compal Electronic, Inc.	Parent company	7,073,274	15.01	-	-	7,073,274 (Note 1)	-	
Etrade and its subsidiaries	Webtek	With the same ultimate parent company	4,489,304	7.71	-	-	4,489,304 (Note 1)	-	
Arcadyan	Arcadyan Germany	Arcadyan's subsidiary	805,017	3.08	-	-	581,083 (Note 2)	-	
〃	Arcadyan USA	Arcadyan's subsidiary	104,031	4.32	-	-	11,688 (Note 2)	-	
〃	Arcadyan AU	Arcadyan's subsidiary	727,600	3.54	-	-	521,951 (Note 2)	-	
〃	TTI	Arcadyan's subsidiary	172,161 (Note 5)	0.11	-	-	169,496 (Note 2)	-	
THAC	TTI	Arcadyan's subsidiary	351,268 (Note 4)	10.14	-	-	351,268 (Note 2)	-	
TTI	THAC	Arcadyan's subsidiary	207,119 (Note 5)	12.43	-	-	207,119 (Note 2)	-	
CNC	Arcadyan	The Company's subsidiary	3,404,030 (Note 4)	2.46	-	-	2,311,269 (Note 2)	-	
CBN	Speedlink	With the same ultimate parent company	242,069 (Note 4)	-	22,528	-	174,680 (Note 3)	-	
Speedlink	Just and its subsidiaries	With the same ultimate parent company	242,069 (Note 4)	-	22,528	Enhanced the collection	174,680 (Note 3)	-	

Note 1: Balance as of March 15, 2019.
Note 2: Balance as of February 27, 2019.
Note 3: Balance as of March 8, 2019.
Note 4: Other receivables due to processing and sales of raw material.
Note 5: Other receivables due to purchasing on behalf of TTI.

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Notes to Consolidated Financial Statements

(ix) Trading in derivative instruments: Please refer to notes (6)(b) and (6)(d)

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2018 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollars / USD/Shares)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Ending Balance			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2018	December 31, 2017	Shares (thousands)	Percentage of Ownership	Carrying Value			
The Company	Bizcom	Milpitas, USA	Warranty services and marketing of LCD TV s and notebook PCs	36,369	36,369	100	100%	440,755	8,082	8,082	
	Just	British Virgin Islands	Manufacturing, sales and maintenance of monitors and LCD TVs, and investment	1,480,509	1,480,509	48,010	100%	7,982,139	85,523	85,523	
	CIH	British Virgin Islands	Sales and manufacturing of notebook PCs and investments	1,787,680	1,787,680	53,001	100%	34,939,825	1,081,596	1,081,596	
	Panpal	Taipei City	Investment	5,171,837	5,171,837	500,000	100%	4,890,099 (Note 1)	135,442	97,464	
	Gempal	Taipei City	Investment	900,036	900,036	90,000	100%	1,580,854 (Note 1)	88,488	66,445	
	Kinpo Group management consultant company (“Kinpo Group management”)	Taipei City	Consultation, training services, etc.	3,000	3,000	300	38%	4,538	371	139	
	Ripal	Tainan City	Manufacturing of electric appliance and audiovisual electric products	60,000	60,000	6,000	100%	51,798	20,946	20,942	
	Avalue Technology, Inc.	New Taipei City	Manufacturing, processing, and import and export business of industrial motherboards	559,189	559,189	15,240	22%	595,790	244,100	53,166	
	Unicore	Taipei City	Animal medication retail and wholesale	200,000	200,000	20,000	100%	164,648	(21,756)	(20,162)	
	CEH	British Virgin Islands	Investment	34	34	1	100%	3,619,817	-	-	
	Allied Circuit	Taoyuan City	Production and sales of PCB boards	395,388	395,388	10,158	20%	331,092	366,180	74,756	
	Maxima Ventures I, Inc. (“Maxima”)	Taipei City	Investment	1,260	1,260	126	23%	3,174	(203)	(9,552)	
	Lipo Holding Co., Ltd. (“Lipo”)	Cayman Islands	Investment	489,450	489,450	98	49%	652,532	617,951	302,796	
	CPE	Netherlands	Investment	197,463	197,463	6,427	100%	827,329	284,489	130,819	
	ATK	Hsinchu City	Design, research & development, and selling of DVD, Combo, CD-RW Drives	202,908	202,908	899	28%	10,371	141	39	
	Crownpo Technology Inc. (“Crownpo”)	Taipei City	Manufacturing, processing, and selling resistor chips, networking chips, diodes, multilayer ceramic capacitors, semiconductor devices, and selling electronic products	149,547	149,547	3,739	33%	75,267	71,765	23,849	
	Hong Ji	Taipei City	Investment	1,000,000	1,000,000	100,000	100%	1,067,825	46,621	45,946	
	Hong Jin	Taipei City	Investment	295,000	295,000	29,500	100%	328,852	20,358	20,358	
	Auscom	Austin, TX USA	R&D of notebook PC related products and components	101,747	101,747	3,000	100%	125,912	4,757	4,757	
	Arcadyan	Hsinchu City	R&D, manufacturing and sales of wireless network, integrated household electronics, and mobile office products	1,325,132	1,325,132	41,305	21%	2,055,316	871,519	189,715	
	FGH	British Virgin Islands	Investment	2,754,741	2,754,741	89,755	100%	4,545,364	275,557	275,557	
	HSI	British Virgin Islands	Investment	1,346,814	1,346,814	42,700	100%	734,227	(35,898)	(35,898)	
	CEP	Poland	Maintenance and warranty services of notebook PCs	90,156	90,156	136	100%	15,589	(16,749)	(21,694)	
	Zhaopal	Taipei City	Investment	1,358,000	1,358,000	135,800	100%	6,190	(183)	(183)	
	Yongpal	Taipei City	Investment	1,188,500	1,188,500	118,850	100%	5,509	(184)	(184)	
	Kaipal	Taipei City	Investment	510,500	510,500	51,050	100%	3,110	(185)	(185)	
	Lead-Honor Optronics. Co., Ltd. (“Lead-Honor”)	Taoyuan City	Manufacturing of electric appliance and audiovisual electric products	42,000	42,000	2,772	42%	-	-	-	
	Infinno Technology Corporation (“Infinno”)	Hsinchu County	Manufacturing of electronic components, wholesale and retail sale of precision instruments and electronic materials	109,837	109,837	5,650	27%	21,553	12	3	

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Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount December 31, 2018	Original Investment Amount December 31, 2017	Ending Balance Shares (thousands)	Ending Balance Percentage of Ownership	Ending Balance Carrying Value	Net income (losses) of investee	Share of profits/losses of investee	Note
	HengHao	Taipei City	Manufacturing of PCs, computer periphery devices, and electronic components	5,329,757	5,329,757	63,815	100%	(118,482)	(737,747)	(736,708)	
	Mactech	Taichung City	Manufacturing of equipment and lighting, retailing of equipment and international trading	219,601	219,601	21,756	53%	246,787	76,500	39,053	
	BCI	British Virgin Islands	Investment	2,636,051	2,636,051	90,820	100%	6,037,985	261,806	261,806	
	CBN	Hsinchu County	R&D and sales of cable modem, digital set-up box, and other communication products	284,827	284,827	29,060	43%	782,491	184,370	87,802	
	Rayonnant	Taipei City	Manufacturing and sales of PCs, computer periphery devices, and electronic components	295,000	295,000	29,500	100%	41,138	(51,684)	(48,528)	
	CRH	British Virgin Islands	Investment	377,328	377,328	12,500	100%	107,301	(72,347)	(72,347)	
	Ascendant Private Equity Investment Ltd. (“APE”)	British Virgin Islands	Investment	943,922	943,922	31,253	35%	935,555	111,326	38,655	
	CORE	British Virgin Islands	Investment	4,318,860	4,318,860	147,000	100%	7,625,407	2,604,284	2,604,284	
	Etrade	British Virgin Islands	Investment	1,532,029	1,532,029	46,900	65%	(298,023)	(225,609)	(124,210)	
	Webtek	British Virgin Islands	Selling of mobile phones	3,340	3,340	100	100%	583,463	(101,398)	(101,398)	
	Forever	British Virgin Islands	Selling of mobile phones	1,575	1,575	50	100%	1,488,011	33	33	
	UCGI	Taipei City	Manufacturing and retail sale of computers and electronic components	100,000	100,000	10,000	100%	(376,263)	(139,243)	(144,069)	
	Palcom	Taipei City	Selling of mobile phones	100,000	100,000	10,000	100%	109,663	1,465	1,465	
	GLB	New Taipei City	Manufacturing and wholesale of medical equipment	246,860	246,860	15,000	50%	260,934	46,429	23,218	
	Shennona	Delaware. USA	Medical care IOT business	14,598	-	2,500	100%	5,438	(24,820)	(24,820)	
								82,510,880		4,198,330	
Webtek	Etrade	British Virgin Islands	Investment	763,125 (US$25,000)	457,875 (US$15,000)	25,000	35%	(165,051) (US$(5,374))	(225,609) (US$(7,482))	Investment gain(losses) recognized by Webtek	
Forever	GIA	British Virgin Islands	Selling of mobile phones	-	-	-	100%	-	-	Investment gain(losses) recognized by Forever	
Panpal	Arcadyan	Hsinchu City	Telecommunication equipment and apparatus manufacturing, electronic parts and components manufacturing, restrained telecom radio frequency equipments and materials import and manufacturing	180,968	180,968	6,827	4%	387,911	871,519	Investment gain(losses) recognized by Panpal	
	Allied Circuit	Taoyuan City	Production and selling of PCB boards	148,263	148,263	2,927	6%	95,407	366,180	〃	
	Others							588,641			
Gempal	Arcadyan	Hsinchu City	Telecommunication equipment and apparatus manufacturing, electronic parts and components manufacturing, restrained telecom radio frequency equipments and materials import and manufacturing	203,500	203,500	7,846	4%	469,719	871,519	Investment gain(losses) recognized by Gempal	
	Allied Circuit	Taoyuan City	Production and selling of PCB boards	53,645	53,645	3,220	6%	104,948	366,180	〃	
	Others							3,604			
Just	CDH (HK)	Hong Kong	Investment	1,913,468 (US$62,298)	1,913,468 (US$62,298)	62,298	100%	5,615,616 (US$182,830)	75,505 (US$2,504)	Investment gain(losses) recognized by Just	
	CII	British Virgin Islands	Investment	283,960 (US$9,245)	283,960 (US$9,245)	9,245	100%	220,282 (US$7,172)	(22,263) (US$(738))	〃	
	CPI	British Virgin Islands	Sales of monitors, LCD TVs and related components.	15,358 (US$500)	15,358 (US$500)	500	100%	897,261 (US$29,212)	- (US$-)	〃	
CII	AEI	U.S.A	Sales and maintenance of LCD TVs	30,715 (US$1,000)	30,715 (US$1,000)	1,000	100%	49,452 (US$1,610)	(577) (US$(19))	Investment gain(losses) recognized by CII	
	MEL	U.S.A	Investment	252,907 (US$8,234)	252,907 (US$8,234)	-	100%	258,826 (US$8,427)	(16,489) (US$(547))	〃	
	MTL	U.S.A	Investment	31 (US$1)	31 (US$1)	-	100%	31 (US$1)	- (US$-)	〃	
	Smart	British Virgin Islands	Sales of electronic products and related components	31 (US$1)	31 (US$1)	1	100%	400 (US$13)	(11) (US$-)	〃	

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COMPAL ELECTRONICS, INC.

Notes to Consolidated Financial Statements

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Ending Balance			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2018	December 31, 2017	Shares (thousands)	Percentage of Ownership	Carrying Value			
ME Land MTL	CMX	Mexico	Manufacturing, sales and maintenance of LCD TVs	247,256 (US$8,050)	247,256 (US$8,050)	32,903	100%	258,826 (US$8,427)	(16,489) (US$(547))	Investment gain(losses) recognized by MEL and MTL	
CIH	CIH (HK)	Hong Kong	Investment	2,297,559 (US$74,803)	2,297,559 (US$74,803)	74,803	100%	32,986,019 (US$1,073,938)	1,062,037 (US$35,223)	Investment gain(losses) recognized by CIH	
	Jenpal	British Virgin Islands	Investment	225,755 (US$7,350)	225,755 (US$7,350)	7,350	100%	105,048 (US$3,420)	2,521 (US$84)	〃	
	CCM	British Virgin Islands	Investment	156,647 (US$5,100)	156,647 (US$5,100)	5,100	51%	56,804 (US$1,849)	(2,521) (US$(84))	〃	
	PFG	British Virgin Islands	Sales of notebook PCs and related components	31 (US$1)	31 (US$1)	1	100%	421,800 (US$13,733)	- (US$-)	〃	
	FWT	British Virgin Islands	Investment	457,654 (US$14,900)	457,654 (US$14,900)	14,900	100%	457,964 (US$14,910)	79 (US$3)	〃	
Hong Ji	Arcadyan	Hsinchu City	Telecommunication equipment and apparatus manufacturing, electronic parts and components manufacturing, restrained telecom radio frequency equipments and materials import and manufacturing	203,500	203,500	7,846	4%	469,713	871,519	Investment gain(losses) recognized by Hong Ji	
	Allied Circuit	Taoyuan City	Production and selling of PCB boards	12,274	12,274	1,041	2%	27,977	366,180	〃	
Hong Jin	Arcadyan	Hsinchu City	Telecommunication equipment and apparatus manufacturing, electronic parts and components manufacturing, restrained telecom radio frequency equipments and materials import and manufacturing	112,569	112,569	4,340	2%	239,239	871,519	Investment gain(losses) recognized by Hong Jin	
Arcadyan	Arcadyan Holding	British Virgin Islands	Investment	1,240,526	962,291	32,780	100%	1,221,252	59,092	Investment gain(losses) recognized by Arcadyan	
	Arcadyan USA	U.S.A	Sales of wireless network products	23,055	23,055	1	100%	51,226	4,547	〃	
	Arcadyan Germany	Germany	Technology support and sales of wireless network products	1,125	1,125	0.5	100%	64,388	11,439	〃	
	Arcadyan Korea	Korea	Sales of wireless network products	2,879	2,879	20	100%	7,789	3,116	〃	
	Arcadyan do Brasil Ltda	Brazil	Sales of wireless network products	-	-	-	-%	-	-	〃	
	Zhi-Pal	Taipei City	Investment	48,000	48,000	34,980	100%	450,366	40,042	〃	
	TTI	Taipei City	R&D and sales of household digital products	308,726	306,925	25,028	61%	583,890	45,883	〃	
	AcBel Telecom	Taipei City	Investment	23,000	23,000	4,494	51%	33,952	(18,989)	〃	
	Arcadyan UK	UK	Technical support of wireless network products	1,988	1,988	50	100%	2,683	317	〃	
	Arcadyan AU	Australia	Sales of wireless network products	1,161	1,161	50	100%	6,200	5,296	〃	
	CBN	Hsinchu County	Sales of communication and electronic components	11,925	11,925	533	1%	14,460	184,370	〃	
	Golden Smart Home Technology Corp.	Taipei City	Selling of hardware and software integration of high-tech systems	15,692	15,692	1,229	16%	-	(30,339)	〃	
Arcadyan and Zhi-pal	Arcadyan Brasil	Brazil	Sales of wireless network products	81,593	81,593	968	100%	14,381	(25,526)	〃	
Arcadyan Holding	Sinoprime	British Virgin Islands	Investment	277,971 (US$50)	1,536 (US$50)	9,050	100%	278,800 (US$9,077)	874 (US$29)	Investment gain(losses) recognized by Arcadyan Holding	
	Arch Holding	British Virgin Islands	Investment	338,203 (US$11,011)	338,203 (US$11,011)	35	100%	834,649 (US$27,174)	52,580 (US$1,744)	〃	
TTI	Quest	Samoa	Investment	36,858 (US$1,200)	36,858 (US$1,200)	1,200	100%	65,774	25,977	Investment gain(losses) recognized by TTI	
	TTJC	Japan	Sales of household digital electronic products	1,341	1,341	-	100%	765	(610)	〃	
Quest	Exquisite	Samoa	Investment	35,937 (US$1,170)	35,937 (US$1,170)	1,170	100%	72,272 (US$2,353)	25,958 (US$861)	Investment gain(losses) recognized by Quest	
AcBel Telecom	Leading Images	British Virgin Islands	Investment	1,536 (US$50)	1,536 (US$50)	50	100%	9,931	(18,420)	Investment gain(losses) recognized by AcBel Telecom	
	Great Arch	British Virgin Islands	Sales of wireless network products	- (US$-)	1,536 (US$50)	-	-	-	(6)	〃	Note 2

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Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount December 31, 2018	Original Investment Amount December 31, 2017	Ending Balance Shares (thousands)	Ending Balance Percentage of Ownership	Ending Balance Carrying Value	Net income (losses) of investee	Share of profits/losses of investee	Note
Leading Images	Astoria GmbH	Germany	Sales of wireless network products	880 (EUR25)	880 (EUR25)	25	100%	9,522 (US$310)	(60) (US$(2))	Investment gain(losses) recognized by Leading Images	
Zhi-pal	CBN	Hsinchu county	Produces and sales of communication and electronic components	36,272	38,032	13,140	20%	356,317	184,370	Investment gain(losses) recognized by Zhi-pal	
HSI	IUE	British Virgin Islands	Investment	921,450 (US$30,000)	921,450 (US$30,000)	30,000	100%	455,400 (US$14,827)	(38,498) (US$(1,277))	Investment gain(losses) recognized by H SI	
	Goal	British Virgin Islands	Investment	390,081 (US$12,700)	390,081 (US$12,700)	12,700	100%	306,789 (US$9,988)	2,600 (US$86)	〃	
IUE	CVC	Vietnam	R&D, manufacturing, sales, and maintenance of notebook PCs, computer monitors, LCD TVs and electronic components	921,450 (US$30,000)	921,450 (US$30,000)	30,000	100%	480,087 (US$15,630)	(38,498) (US$(1,277))	Investment gain(losses) recognized by IUE	
Goal	CDM	Vietnam	Construction of and investment in infrastructure in Ba-Thien industrial district of Vietnam	390,081 (US$12,700)	390,081 (US$12,700)	12,700	100%	365,367 (US$11,895)	2,600 (US$86)	Investment gain(losses) recognized by Goal	
Rayonnant	APH	British Virgin Islands	Investment	257,454	257,454	8,651	41%	68,240	(132,974)	Investment gain(losses) recognized by Rayonnant	
	Forming Co., Ltd.	Taoyuan City	R&D and manufacturing of electronic materials	27,300	27,300	1,820	21%	-	-	〃	
CRH	APH	British Virgin Islands	Investment	383,938 (US$12,500)	383,938 (US$12,500)	12,500	59%	107,300 (US$3,493)	(132,974) (US$(4,410))	Investment gain(losses) recognized by CRH	
HHT	HHA	British Virgin Islands	Investment	1,429,235	1,429,235	46,882	100%	251,850	(229,806)	Investment gain(losses) recognized by HHT	
HHA	HHB	British Virgin Islands	Investment	1,439,982 (US$46,882)	1,439,982 (US$46,882)	46,882	100%	269,419 (US$8,772)	(229,820) (US$(7,622))	Investment gain(losses) recognized by HHA	
HHB	HengHao Trading Co., Ltd.	British Virgin Islands	Marketing and international trade	307 (US$10)	307 (US$10)	10	100%	401 (US$13)	49 (US$2)	Investment gain(losses) recognized by HHB	
CBN	Speedlink	British Virgin Islands	Import and export business	1,514	1,514	50	100%	2,015	267	Investment gain(losses) recognized by CBN	
	CBNB	Belgium	The import and export business of broad band network products and related components, as well as technical support and advisory services	6,842	6,842	20	100%	6,919	(95)	〃	
FGH	Wah Yuen Technology Holding Ltd. and its subsidiaries	Mauritius	Investment	2,756,840 (US$89,755)	2,756,840 (US$89,755)	95,862	37%	4,615,937 (US$150,283)	275,379 (US$9,133)	Investment gain(losses) recognized by FGH	
CORE	BSH	British Virgin Islands	Investment	4,515,105 (US$147,000)	4,515,105 (US$147,000)	147,000	100%	7,625,407 (US$248,263)	2,604,284 (US$86,372)	Investment gain(losses) recognized by CORE	
BSH	LCFC (HK)	Hong Kong	Investment and trading	-	4,515,105 (US$147,000)	-	-	-	201,793 (US$6,693)	Investment gain(losses) recognized by BSH	
APH	PEL	British Virgin Islands	Investment	96,783 (US$3,151)	96,783 (US$3,151)	3,151	100%	53,590 (US$1,745)	(11,161) (US$(370))	Investment gain(losses) recognized by APH	
	Rayonnant (HK)	Hong Kong	Investment	552,870 (US$18,000)	552,870 (US$18,000)	18,000	100%	113,797 (US$3,705)	(121,813) (US$(4,040))	〃	
BCI	CMI	British Virgin Islands	Investment	2,482,386 (US$80,820)	2,482,386 (US$80,820)	80,820	100%	3,787,256 (US$123,303)	112,153 (US3,720)	Investment gain(losses) recognized by BCI	
	PRI	British Virgin Islands	Investment	307,150 (US$10,000)	307,150 (US$10,000)	10,000	100%	2,250,729 (US$73,278)	149,653 (US$4,963)	〃	
GLB	Rapha	New Taipei City	Detectors and test strip	6,500	6,500	1,275	100%	460	(98)	Investment gain(losses) recognized by GLB	
Unicore	Raycore	Taipei	Animal medication retail and wholesale	25,500	25,500	1,275	51%	22,307	(6,024)	Investment gain(losses) recognized by Unicore.	

Note 1: The carrying value had been deducted $559, 812 and $321, 435 of the Company's stock held by Panpal and Gempal, respectively.

Note 2: It was liquidated in April, 2018.

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COMPAL ELECTRONICS, INC.

Notes to Consolidated Financial Statements

(c) Information on investment in Mainland China:

(i) The names of investees in Mainland China, the main businesses and products, and other information:

(In Thousands of New Taiwan Dollars / CNY/USD)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2017	Investment flows: Outflow	Investment flows: Inflow	Accumulated outflow of investment from Taiwan as of December 31, 2018	Net income (losses) of the investee	Percentage of ownership	Investment income (losses)	Book value	Accumulated remittance of earnings in current period
CPC	Manufacturing and sales of monitors	1,136,455 (US$37,000)	(Note 1)	1,136,455 (US$37,000)	-	-	1,136,455 (US$37,000)	(272,595) (US$(9,041))	100 %	(272,595) (US$(9,041))	2, (US$66,	-
CDT	Manufacturing and sales of notebook PCs, mobile phones, and Digital products	614,300 (US$20,000)	(Note 2)	614,300 (US$20,000)	-	-	614,300 (US$20,000)	(69,038) (US$(2,290))	100 %	(69,038) (US$(2,290))	196,193 (US$6,388)	-
CET	Manufacturing of notebook PCs	368,580 (US$12,000)	(Note 2)	368,580 (US$12,000)	-	-	368,580 (US$12,000)	116,086 (US$3,850)	100 %	116,086 (US$3,850)	4,832,564 (US$157,336)	-
CSD	Manufacturing of notebook PCs	268,363 (RMB$60,000)	(Note 2)	(Note 3)	-	-	-	(201,551) (RMB(44,210))	100 %	(201,551) (RMB(44,210))	(252,598) (RMB(56,475)	-
BT	Maintenance and warranty service of notebook PCs	30,715 (US$1,000)	(Note 2)	30,715 (US$1,000)	-	-	30,715 (US$1,000)	(105,760) (US$(3,508))	100 %	(105,760) (US$(3,508))	(192,357) (US$(6,263))	-
CGS	Production and processing chip-resistors, ceramic capacitors, diodes, and other latest electronic components and related precision electronic equipment; selling self-produced products	8,945 (RMB2,000)	(Note 2)	(Note 3)	-	-	-	(14,673) (RMB(3,218))	100 %	(14,673) (RMB(3,218))	(37,432) (RMB(8,369))	-
LIZ Electronics (Kunshan) Co., Ltd.	Research & development, and manufacturing chip components (chip resistors, ceramic chip diode： selling self-produced products and providing after-sales service. Performing wholesale and trading business of electronic components, semiconductors, special materials for electronic components, and spare parts	982,880 (US$32,000)	(Note 1)	409,431 (US$13,330)	-	-	409,431 (US$13,330)	667,227 (US$22,129)	43 %	288,109 (US$9,555)	597,867 (US$19,465)	-
LIZ Electronics (Nantong) Co., Ltd.	Research, manufacture and sales of communication devices, mobile phones, electronic computer, smart watch, and provide related technology service	614,300 (US$20,000)	(Note 1)	45,151 (US$1,470)	-	-	45,151 (US$1,470)	225,064 (US$7,464)	48 %	107,243 (US$3,557)	441,006 (US14,358)	-
Zheng Ying Electronics (Chongqing) Co., Ltd.	Research & development, and manufacturing latest electronic components, precision cavity mold, design and manufacturing for standard parts for molds, and selling self- produced products	70,562 (RMB15,776)	(Note 2)	(Note 3)	-	-	-	(27,269) (RMB(5,982))	51 %	(13,907) (RMB(3,051))	(73,016) (RMB(16,325))	-
CIC	Manufacturing of notebook PCs	368,580 (US$12,000)	(Note 2)	368,580 (US$12,000)	-	-	368,580 (US$12,000)	268,390 (US$8,901)	100 %	268,390 (US$8,901)	7,471,213 (US$243,243)	-
CPO	Manufacturing and sales of LCD TVs	371,652 (US$12,100)	(Note 1)	371,652 (US$12,100)	-	-	371,652 (US$12,100)	94,641 (US$3,139)	100 %	94,641 (US$3,139)	2,796,954 (US$91,061)	-
CIT	Manufacturing of notebook PCs	737,160 (US$24,000)	(Note 2)	737,160 (US$24,000)	-	-	737,160 (US$24,000)	769,672 (US$25,527)	100 %	769,672 (US$25,527)	20,445,466 (US$665,651)	-
LCFC (Hefei) Electronics Technology Co., Ltd.	Manufacturing and selling of personal computers and related components, and providing related maintenance and after-sales service	8,139,475 (US$265,000)	(Note 1)	3,988,343 (US$129,850)	-	-	3,988,343 (US$129,850)	201,793 (US$6,693)	-	-	-	-
CST	International trade and distribution of computers and electronic components	43,001 (US$1,400)	(Note 2)	43,001 (US$1,400)	-	-	43,001 (US$1,400)	(3,174) (US$(105))	100 %	(3,174) (US$(105))	49,419 (US$1,609)	-
CIN	Software and hardware R&D of computers, mobile phones and electronic components	61,430 (US$2,000)	(Note 2)	(US	-	-	61,430 (US$2,000)	(29) (US$(1))	100 %	(29) (US$(1))	755 (US$25)	-

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Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2017	Investment flows: Outflow	Investment flows: Inflow	Accumulated outflow of investment from Taiwan as of December 31, 2018	Net income (losses) of the investee	Percentage of ownership	Investment income (losses)	Book value	Accumu-lated remittance of earnings in current period
Sheng Bao Precision Electronics (Taicang) Co., Ltd.	Research & development, and manufacturing latest electronic components, precision cavity mold, design and manufacturing for standard parts for molds, and selling self-produced products"	307,150 (US$10,000)	(Note 2)	156,647 (US$5,100)	-	-	156,647 (US$5,100)	1,440 (US$48)	51 %	734 (US$24)	59,231 (US$1,928)	-
CIJ	Investment and consulting services	479,154 (US$15,600)	(Note 2)	(US$1	-	-	479,154 (US$15,600)	339,351 (US$11,255)	100 %	339,351 (US$11,255)	952,554 (US$31,013)	-
CDE	Manufacturing and sales of LCD TVs	460,725 (US$15,000)	(Note 2)	(Note 3)	-	-	-	335,680 (US$11,133)	100 %	335,680 (US$11,133)	923,056 (US$30,052)	-
CIS	Outward investment and consulting services	2,482,386 (US$80,820)	(Note 1)	(US$8	-	-	2,482,386 (US$80,820)	112,153 (US$3,720)	100 %	112,153 (US$3,720)	3,787,256 (US$123,303)	-
CEC	R&D and manufacturing of notebook PCs, tablet PCs, digital products, network switches, wireless AP, and automobile electronic products	2,457,200 (US$80,000)	(Note 2)	(Note 3)	-	-	-	112,135 (US$3,719)	100 %	112,135 (US$3,719)	3,756,356 (US$122,297)	-
CMC	Corporate management consulting, financial and tax consulting, investment consulting, and investment management consulting services	24,572 (US$800)	(Note 2)	(Note 3)	-	-	-	99 (US$3)	100 %	99 (US$3)	24,398 (US$794)	-
CEQ	R&D, manufacturing and sales of notebook PCs and related components. Also provides related maintenance and warranty services	307,150 (US$10,000)	(Note 1)	307,150 (US$10,000)	-	-	307,150 (US$10,000)	149,653 (US$4,963)	100 %	149,653 (US$4,963)	2,250,729 (US$73,278)	-
Compal Precision Module (Jiangsu) Co., Ltd.	Manufacturing and selling of magnesium alloy injection molding	12,593,150 (US$410,000)	(Note 2)	2,537,888 (US$82,627)	-	-	2,537,888 (US$82,627)	791,080 (US$26,237)	37 %	289,693 (US$9,608)	5,684,301 (US$185,066)	-
Changbao Electronic Technology (Chongqing) Co., Ltd.	Production and marketing of magnesium alloy molding	1,842,900 (US$60,000)	(Note 2)	(US$1	-	-	351,871 (US$11,456)	110,851 (US$3,676)	37 %	40,594 (US$1,346)	1,019,634 (US$33,197)	-
Rayonnant (Taicang)	Manufacturing and sales of aluminum alloy and magnesium alloy products	552,870 (US$18,000)	(Note 2)	(US$1	-	-	383,938 (US$12,500)	(121,811) (US$(4,040))	100 %	(121,811) (US$(4,040))	114,396 (US3,724)	-
CCI Nanjing	Manufacturing and processing of mobile phones and tablet PCs	675,730 (US$22,000)	(Note 1)	(US$2	-	-	675,730 (US$22,000)	(102,215) (US$(3,390))	100 %	(102,215) (US$(3,390))	(1,026,526) (US$(33,421))	-
CDCN	Manufacturing and processing of mobile phones and tablet PCs	178,147 (US$5,800)	(Note 1)	(US	-	-	178,147 (US$5,800)	754 (US$25)	100 %	754 (US$25)	85,388 (US$2,780)	-
CWCN	Manufacturing and processing of mobile phones and tablet PCs	1,197,885 (US$39,000)	(Note 1)	(US$1	-	-	583,585 (US$19,000)	(210,490) (US$(6,981))	100 %	(210,490) (US$(6,981))	434,617 (US$14,150)	-
Hanhelt	R&D and manufacturing of electronic communication equipment	61,430 (US$2,000)	(Note 1)	(US	-	-	61,430 (US$2,000)	30 (US$1)	100 %	30 (US$1)	3,133 (US$102)	-
Arcadyan												
SVA Arcadyan	R&D and sales of wireless network products	402,367 (US$13,100)	(Note 1)	(US$1 (Note 7)	-	-	565,770 (US$18,420)	7,175 (US$238)	100 %	7,175 (US$238)	126,607 (US$4,122)	-
CNC	Manufacturing and wireless network products	382,402 (US$12,450)	(Note 1)	(US$1 (Note 8)	-	-	338,203 (US$11,011)	52,580 (US$1,744)	100 %	52,580 (US$1,744)	834,649 (US$27,174)	-
THAC	Manufacturing of household electronics products	102,895 (US$3,350)	(Notes 1 、10)	(US	-	-	35,322 (US$1,150)	25,958 (US$861)	100 %	25,958 (US$861)	71,750 (US$2,336)	-
HengHao												
HengHao Optoelectronic Technology (Kunshan) Co., Ltd. ("Heng Hao Kunshan")	Production of touch panels and related components	1,228,600 (US$40,000)	(Note 1)	(US$3	-	-	1,222,549 (US$39,803)	(230,717) (US$(7,652))	100 %	(230,717) (US$(7,652))	116,874 (US$3,805)	-
Lucom Display Technology (Kunshan) Limited ("Lucom")	Manufacturing of notebook PCs and related modules	460,725 (US$15,000)	(Note 2)	199,617 (US$6,499) (Note 12)	-	-	199,617 (US$6,499)	849 (US$28)	100 %	849 (US$28)	134,882 (US$4,391)	-

(Continued)

(ii) Limitation on investment in Mainland China:

Names of Company	Accumulated Investment in Mainland China as of December 31, 2018	Investment Amounts Authorized by Investment Commission of Ministry of Economic Affairs	Limitation on investment in Mainland China by Investment Commission of Ministry of Economic Affairs
The Company	16,725,454 (USD 544,537) (Note 5)	23,069,606 (USD 751,086)	(Note 6)
Arcadyan	939,303 (USD 30,581)	939,303 (USD 30,581)	5,439,686
HengHao	1,439,674 (USD 46,872)	1,439,674 (USD 46,872)	365,077

Note 1: Indirectly investment in Mainland China through companies registered in the third region.
Note 2: Indirectly investment in Mainland China through an existing company registered in the third region.
Note 3: Investees held by Kunshan Botai Electronics Co., Ltd. ("BT"), Compal Investment (Jiansu) Co., Ltd. ("CIJ"), Compal Electronic (Sichuan) Co., Ltd. ("CIS"), and Compal Electronics (China) Co., Ltd. ("CPC") through their own funds.
Note 4: The investment income (loss) was determined based on the financial report audited by CPA.
Note 5: Including the investment amount of sold or dissolved companies, including Beijing Compower Xuntong Electronic Technology Co., Ltd, VAP Optoelectronics (NanJing) Corp., Flextronics Technology (Shanghai) Ltd., Lucom and the increased investment amount form merging with Compal Communication Co., Ltd.
Note 6: As the Company has obtained the certificate of being qualified for operating headquarters, issued by Industrial Development Bureau, MOEA, the upper limit on investment in mainland China is not applicable.
Note 7: Arcadyan paid US$18,420 thousands and acquired 100% shares of SVA Arcadyan from Accton Asia through Arcadyan Holding in 2010.
Note 8: Arcadyan paid US$8,561 thousands and acquired 100% shares of CNC from Just through Arcadyan Holding in 2007.
Note 9: SVA Arcadyan decreased its capital amounting to US$15,000 thousands to offset accumulated losses in March 2009.
Note 10: Arcadyan's subsidiary, TTI, obtained the control over THAC with US$1,150 thousands on February 28, 2013 (the date of stock transferring).
Note 11: The amounts in New Taiwan Dollars were translated at the exchange rates at the balance sheet date or the average exchange rate.
Note 12: The Company had an accumulated investment amounting to US$7,350 thousands in the previous years. In the first half of 2014, HengHao paid the Company and LG US$3,184 thousands and US$3,315 thousands, respectively, for organization restructure, to obtain 100% ownership of Lucom.

(iii) Significant transactions:

For the year ended December 31, 2018, the significant inter-company transactions with the subsidiary in Mainland China, which were eliminated in the preparation of consolidated financial statements, are disclosed in "Information on significant transactions".

(14) Segment information:

Please refer to the consolidated financial report of 2018.

COMPAL ELECTRONICS, INC.

STATEMENT OF CASH AND CASH EQUIVALENTS

December 31, 2018

(Expressed in thousands of New Taiwan Dollars;
in dollars of Foreign Currency)

Item	Description	Amount
Cash on hand		$ 1,596
Checking account and demand deposits	TWD	77,468
	Foreign currency (US$126,497,482 and others)	3,895,090
		3,972,558
Time deposits	TWD(Maturity date: 2019.1.24~2019.2.1)	1,421,000
	Foreign currency (US$458,000,000, Maturity date: 2019.1.2~ 2019.2.11)	14,067,470
	(CNY$27,000,000, Maturity date: 2019.1.7~ 2019.5.28)	120,744
		15,609,214
Cash equivalents:		
Bonds purchased under resale agreements	TWD(Maturity date: 2019.1.2~2019.1.11)	863,010
Total		**$ 20,446,378**

Note: The exchange rate is 30.715 New Taiwan dollars for 1 US dollar; ; 4.472 New Taiwan dollars for 1 CNY dollar.

COMPAL ELECTRONICS, INC.

STAEMENTS OF NOTES AND ACCOUNTS RECEIVABLE

December 31, 2018

(Expressed in thousands of New Taiwan Dollars)

Item	Description	Amount
D Company	Sales of non-related-parties	$ 113,012,264
A Company	〃	20,037,143
E Company	〃	19,237,162
G Company	〃	13,033,195
Others (Note)	〃	27,895,390
		193,215,154
Less: allowance for uncollectible accounts		(3,718,560)
Notes and accounts receivable, net		$ 189,496,594

Note: The amount of individual client included in others does not exceed 5% of the account balance.

STATEMENTS OF INVENTORIES

Item	Cost	Net Realizable Value
Finished goods	$ 18,779,873	18,792,754
Work in progress	44,008	44,008
Raw materials	32,693,278	32,722,458
Total	$ 51,517,159	51,559,220

COMPAL ELECTRONICS, INC.

STATEMENT OF INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

For the year ended December 31, 2018

(Expressed in thousands of New Taiwan Dollars; thousands of shares)

	Beginning Balance		Increase (Note 1)		Decrease (Note 2)			Ending Balance (including impairment loss)				
Investee Company	Number of shares	Amount (not including exchange differences on transaction of foreign financial statements	Number of shares	Amount	Number of shares	Amount	Share of profit recognized	Number of shares	Amount (not including exchange differences on transaction of foreign financial statements	Exchange differences on transaction of foreign financial statements	Ending Balance (including exchange differences on transaction of foreign statements	Market Price / Net Value
Auscom	3,000	$ 130,833	-	-	-	-	4,757	3,000	135,590	(9,678)	125,912	125,912
Panpal	500,000	5,922,985	-	436,242	-	514,720	97,464	500,000	5,941,971	(492,060)	5,449,911	5,443,264
Just	48,010	8,166,943	-	-	-	-	85,523	48,010	8,252,466	(270,327)	7,982,139	7,982,139
CIH	53,001	34,397,748	-	-	-	-	1,081,596	53,001	35,479,344	(539,519)	34,939,825	34,926,976
CEH	1	3,906,656	-	-	-	-	-	1	3,906,656	(286,839)	3,619,817	3,617,817
Gempal	90,000	1,902,233	-	22,779	-	71,193	66,445	90,000	1,920,264	(17,975)	1,902,289	1,901,506
Hong Ji	100,000	1,060,974	-	201	-	36,368	45,946	100,000	1,070,753	(2,928)	1,067,825	1,067,825
Hong Jin	29,500	325,587	-	113	-	15,589	20,358	29,500	330,469	(1,617)	328,852	328,852
Maxima Ventures l, Inc.	126	14,513	-	-	-	-	(9,552)	126	4,961	(1,787)	3,174	3,174
ATK	899	10,335	-	-	-	-	39	899	10,374	(3)	10,371	10,371
Allied Circuit	10,158	312,315	-	-	-	55,893	74,756	10,158	331,178	(86)	331,092	621,653 (Note 4)
Bizcom	100	446,597	-	-	-	-	8,082	100	454,679	(13,924)	440,755	440,755
LIPO	98	374,707	-	36	-	-	302,796	98	677,539	(25,007)	652,532	653,180
Crownpo	3,739	53,146	-	-	-	24	23,849	3,739	76,971	(1,704)	75,267	75,267
Arcadyan	41,305	2,001,001	-	1,072	-	126,655	189,715	41,305	2,065,133	(9,817)	2,055,316	3,089,577 (Note 3)
FGH	89,755	4,651,687	-	103	-	-	275,557	89,755	4,927,347	(381,983)	4,545,364	4,545,364
HSI	42,700	773,126	-	-	-	-	(35,898)	42,700	737,228	(3,001)	734,227	762,189
Zhaopal	135,800	6,373	-	-	-	-	(183)	135,800	6,190	-	6,190	6,190
Yongpal	118,850	5,693	-	-	-	-	(184)	118,850	5,509	-	5,509	5,509
Kaipal	51,050	3,295	-	-	-	-	(185)	51,050	3,110	-	3,110	3,110
Lead-Honor Optronics Co., Ltd	2,772	(3)	-	-	-	-	-	2,772	(3)	3	-	-
CBN	29,060	738,962	-	7,821	-	52,189	87,802	29,060	782,396	95	782,491	1,333,862 (Note 3)
Kinpo	300	4,399	-	-	-	-	139	300	4,538	-	4,538	5,696
Rayonnant Technology	29,500	92,292	-	-	-	-	(48,528)	29,500	43,764	(2,626)	41,138	41,138
CRH	12,500	177,226	-	-	-	-	(72,347)	12,500	104,879	2,422	107,301	107,301
HengHao	131,499	636,151	-	-	67,684	-	(736,708)	63,815	(100,557)	(17,925)	(118,482)	(118,482)
Infinno Technology Corp.	5,650	21,550	-	-	-	-	3	5,650	21,553	-	21,553	21,553
CEP	136	41,669	-	-	-	-	(21,694)	136	19,975	(4,386)	15,589	15,589
BCI	90,820	5,595,205	-	-	-	-	261,806	90,820	5,857,011	180,974	6,037,985	6,037,985
APE	31,253	1,013,881	-	-	-	126,447	38,655	31,253	926,089	9,466	935,555	935,605
CORE	147,000	4,790,820	-	-	-	-	2,604,284	147,000	7,395,104	230,303	7,625,407	7,625,407
Unicore	20,000	184,810	-	-	-	-	(20,162)	20,000	164,648	-	164,648	164,648
Ripal	6,000	30,856	-	-	-	-	20,942	6,000	51,798	-	51,798	51,798
CPE	6,427	708,937	-	-	-	-	130,819	6,427	839,756	(12,427)	827,329	827,329
Avalue	15,240	586,333	-	308	-	40,173	53,166	15,240	599,634	(3,844)	595,790	586,743 (Note 4)
Etrade	46,900	(292,106)	-	247,239	-	-	(124,210)	46,900	(169,077)	(128,946)	(298,023)	(309,643)
Webtek	100	1,033,727	-	-	-	247,240	(101,398)	100	685,089	(101,626)	583,463	583,463
Forever	50	1,567,212	-	-	-	-	33	50	1,567,245	(79,234)	1,488,011	1,488,011
UCGI	10,000	(232,194)	-	-	-	-	(144,069)	10,000	(376,263)	-	(376,263)	(376,263)
Palcom	10,000	116,479	-	-	-	8,281	1,465	10,000	109,663	-	109,663	109,663
Mactech	21,756	226,825	-	2,665	-	21,756	39,053	21,756	246,787	-	246,787	281,505
GLB	15,000	237,716	-	-	-	-	23,218	15,000	260,934	-	260,934	150,545
Shennona Corp.	-	-	2,500	29,558	-	-	(24,820)	2,500	4,738	700	5,438	5,438
		81,747,494		748,137		1,316,528	4,198,330		85,377,433	**(1,985,306)**	83,392,127	
Exchange differences on transaction of foreign financial statements		(3,609,730)		1,624,424		-	-		(1,985,306)		-	
Less: Treasury shares held by subsidiaries		(881,247)		-		-	-		(881,247)		(881,247)	
Unrealized profits or losses		(6,753)		2,344		-	-		(4,409)		(4,409)	
		77,249,764		**2,374,905**		**1,316,528**	**4,198,330**		**82,506,471**		82,506,471	
Plus: Deduction of other receivable－related parties		232,194									494,744	
Plus: Credit balance of investment in equity method		437,912									298,023	
Total		**$ 77,919,870**									**83,299,238**	

Note 1：Increase in current period included purchasing long-term investments, adjusting by using equity method of capital surplus, unrealized gains from financial assets measured at fair value through other comprehensive income, remeasurement of defined benefit plans, and subsidiaries received cash dividends from the parent company.

Note 2：Decrease in current period included cash dividends distributed from long-term investments for using equity method, adjustment by equity method of capital surplus and retained earnings, remeasurement of defined benefit plans, and unrealized loss from financial assets measured at fair value through other comprehensive income.

Note 3：The unit price is calculated by the closing price of the Taiwan Stock Exchange as of December 28, 2018.

Note 4：The unit price is calculated by the closing price of Gre Tai Securities Market as of December 28, 2018.

COMPAL ELECTRONICS, INC.

STATEMENT OF CHANGES IN FINANCIAL ASSETS MEASURED AT FAI

For the year ended December 31, 2018

(Expressed in thousands of New Taiwan Dollars)

	Beginning Balance		Adjusted Balance		Increase (Note 1)		Decrease (Note 2)		Ending Balance		
Investee Company	**Number of Shares**	**Amount**	**Number of Shares**	**Amount**	**Number of Shares**	**Amount**	**Number of Shares**	**Amount**	**Number of Shares**	**Amount**	**Collaterals or Pledged Assets**
Kinpo	-	$ -	124,044	1,308,662	-	-	-	55,820	124,044	1,252,842	None
Cal-Comp Electronics (Thailand) Public Co., Ltd.	-	-	239,631	654,192	-	-	-	254,008	239,631	400,184	None
Innolux	-	-	134,877	1,672,479	-	-	25,650	610,789	109,227	1,061,690	None
Taiwan Star	-	-	98,046	980,465	-	-	-	246,097	98,046	734,368	None
Others	-	-	-	404,577	-	153,343	-	275,086	-	282,834	None
Total		$ -		5,020,375		153,343		1,441,800		3,731,918	

Note1: Increase included purchasing financial assets at fair value through other comprehensive income and unrealized gains on financial instruments at fair value through other comprehensive income

Note 2: Decrease included sale of financial assets at fair value through other comprehensive income, unrealized loss on financial instruments at fair value through other comprehensive income, deferred tax for unrealized loss and proceeds of capital reduction of investments.

COMPAL ELECTRONICS, INC.

STATEMENT OF PROPERTY, PLANT AND EQUIPMENT

For the year ended December 31, 2018

(Expressed in thousands of New Taiwan Dollars)

Please refer to Note (6)(i).

STATEMENT OF SHORT-TERM BORROWINGS

December 31, 2018

(Expressed in thousands of New Taiwan Dollars)

Creditor	Description	Contract Period	Interest Rate	Loan Commitments	Collaterals or Pledged Assets	Ending balance
Sumitomo Mitsui Banking Corporation	Credit Loans	2018.12~2019.01	Note	$ 7,525,175	None	2,272,910
The Shanghai Commercial & Savings Bank	〃	2018.12~2019.02	〃	2,150,050	None	1,658,610
Land Bank of Taiwan	〃	2018.12~2019.01	〃	4,500,000	None	4,300,100
CTBC Bank Co., Ltd.	〃	2018.12~2019.01	〃	2,500,000	None	2,457,200
Bank SinoPac	〃	2018.12~2019.01	〃	700,000	None	645,015
Mega International Commercial Bank Co., Ltd.	〃	2018.12~2019.02	〃	1,000,000	None	921,450
Credit Agricole Corporate & Investment Bank	〃	2018.12~2019.01	〃	7,678,750	None	7,678,750
Citibank Taiwan, Ltd.	〃	2018.12~2019.03	〃	9,060,925	None	7,371,600
DBS Bank Limited	〃	2018.12~2019.01	〃	2,150,050	None	2,150,050
Cathay United Bank	〃	2018.12~2019.02	〃	4,607,250	None	4,545,820
KGI Bank	〃	2018.12~2019.01	〃	2,800,000	None	1,228,600
Hua Nan Commercial Bank	〃	2018.12~2019.01	〃	4,000,000	None	3,808,660
HSBC Bank (Taiwan) Limited	〃	2018.12~2019.01	〃	6,143,000	None	4,300,100
Agricultural Bank of Taiwan	〃	2017.12~2018.01	〃	1,400,000	None	1,366,817
Bank of China Limited	〃	2018.12~2019.01	〃	6,143,000	None	2,450,000
The Bank of Tokyo-Mitsubishi UFJ	〃	2018.12~2019.02	〃	4,607,250	None	4,150,000
				$ 66,965,450		51,305,682

Note: The range of interest rates of aforementioned loans were 0.72%~3.56%.

COMPAL ELECTRONICS, INC.

STATEMENT OF NOTES AND ACCOU

PAYABLE

December 31, 2018

(Expressed in thousands of New Taiwan Dollars)

Suppliers	Amount
E Company	$ 27,527,918
J Company	11,336,333
B Company	7,701,129
A Company	7,594,339
H Company	7,572,981
I Company	7,495,748
Others (Note)	7,822,368
Total	**$ 77,050,816**

Note: The amount of individual vendor included in others does not exceed 5% of the account balance.

COMPAL ELECTRONICS, INC.

STATEMENT OF LONG-TERM BORROWINGS

December 31, 2018

(Expressed in thousands of New Taiwan Dollars)

Creditor	Loan Commitments	Amount: Loan within 1 year	Amount: Loan more than 1 year	Contract Period	Interest Rate	Amount	Collaterals or Pledged Assets
Bank of America	$ 5,068,000	4,700,000	-	2117.05~2019.05	Note	4,700,000	None
O-Bank (Originally named Industrial Bank of Taiwan)	1,000,000	250,000	-	2018.07~2021.07	〃	250,000	None
CTBC Bank Co., Ltd.	2,000,000	-	2,000,000	2018.09~2021.09	〃	2,000,000	None
Taipei Fubon Commercial Bank Co., Ltd.	2,000,000	1,800,000	-	2016.09~2019.07	〃	1,800,000	None
E. Sun Bank	2,500,000	1,871,250	-	2016.08~2019.08	〃	1,871,250	None
Bank SinoPac	3,300,000	2,425,000	875,000	2016.03~2020.03	〃	3,300,000	None
The Shanghai Commercial & Savings Bank	2,300,000	-	2,300,000	2016.06~2020.06	〃	2,300,000	None
Bank of Taiwan	3,000,000	1,100,000	825,000	2016.09~2020.09	〃	1,925,000	None
Mega International Commercial Bank	1,000,000	-	600,000	2016.11~2020.11	〃	600,000	None
Far Eastern International Bank	300,000	-	300,000	2018.09~2021.06	〃	300,000	None
Standard Chartered Bank	1,200,000	-	1,000,000	2018.05~2020.05	〃	1,000,000	None
Mizuho Bank, Ltd.	6,143,000	5,350,000	-	2018.05~2020.05	〃	5,350,000	None
Chang Hwa Bank	3,000,000	-	3,000,000	2016.12~2020.12	〃	3,000,000	None
	$ 32,811,000	17,496,250	10,900,000			28,396,250	

Note: The range of interest rates of aforementioned loans were 0.79%~1.22%.

COMPAL ELECTRONICS, INC.

STATEMENT OF OTHER PAYABLES

December 31, 2018

(Expressed in thousands of New Taiwan Dollars)

Item	Description	Amount
Payroll payables and year-end bonuses payable	Payroll for December 2018, estimated year-end bonuses for 2018, and employees and directors' compensations	$ 3,347,970
Technical service fee payables		628,443
Others (Note)	Export expense payables and others	4,416,098
Total		$ 8,392,511

Note: The amount of each item in others does not exceed 5% of the account balance.

STATEMENT OF NET SALES REVENUE

For the year ended December 31, 2018

(Expressed in thousands of New Taiwan Dollars)

Item	Quantity	Amount
Sales revenue:		
5C electronic products	Note	$ 912,010,341
Others		445,649
Less: Sales return		(964,375)
Sales allowance		(844,404)
Net sales		910,647,211
Other operating revenue:		
Service and processing revenue		402,911
Net sales revenue		$ 911,050,122

Note: Due to multi-categories, it’ s hard to be classified in categories.

COMPAL ELECTRONICS, INC.

STATEMENT OF COSTS OF SALES

For the year ended December 31, 2018

(Expressed in thousands of New Taiwan Dollars)

Item	Amount
Raw materials	
Raw materials, beginning of the year	$ 32,475,740
Plus: Purchases	631,780,550
Less: Raw materials, end of the year	(33,941,015)
Transferred to operating expense	(11,672)
Cost of material sold	(6,686,188)
Scraps	(355,714)
Raw materials used	623,261,701
Direct labor	180,145
Manufacturing expenses	480,549
Total Manufacturing costs	623,922,395
Plus: Work-in-process, beginning of the year	45,980
Less: Work-in-process, end of the year	(44,008)
Scraps	(1,221)
Cost of finished goods	623,923,146
Plus: Finished goods, beginning of the year	11,576,936
Purchases	262,790,021
Others	198,982
Less: Finished goods, end of the year	(18,817,650)
Transferred to operating expense	(860,330)
Costs of sales of finished goods and processing costs	878,811,105
Maintenance costs	3,145,607
Cost of material sold	6,686,188
Allowance for obsolescence loss and inventory valuation	171,790
Scrap loss of raw materials and finished goods	356,935
Cost of sales	**$ 889,171,625**

COMPAL ELECTRONICS, INC.

STATEMENT OF OPERATING EXPENSES

For the year ended December 31, 2018

(Expressed in thousands of New Taiwan Dollars)

Item	Selling expenses	Administrative expenses	Research and development expenses
Payroll expenses	$ 329,052	1,491,605	6,456,407
Export expenses	180,338	-	-
Royalty expenses	260,045	-	-
Research expenses	-	-	833,518
Shipping expenses	2,063,750	3,449	1,221
Sample expenses	322,996	425	749
Others (Note)	1,716	893,877	2,104,987
Total	$ 3,157,897	2,389,356	9,396,882

Note: The amount of each item in others does not exceed 5% of the account balance.