Stock Code: 2324

Compal Electronics, Inc.

2018 Annual Report

<u>***Notice to readers***</u>

This English version annual report is a translation of the Mandarin version. This document is created for the sole purpose of the convenience for its non-Mandarin readers and is not an official document to represent the financial status of the Company per Taiwan laws. Should any discrepancy arise between the English and Mandarin versions, the Mandarin version shall prevail.

Taiwan Stock Exchange Market Observation Post System:
http://newmops.twse.com.tw
The Company's Annual Report is available at:
http://www.compal.com
Printed on May 13, 2019

I. Spokesperson

Spokesperson: Ching-Hsiung Lu/Vice President
Deputy Spokesperson: Cheng-Chiang Wang /Vice President of Accounting Dept.
Tel: 886-2-8797-8588
E-mail: Investor@compal.com

II. Headquarters, Branches and Plant

Headquarters
Address: No.581& 581-1, Ruiguang Rd., Neihu District, Taipei, Taiwan
Tel: 886-2- 8797-8588
Manufacturing Site
Address: No. 8, South East Rd., Pingzhen City, Taoyuan County
Tel: 886-3-439-1707

III. Share Administration Agency

Chinatrust Transfer Agent
Address: 5F, No. 83, Sec 1, Chung Ching Nan Road, Taipei, Taiwan
Tel: 886-2-6636-5566
Website: https://www.ctbcbank.com

IV. Auditors

CPA Firm: KPMG Taiwan
Auditors: Chien, Szu Chuan and Au, Yiu Kwan
Address: 68F, No. 7, Sec. 5, Xinyi Road, Taipei, Taiwan
Tel.: 886-2-8101-6666
Website: http://www.kpmg.com.tw

V. Overseas Securities Exchange

Luxembourg Stock Exchange: http://www.bourse.lu
London Stock Exchange http://www.londonstockexchange.com

VI. Corporate Website

http://www.compal.com

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I. Letter to Shareholders

Dear Shareholders,

First of all, we would like to express our sincere gratitude for your long-term support to the company! 2018 was a challenging year given external noises concerning trade conflicts between US and China, Brexit events and China economy fluctuations, whereas the industry was also impacted by the rising prices of components and supply shortage. Despite the prevailing challenges, Compal still made some accomplishments last year and successfully completed the re-election of the board of directors that symbolizes transition into a new generation. Please refer to the following for a summary of last year's financial and business performance and this year's prospect.

2018 Financial Results

In 2018, Compal generated consolidated revenues totaling NT$967,706 million, up NT$80,049 million or 9% from the previous year. Driven by the market's growing demand for PC products and Smart Devices, total shipment of 5C electronics increased to 83 million units. Consolidated operating profit amounted to NT$9,262 million, up 1% from the previous year. In addition, the Company sold equity interest in LCFC, it recognized NT$2,511 million of non-operating income to conclude net income attributable to parent company totaling NT$8,913 million, up NT$3,164 million or 55% from the previous year. After-tax EPS is concluded at NT$2.05.

Steady Growth of Core Business

In terms of business development, Compal made several accomplishments in 2018 including: record-high consolidated revenues, more than 30% revenue contribution from non-PC segments, and reclaiming of its position as the No. 1 Notebook PC designer and manufacturer. With respect to PC products, we continue to strengthen our relationship with brand companies by bringing added value to customers through quality and innovative design. Apart from existing product lines, we are also increasing our investments in Server and Edge Computing products. As for Smart Devices, development of AI, IoT and wearable technology has progressed to the point capable of contributing rapid growth to Compal's non-PC segment.

Progress in Smart Medical

Compal has made significant progress in smart medical, one of its new business segments, over the last three years and invested into several different fields from remote healthcare, electronic medical records, smart ward, smart medical terminal, to cancer immunotherapy. The company is currently working with multiple medical institutions to develop AI-based smart medical solutions. Ongoing projects include: " iDiabCare®" – the tele health management and care ICT solution for chronic conditions that is being promoted in joint effort with Changhua Christian Hospital, Yeezen General Hospital and Wei Gong Memorial Hospital and has so far accumulated more than 1,700 active users; "Compal iCare" – the tele healthcare service currently being used in collaboration with 120 institutions nationwide; Compal "Smart Ward Total Solution" currently in development with Taipei City Hospital Zhongxiao Branch; and IOT "BoostFix – tele-rehabilitation solution" that completed its clinical trial with Taipei Municipal Wanfang Hospital and obtained TFDA permit.

Furthermore, Compal is participating in the Smart City project introduced by the Ministry of Economic Affairs and assisting the government in the establishment of smart healthcare service centers at Chiayi City, Chiayi County, Yunlin County and Penghu County by offering Compal's proprietary software and hardware integrated systems. Meanwhile, one of Compal's investments - General Life Biotechnology has made promising progress last year, with the product of 3-in-1 multi-function monitoring system for glucose, total cholesterol, and uric acid.

Corporate Governance and Business Sustainability

Compal has always made sustainability the goal of business management. We approach environmental, social and corporate governance issues with an emphasis towards innovation, harmony and ongoing improvement, and execute a sustainable talent training program. Compal was honored to receive "Taiwan Corporate Sustainability Awards" from Taiwan Institute for Sustainable Energy in 2018, and has maintained its ranking in the top 6%-20% among the listed companies during the latest "Corporate Governance Evaluation." Compal has been selected as a composition of FTSE4GOOD Index for 3 consecutive years, and for 12 consecutive years, the company has been selected as a composite of the MSCI ESG Leaders Index. They represent how international institutions have long recognized Compal's sustainable value as an investment. In the future, we shall continue giving back to our employees, shareholders and the society through acts of sharing and mutual benefit.

2019 Prospects

Year 2019 presents us with many economic uncertainties, which we have responded actively by undertaking new measures and plans. In terms of manufacturing, in response to customer demand, we not only invested into the expansion of the Chongqing Plant in China, but also re-activated investments in Taiwan and Vietnam. Apart from process optimization and productivity improvement, we will also focus on speeding up automation and digitalization of our production processes. Technology-wise, we have invested in the development of new technologies such as AI, AR and 5G communication, and thereby prepare ourselves for the next wave of industrial competition.

Although the macro environment is still full of challenges, we still expect 5C electronics shipments to continue last year's momentum after taking into account the market condition and Compal's business plans for 2019, and exhibit another year of growth. As for the non-PC segment, Compal aims to increase revenue contributions toward 40% in the mid-to-long run. In the meantime, we will place additional focus on profitability and raise Compal's stature and value within the industry. Once again, we thank the shareholders for their support and guidance to Compal.

Yours truly,

Chairman: Sheng-Hsiung Hsu (Rock Hsu)

CEO: Chung-Pin Wong (Martin Wong)

Head of Accounting: Cheng-Chiang Wang (Jack Wang)

II. Company Profile

2.1 Date of Incorporation: June 1, 1984

2.2 Company History

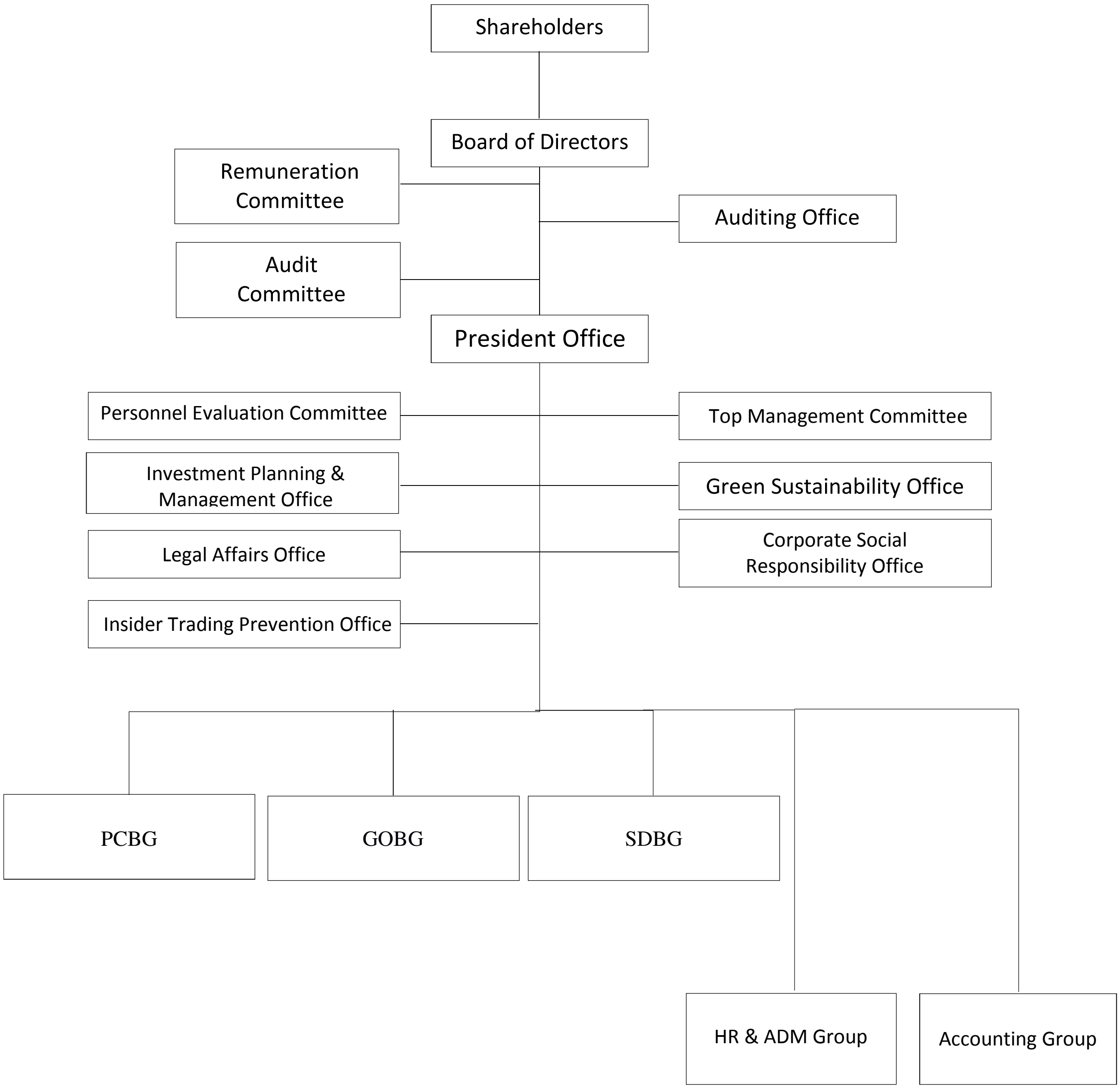
Company history in the past two years:

Year	Milestones
2017	• Chairman Rock Hsu received the "Pan Wen Yuan Award" – the most prestigious award for technology in Taiwan. • Won 4 awards at the 2017 "iF design" awards and ranked 27th in Global Innovation. • Ranked within the top 6%~20% of TWSE-listed companies in the "Third Round of Corporate Governance Evaluations" by TWSE. • Ranked 5th in CommonWealth Magazine's "Top-2000 Manufacturers". • Ranked 53th in CommonWealth Magazine's "Cross-strait Top 1000 Survey". • Ranked 458th on the Fortune Global 500. • Ranked 1531th on the Forbes Global 2000. • Received Taiwan Corporate Sustainability Report Awards at the "2017 TCSA" – ICT Manufacturing – The Gold Medal. • The Company's share capital reached NTD 44.2 billion by 2017. • The Company earned NTD 887.7 billion in consolidated revenues in 2017.
2018	• Won 11 awards at the 2018 "iF design" awards and ranked 18th in Global Innovation. • Selected to take part in the CDP climate change program for four consecutive years (2014-2017) and received an overall CDP rating of B at the Management Level for 2017. • Ranked within the top 6%~20% of TWSE-listed companies in the "4th Round of Corporate Governance Evaluations" by TWSE • Chairman Rock Hsu received the Economic Profession Medal (First Rank). • Ranked 6th in CommonWealth Magazine's "Top-2000 Manufacturers". • Ranked 59th in CommonWealth Magazine's "Cross-strait Top 1000 Survey". • Ranked 404th on the Fortune Global 500. • Ranked 1500th on the Forbes Global 2000. • Received Taiwan Corporate Sustainability Report Awards at the "2018 TCSA" – ICT Manufacturing – The Platinum Medal. • The Company's share capital reached NTD 44.1 billion by 2018. • The Company earned NTD 967.7 billion in consolidated revenues in 2018.
2019	• Won 13 awards at the 2019 "iF design" awards and ranked 17th in Global Innovation. Ranked World Design Index - TOP 3 Taiwan , Top 10 Asia, Top 10 Computer and Top 25 Companies 2015~2019 • Selected to take part in the CDP climate change program for five consecutive years (2014-2018) and received an overall CDP rating of B- at the Management Level for 2018. • Ranked within top the 6%~20% TWSE-listed companies of the "5th Round of Corporate Governance Evaluations" by TWSE. • Ranked 6th in CommonWealth Magazine's "Top-2000 Manufacturers". • Ranked 62nd in CommonWealth Magazine's "Cross-strait Top 1000 Survey".

III. Corporate Governance Report

3.1 Organization

3.1.1 Organizational Chart (As of Jan 1, 2019)



3.1.2 Major Corporate Functions

Department	Functions
President's Office	Responsible for the Company's operation
Investment Planning & Management Office	Responsible for investment-related activities
Auditing Office	Conducts internal audits
Legal Affairs Office	Handles the Company's legal affairs
Green Sustainability Office	Executes "Green Life" projects
Insider Trading Prevention Office	Implements preventive measures against insider trading
Corporate Social Responsibility Office	Promotes and executes CSR-related affairs
PCBG	Responsible for the R&D, production, quality control and sale of PC products
GOBG	Responsible for production, quality control of All Products
SDBG	Responsible for the R&D, production, quality control and sale of smart devices
Accounting Group	Handles accounting, share administration, and funding affairs
HR & Administration Group	Responsible for human resource, training, education, employee relations, general affairs, and building management

3.2 Directors, Supervisors and Management Team

3.2.1 Directors and Supervisors

Title	Name/ Nationality/Gender (Note 1)	Elected Date	Term	First Elected Date (Note 3)	Shareholding as of elected date		Current shareholding		Shares held by spouse and underage children Current shareholding		Shares held by proxy		Major career (academic) achievements	Selected Current Positions held concurrently in the company and/or any other companies	Spouse or relatives of second degree or closer acting as Directors, Supervisors, or department heads		
					Shares	Shareholding Percentage (%)	Shares	Shareholding Percentage (%)	Shares	Shareholding Percentage (%)	Shares	Shareholding Percentage (%)			Title	Name	Relationship
Chairman	Sheng-Hsiung Hsu	2018.6.22	3 years	1984.04.16	8,975,401	0.20%	8,975,401	0.20%	17,107,025	0.39%	0	0.00%	Honorary Doctorate, National Taiwan Normal University Chairman of Kinpo and Compal Electronics Inc.	(Note 4)	Director Director	Sheng-Chieh Hsu Shyh-Yong Shen	Brothers Father and son in law
Vice Chairman	Jui-Tsung Chen	2018.6.22	3 years	1992.04.30	35,352,587	0.80%	35,352,587	0.80%	1,069,405	0.02%	0	0.00%	Honorary Doctorate, National Cheng Kung University Chairman of Compal Communication Inc. & Arcadyan Technology Corp.	(Note 4)	N/A	N/A	N/A
Director	Binpal Investment Co., Ltd.	2018.6.22	3 years	2018.6.22	5,000,000	0.11%	5,000,000	0.11%	-	-	0	0.00%	National Tao-Yuan Sr. Vocational Agricultural & Industrial School Director of BAOTEK, Inc.	(Note 4)	N/A	N/A	N/A
	Representative: Wen-Being Hsu			1984.04.16	4,000,000	0.09%	5,000,000	0.11%	0	0.00%	0	0.00%					
Director	Kinpo Electronics, Inc.	2018.6.22	3 years	1990.06.22	151,628,692	3.43%	151,628,692	3.44%	-	-	0	0.00%	MBA, University of Southern California, USA, Ph.D, Law, Whittier Law School, USA Director and President of Kinpo Electronics Inc.	(Note 4)	Chairman	Sheng-Hsiung Hsu	Father and son in law
	Representative: Shyh-Yong Shen			2012.03.14	0	0.00%	0	0.00%	0	0.00%	0	0.00%					
Director	Charng-Chyi Ko	2018.6.22	3 years	1984.04.16	7,896,867	0.18%	7,896,867	0.18%	30,645	0.00%	0	0.00%	National Taiwan University College of Management PhD, Lincoln University, USA Chairman and President of Taiwan Biotech Co., Ltd.	(Note 4)	N/A	N/A	N/A
Director	Sheng-Chieh Hsu	2018.6.22	3 years	1997.05.29	9,119,297	0.21%	8,894,297	0.20%	8,152,928	0.18%	(Note 2)	(Note 2)	Department of Architecture, Tam-Kang University Managing Director of Kinpo Electronics Inc.	(Note 4)	Chairman	Sheng-Hsiung Hsu	Brothers
Director	Yen-Chia Chou	2018.6.22	3 years	1987.06.13	8,022,874	0.18%	8,022,874	0.18%	2,502,768	0.06%	0	0.00%	Department of Geosciences, National Taiwan University Supervisor of Kinpo Electronics Inc.	(Note 4)	N/A	N/A	N/A
Director	Chung-Pin Wong	2018.6.22	3 years	2007.06.15	6,618,618	0.15%	6,618,618	0.15%	1,398	0.00%	0	0.00%	Graduate Institute of Management Science, National Chiao Tung University Chairman of Compal Broadband Networks, Inc.	(Note 4)	N/A	N/A	N/A

Title	Name/ Nationality/Gender (Note 1)	Elected Date	Term	First Elected Date (Note 3)	Shareholding as of elected date		Current shareholding		Shares held by spouse and underage children Current shareholding		Shares held by proxy		Major career (academic) achievements	Selected Current Positions held concurrently in the company and/or any other companies	Spouse or relatives of second degree or closer acting as Directors, Supervisors, or department heads		
					Shares	Shareholding Percentage (%)	Shares	Shareholding Percentage (%)	Shares	Shareholding Percentage (%)	Shares	Shareholding Percentage (%)			Title	Name	Relationship
Director	Chiung-Chi Hsu	2018.6.22	3 years	1994.04.23	2,000,731	0.05%	2,117,731	0.05%	30,000	0.00%	0	0.00%	Master's Degree, Golden Gate University, San Francisco, USA Director of I PAO Bearing Co., Ltd.	(Note 4)	N/A	N/A	N/A
Director	Ming-Chih Chang	2018.6.22	3 years	2018.6.22	1,919,489	0.04%	1,919,489	0.04%	0	0.00%	0	0.00%	Master's degree in San Francisco Golden Gate University. Director of Mactech Co., Ltd.	(Note 4)	N/A	N/A	N/A
Director	Anthony Peter Bonadero	2018.6.22	3 years	2018.6.22	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Texas A&M University EVP of Auscom Engineering Inc.	(Note 4)	N/A	N/A	N/A
Director	Sheng-Hua Peng	2018.6.22	3 years	2018.6.22	835,000	0.02%	835,000	0.02%	0	0.00%	0	0.00%	Graduate Institute of Electronics Engineering of National Taiwan University Director of Arcadyan Technology Corp.	(Note 4)	N/A	N/A	N/A
Independent Director	Min-Chih Hsuan	2018.6.22	3 years	2012.6.22	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Honorary Doctorate, National Chiao Tung University Chairman of United Microelectronics Corp. & Faraday Technology Corp.	(Note 4)	N/A	N/A	N/A
Independent Director	Duei Tsai	2018.6.22	3 years	2012.6.22	0	0.00%	0	0.00%	0	0.00%	0	0.00%	PhD, Graduate Institute of Electrical Engineering, National Taiwan University Minister of Transportation and Communications R.O.C.	(Note 4)	N/A	N/A	N/A
Independent Director	Duh-Kung Tsai	2018.6.22	3 years	2012.6.22	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Department of Industrial Engineering, National Taipei Institute of Technology Chairman of Powertech Technology Inc.	(Note 4)	N/A	N/A	N/A

Note: 1. All directors are male; except that Anthony Peter Bonadero is citizen of U.S, the remainders are ROC nationals.

2. Director Sheng-Chieh Hsu held 3,500,000 shares (0.08%) through proxies.

3. Directors Wen-Chung Shen, Yung-Ching Chang and Chao-Cheng Chen left office on June 22, 2018.

4. Selected Current Positions as below:

Title	Name	Selected Current Positions
Chairman	Sheng-Hsiung Hsu	Chairman：Kinpo Electronics, Inc., AcBel Polytech Inc., Cal-Comp Electronics(Thailand) Public Company Limited, Teleport Access Services, Inc., AcSacca Solar Energy Co., Ltd., Cal-Comp Electronics And communications Co., Ltd., Gempal Technology Corp., Panpal Technology Corp., Hong Ji Capital Co., Ltd., Hong Jin Investment Co., Ltd., Jipo Investment Inc., Kinpo Group Management Consultant Company, Breeze Integrated Development Co., Ltd., NTNU Innovation Investment Holding Company, Compal Electronics Technology (Kunshan) Co., Ltd., Compal Information (Kunshan) Co., Ltd., Compal Information Technology (Kunshan) Co., Ltd., Compal Information Research & Development (Nanjing) Co., Ltd., Compal Digital Technology (Kunshan) Co., Ltd., Compal Electronics (Chengdu) Co., Ltd., Compal Electronics (ChongQing) Co., Ltd., Compal Electronics, (China) Co., Ltd., Compal Optoelectronics (Kunshan) Co., Ltd., Compal Display Electronics (Kunshan) Co., Ltd., Kunshan Botai Electronics Co., Ltd., Compal Smart Device (Chongqing) Co., Ltd., Compal Investment (Sichuan) Co., Ltd., Compal Investment (Jiangsu) Co., Ltd., Compal Management (Chengdu) Co., Ltd., Kinpo Electronics (China) Co., Ltd. Managing Director：Taiwan Biotech Co., Ltd. Director：Crownpo Technology Inc., Compal System Trading (Kunshan) Co., Ltd., Cal-Comp Optical Electronics (Suzhou) Co., Ltd., Cal-Comp Technology (Suzhou) Co., Ltd., Cal-Comp Electronics and Communications (Suzhou) Co., Ltd., Acbel Polytech Holdings Inc., Acbel Polytech (Singapore) Pte. Ltd., Ascendant Private Equity Investment Ltd., Billion Sea Holdings Limited, Big Chance International Co., Ltd., Center Mind International Co., Ltd., Compal Display Holding (HK) Limited, Compal Electronics (Holding) Ltd., Compal Electronics International Ltd., Compal International Ltd., Compal International Holding (HK) Limited, Compal International Holding Co., Ltd., Compal Rayonnant Holdings Ltd., Core Profit Holdings Limited, Flight Global Holding Inc., Forward International Ltd., Fortune Way Technology Corp., Global Strategic Investment Inc., Goal Reach Enterprises Ltd., HengHao Holdings A Co., Ltd., HengHao Holdings B Co., Ltd., HengHao Trading Co., Ltd., High Shine Industrial Corp., Intelligent Universal Enterprise Ltd., Jenpal International Ltd., Just International Ltd., Kinpo International (Singapore) Pte. Ltd., Kinpo International Ltd., Lipo Holding Co., Ltd., Prospect Fortune Group Ltd., Prisco International Co., Ltd., Ranashe International Ltd., Smart International Trading Ltd. President：Kinpo Group Management Consultant Company Other： Honorary Chairman of Chinese National Federation of Industries, Honorary Chairman of Importers & Exporters Association of Taipei, Chairman of The Third Wednesday Club-Young Entrepreneur Group, Policy Consultant of Taiwan Electric & Electronic Manufacturers' Association, Chairman of China Productivity Center, Vice Chairman of Straits Exchange Foundation, Vice Chairman of Sinocon Industrial Standards Foundation, Managing Director of Taiwan Design Center, Director of Management Institute in Taipei
Vice Chairman	Jui-Tsung Chen	Chairman：Arcadyan Technology Corporation, Ripal Optotronics Co., Ltd., Palcom International Corporation, Unicom Global, Inc., General Life Biotechnology Co., Ltd., Rally Biopharma Co., Ltd., Ray-Kwong Medical Management Consulting Co., Ltd., Raycore Biotech Co., Ltd., UniCore Biomedical Co., Ltd., Compal System Trading (Kunshan) Co., Ltd. Director：Kinpo Electronics, Inc., Compal Broadband Networks, Inc., HengHao Technology Co. Ltd., Mactech Co., Ltd., Gempal Technology Corp., Panpal Technology Corp., Hong Ji Capital Co., Ltd., Hong Jin Investment Co., Ltd., Kinpo Group Management Consultant Company, Compal Electronics Technology (Kunshan) Co., Ltd., Compal Information (Kunshan) Co., Ltd., Compal Information Technology (Kunshan) Co., Ltd., Compal Information Research & Development (Nanjing) Co., Ltd., Compal Digital Technology (Kunshan) Co., Ltd., Compal Electronics (Chengdu) Co., Ltd., Compal Electronics (ChongQing) Co., Ltd., Compal Electronics, (China) Co., Ltd., Compal Optoelectronics (Kunshan) Co., Ltd., Compal Display Electronics (Kunshan) Co., Ltd., Compal Networking (Kunshan) Co., Ltd., Kunshan Botai Electronics Co., Ltd., Compal Smart Device (Chongqing) Co., Ltd., Compal Investment (Sichuan) Co., Ltd., Compal Investment (Jiangsu) Co., Ltd., Compal Management (Chengdu) Co., Ltd., Compal (Vietnam) Co., Ltd., Compal Development & Management (Vietnam) Co., Ltd., Ascendant Private Equity Investment Ltd., Arcadyan Technology N.A. Corporation, Arcadyan Holding (BVI) Corp., Arch Holding (BVI) Corp., Billion Sea Holdings Limited, Big Chance International Co., Ltd., Bizcom Electronics, Inc., Center Mind International Co., Ltd., Compal Display Holding (HK) Limited, Compal Electronics International

Title	Name	Selected Current Positions
Director		Ltd., Compal Electronics (Holding) Ltd., Compal International Ltd., Compal International Holding Co., Ltd., Compal International Holding (HK) Limited, Compal Rayonnant Holdings Ltd., Compalead Electronics B.V., Core Profit Holdings Limited, Etrade Management Co., Ltd., Flight Global Holding Inc., Forever Young Technology Inc., Fortune Way Technology Corp., Giant Rank Trading Ltd., Goal Reach Enterprises Ltd., High Shine Industrial Corp., Intelligent Universal Enterprise Ltd., Jenpal International Ltd., Just International Ltd., Prospect Fortune Group Ltd., Prisco International Co., Ltd., Smart International Trading Ltd., Sinoprime Global Inc., Wah Yuen Technology Holding Ltd., Webtek Technology Co., Ltd. Chief Strategy Officer：Compal Electronics, Inc. President：Gempal Technology Corp., Panpal Technology Corp., Hong Ji Capital Co., Ltd., Hong Jin Investment Co., Ltd.
Director	Binpal Investment Co., Ltd. Representative:Wen-Being Hsu	Chairman：Binpal Investment Co., Ltd. Director：Baotek Industrial Materials Ltd.
Director	Kinpo Electronics Inc.	Director：AcBel Polytech Inc., CastleNet Technology Inc., Teleport Access Services, Inc., Crownpo Technology Inc., Cal-Comp Biotech Co., Ltd., iHELPER Inc., Cal-Comp Big Data, Inc., XYZprinting, Inc., Norm Pacific Automation Corp., Kinpo Group Management Consultant Company, Jipo Investment Inc., PK Venture Capital Corp., Prudence Venture Investment Corp., NTNU Innovation Investment Holding Company Supervisor：Cal-Comp Biotech Co., Ltd., Jipo Investment Inc.
	Kinpo Electronics Inc. Representative: Shyh-Yong Shen	Chairman：CastleNet Technology Inc., Cal-Comp Biotech Co., Ltd., QBit Semiconductor Ltd., Jipo Investment Inc., New Era AI Robotic Inc., iHELPER Inc., Cal-Comp Big Data, Inc., XYZprinting, Inc., Tung-WAN Kai-Bao Co., Ltd., Cal-Comp Optical Electronics (Suzhou) Co., Ltd., Cal-Comp Technology (Suzhou) Co., Ltd., Cal-Comp Electronics and Communications (Suzhou) Co., Ltd., Cal-Comp Optical Electronics (Yueyang) Co., Ltd., Cal-Comp Precision (Yueyang) Co., Ltd., CastleNet Technology Inc (Kunshan)., XYZprinting (Shanghai) Cloud Technology Co., Ltd., Cal-Comp Precision (Wujiang) Co., Ltd., Cal-Comp Precision (Dongguan) Co., Ltd., XYZprinting (Suzhou) Co., Ltd., ICKP(Beijing) Technology Development Co., Ltd., Cal Comp (Malaysia) SDN. BHD., Cal-Comp Electronics de Mexico Co. S.A. de C.V., Cal-Comp Precision (Philippines) Inc., Cal-Comp Technology (Philippines), Inc., Kinpo Electronics (Philippines) Inc., New Era AI Robotic Ltd., XYZLife (Philippines) Inc., XYZprinting Japan, Inc. Vice Chairman：Cal-Comp Electronics(Thailand) Public Company Limited, PChome (Thailand) Co., Ltd. Director：Kinpo Electronics, Inc., AcBel Polytech Inc., Cal-Comp Electronics And communications Co., Ltd., Kinpo Group Management Consultant Company, Kinpo Electronics (China) Co., Ltd., Ascendant Private Equity Investment Ltd., Cal-Comp Big Data International Ltd., Cal-Comp Electronics (USA) Co., Ltd., Cal-Comp (India) Private Ltd., Cal-Comp Automation and Industrial 4.0 Service (Thailand) Co., Ltd., Cal-Comp Holding (Brasil) S.A., Cal-Comp Industria De Semicondutores S.A., Cal-Comp Precision (Malaysia) SDN. BHD., Cal-Comp Precision (Singapore) Ltd., Cal-Comp Precision (Thailand) Ltd., Cal-Comp USA (Indiana), Co., Inc., Cal-Comp USA (San Diego), Co., Inc., Castlenet Technology (BVI) Inc., Kinpo International (Singapore) Pte. Ltd., Kinpo International Ltd., Logistar International Holding Company Limited, Nexa3D Inc., Ruten Singapore Pte. Ltd., Power Station Holdings Ltd., QBit Semiconductor Holding, Ltd., XYZprinting, Inc. (Korea), XYZprinting, Inc. (Samoa), XYZprinting, Inc. (USA), XYZprinting Netherlands, B.V., XYZprinting (Thailand) Co., Ltd. President：Kinpo Electronics, Inc., Cal-Comp Electronics And communications Co., Ltd., Kinpo Electronics (China) Co., Ltd., Cal-Comp Optical Electronics (Suzhou) Co., Ltd., Cal-Comp Technology (Suzhou) Co., Ltd., Cal-Comp Electronics and Communications (Suzhou) Co., Ltd., Cal-Comp Optical Electronics (Yueyang) Co., Ltd., Cal-Comp Precision (Yueyang) Co., Ltd., XYZprinting (Shanghai) cloud technology Co., Ltd., XYZprinting (suzhou) Co., Ltd., Cal-Comp Electronics (USA) Co., Ltd., Cal-Comp USA (Indiana), Co., Inc., Cal-Comp USA (San Diego), Co., Inc., XYZprinting, Inc. (USA)
Director	Charng-Chyi Ko	Chairman：Taiwan Biotech Co., Ltd., Evergene Biotech Industrial Co., Ltd., Weck Tech Biotech Co., Ltd., Global BioPharma, Inc., Genhealth Pharma Co., Ltd., Taiwan Veterans Pharmaceutical Co., Ltd., Aseptic Innovative Medicine Co., Ltd., Young & Health Care Resorts Inc., Taiwan Venture Capital Co., Ltd., Long Yee Investment Co. Ltd., Yinfeng International, Inc., Taiwan Chariston AMC Corp., Ltd., Twin Luck Global Company Ltd. Director：Kinpo Electronics, Inc., Baotek Industrial Materials Ltd., Formosan Union Chemical Corp., Chang Yao Technology Inc., OmniHealth Group, Inc., All

Title	Name	Selected Current Positions
		Information Inc., Spiregene Biotech Co., Ltd., Chipgene International Enterprise Co., Ltd., Minsheng Medical Holding Inc., Global Strategic Investment Inc. (Samoa), Gold Precision Ltd., KKXC Intergrated Management Holding (CYPRUS) Ltd., Optics Lab Inc., Syn Pharm Inc. Supervisor：Teleport Access Services, Inc., Kenly Precision Industrial Co., LTD., Sunny Special Dyeing & Finishing Co. Ltd., Kaipal Investment Co., Ltd., Commonwealth Magazine Co, Ltd. Other：Managing Supervisor of Cross-Strait Health Care and Leisure Activities Association, Director of Health, Welfare & Environment Foundation, Chairman of Yang Bi Li Education Foundation Of Management
Director	Sheng-Chieh Hsu	Chairman：Integrate Investment Corp. Director：Kinpo Electronics, Inc., Cal-Comp Electronics(Thailand) Public Company Limited, Cal-Comp Electronics And communications Co., Ltd., Jipo Investment Inc., Kinpo Electronics (China) Co., Ltd., Tung-WAN Kai-Bao Co., Ltd., Kinpo International Ltd. Supervisor：Gempal Technology Corp., Panpal Technology Corp., Hong Ji Capital Co., Ltd., Hong Jin Investment Co., Ltd.
Director	Yen-Chia Chou	Chairman：Sceptre Industry Co., Ltd. Director：Kinpo Electronics, Inc., Micro Metal Electronics Co., Ltd. Supervisor：Full Power Investment Co., Ltd. President：Sceptre Industry Co., Ltd.
Director	Chung-Pin Wong	Chairman：Compal Broadband Networks, Inc., HengHao Technology Co. Ltd., Rayonnant Technology Co., Ltd., Auscom Engineering Inc., Wah Yuen Technology Holding Ltd. Executive Director：Compower Global Service Co., Ltd. Director：Arcadyan Technology Corporation, Mactech Co., Ltd., Panpal Technology Corp., Ripal Optotronics Co., Ltd., Unicom Global, Inc., General Life Biotechnology Co., Ltd., UniCore Biomedical Co., Ltd., Kinpo Group Management Consultant Company, Taiwan Sanga Co., Ltd., Hong Jin Investment Co., Ltd., Maxima Ventures I, Inc., Infinno Technology Corp.,Taiwan, Compal System Trading (Kunshan) Co., Ltd., Compal Information Technology (Kunshan) Co., Ltd., Compal Information (Kunshan) Co., Ltd., Compal Electronics Technology (Kunshan) Co., Ltd., Compal Electronics (Chengdu) Co., Ltd. , Compal Electronics (ChongQing) Co., Ltd., Compal Digital Technology (Kunshan) Co., Ltd., Compal Investment (Sichuan) Co., Ltd. , Compal Management (Chengdu) Co., Ltd., Allied Power Holding Corp., Amexcom Electronics, Inc., Bizcom Electronics, Inc., Compal Connector Manufacture Ltd., Compal Europe (Poland) Sp. z o.o., HengHao Holdings A Co., Ltd., HengHao Holdings B Co., Ltd., HengHao Trading Co., Ltd, Primetek Enterprises Ltd., Shennona Corporation, Speedlink Tradings Limited, Sirqul Inc. Supervisor：Hong Ya Technology Corporation President：Compal Electronics, Inc.
Director	Chiung-Chi Hsu	Chairman：Full Power Investment Co., Ltd. Director：Plank Optoelectronics Inc., E-Bow Bearing Co., Ltd., Juan Hsin Bao Hardware co., Ltd.
Director	Ming-Chih Chang	Director：Mactech Co., Ltd., Kunshan Botai Electronics Co., Ltd. President：Compal System Trading (Kunshan) Co., Ltd., Compal Information Technology (Kunshan) Co., Ltd., Compal Information (Kunshan) Co., Ltd., Compal Electronics Technology (Kunshan) Co., Ltd., Compal Electronics (Chengdu) Co., Ltd., Compal Electronics (ChongQing) Co., Ltd., Compal Digital Technology (Kunshan) Co., Ltd., Kunshan Botai Electronics Co., Ltd., Compower Global Service Co., Ltd., Compal Investment (Sichuan) Co., Ltd., Compal Management (Chengdu) Co., Ltd. Executive Vice President：Compal Electronics, Inc.
Director	Anthony Peter Bonadero	Executive Vice President: Auscom Engineering Inc.
Director	Sheng-Hua Peng	Chairman：Compal Wireless Communications (Nanjing) Co., Ltd., Compal Digital Communications (Nanjing) Co., Ltd., HANHELT Communications (Nanjing)

Title	Name	Selected Current Positions
		Co., Ltd, Compal Communications (Nanjing) Co., Ltd. Director：Arcadyan Technology Corporation, Gempal Technology Corp., Palcom International Corporation, Ripal Optotronics Co., Ltd., General Life Biotechnology Co., Ltd., UniCore Biomedical Co., Ltd., Hong Ji Capital Co., Ltd., Compal Optoelectronics (Kunshan) Co., Ltd., Compal Display Electronics (Kunshan) Co., Ltd., Compal Electronics, (China) Co., Ltd., Compal Smart Device (Chongqing) Co., Ltd., Compal Investment (Jiangsu) Co., Ltd., Amexcom Electronics, Inc., Bizcom Electronics, Inc., CENA Electromex S.A. de C.V., President：Palcom International Corporation, Compal Investment (Jiangsu) Co., Ltd., Compal Display Electronics (Kunshan) Co., Ltd., Compal Wireless Communications (Nanjing) Co., Ltd., Compal Digital Communications (Nanjing) Co., Ltd., HANHELT Communications (Nanjing) Co., Ltd, Compal Smart Device (Chongqing) Co., Ltd., Compal Communications (Nanjing) Co., Ltd. Executive Vice President：Compal Electronics, Inc.
Independent Director	Min-Chih Hsuan	Chairman：Taiwan Memory Company, Meridigen Biotech Co., Ltd., Fusionvax, Inc., TC-1 Culture Fund, Vital First Investment Corporation, Maxima Ventures I, Inc., Taiwan, Maxima Ventures II, Inc. Director：General Biologicals Corporation, SIPP, Inc., Clientron Corp., Elevant Biopharma Co., Ltd., Tonghua United Capsules Co., Ltd., Angeluca Science Ltd. (Republic of Seychelles), Ikala Global Online Corp., Pacgen Biopharmaceuticals Corporation (Canada) Supervisor：Meribank Biotech Co., Ltd. Remuneration Committee Member：Compal Electronics, Inc. Audit Committee Member；Compal Electronics, Inc.
Independent Director	Duei Tsai	Independent Director：Getac Technology Corp., Taiwan Taxi Co., Ltd., TTY Biopharm Company Ltd. Remuneration Committee Member：Compal Electronics, Inc., Getac Technology Corp., Taiwan Taxi Co., Ltd., TTY Biopharm Company Ltd. Audit Committee Member；Compal Electronics, Inc., TTY Biopharm Company Ltd.
Independent Director	Duh-Kung Tsai	Chairman：Powertech Technology Inc., Greatek Electronics Inc. Director：Powertech Technology (Suzhou) Ltd., Powertech Technology Akita Inc., Powertech Holding (B.V.I.) Inc., Powertech Technology (Singapore) Pte. Ltd., PTI Technology (Singapore) Pte. Ltd., Tera Probe, Inc. Business Executive Representative：Powertech Technology Japan Ltd. Independent Director：Chicony Power Technology Co., Ltd. Remuneration Committee Member：Compal Electronics, Inc., Chicony Power Technology Co., Ltd. Audit Committee Member：Compal Electronics, Inc., Chicony Power Technology Co., Ltd. Chief Executive Officer；Powertech Technology Inc.

Major shareholders of the Company's corporate shareholders

April 26, 2019

Name of corporate shareholder	Major shareholders of the corporate shareholder (Note)
Kinpo Electronics, Inc.	Compal Electronics, Inc. (8.54%), Jipo Investment Inc. (3.18%), Lai-Shun Shen, Tsai (2.88%), Nan Shan Life Insurance Co., Ltd. (2.82%), Citi (Taiwan) Bank Custodian for Norges Bank (2.40%), Panpal Technology Corp. (1.60%), Ho Bao Investment Co., Ltd. (1.50%), Li-Chu Tsai (1.49%), Shyh-Yong Shen (1.46%), Standard Charter Bank Custodian for Nattis Investment Account (1.44%)

Note: If the major shareholder is also a corporate entity, please refer to the following table.

Major shareholders of the Company's major corporate shareholders

Name of corporate shareholder	Major shareholders of corporate shareholders
Jipo Investment Inc.	Kinpo Electronics, Inc. (100%)
Nan Shan Life Insurance Co., Ltd.	First Commercial Bank Trustee Account For Representative of Ruen Chen Investment Holding Co., Ltd. (68.17%), Representative of Ruen Chen Investment Holding Co., Ltd. (22.46%), Ying-Tsong Du (3.25%), Ruen Hua Dyeing & Weaving Co., Ltd (0.28%), Ruentax Leasing Co., Ltd. (0.13%), Chi-Pin Investment Company (0.11%), Boon-Teik Koay (0.10%), Pou Chi Investments Co., Ltd. (0.05%), Pou Yih Investments Co., Ltd. (0.05%), Pou Huei Investments Co., Ltd. (0.05%), Pou Hwang Investments Co., Ltd. (0.05%)
Panpal Technology Corporation	Compal Electronics, Inc. (100%)
Ho Bao Investment Co., Ltd.	Chieh-Li Hsu (41.52%), Li-Chu Tsai (27.83%), Chun-Chi Hsu (13.91%), Yung-Hsu Hsu (12.50%), Hsin Hsu, Huang (2.83%), Yueh-Hsia Huang, Hsu (1.41%)

Professional qualifications and independence analysis of directors and supervisors

Criteria / Name	Having Met One of the Following Professional Qualifications, Together with at Least Five Years Work Experience			Independence Criteria (Note)										Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Having Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	
Sheng-Hsiung Hsu			✓			✓	✓			✓		✓	✓	0
Jui-Tsung Chen			✓			✓	✓			✓	✓	✓	✓	0
Representative of Binpal Investment Co., Ltd.: Wen-Being Hsu			✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	0
Representative of Kinpo Electronics Inc.: Shyh-Yong Shen			✓			✓	✓			✓		✓		0
Charng-Chyi Ko		✓	✓	✓		✓	✓			✓	✓	✓	✓	0
Sheng-Chieh Hsu			✓	✓		✓	✓			✓		✓	✓	0
Yen-Chia Chou			✓	✓		✓	✓			✓	✓	✓	✓	0
Chung-Pin Wong			✓			✓	✓	✓		✓	✓	✓	✓	0
Chiung-Chi Hsu			✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	0
Ming-Chih Chang			✓			✓	✓	✓		✓	✓	✓	✓	0
Anthony Peter Bonadero			✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Sheng-Hua Peng			✓			✓	✓	✓		✓	✓	✓	✓	0
Min Chih Hsuan			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Duei Tsai			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3
Duh-Kung Tsai			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1

Note: Tick the corresponding boxes that apply to the directors or supervisors during the two years prior to being elected or during the term of office.

1. Not an employee of the Company or any of its affiliates.
2. Not a director or supervisor of the Company or any of its affiliates. Not applicable in cases where the person is an independent director of the Company, its parent company, or any subsidiary in which the Company holds, directly or indirectly, more than 50% of the voting shares.
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under

someone else's name(s), in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings.

4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs.
5. Not a director, supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total number of outstanding shares of the Company or who holds shares ranking in the top five holdings.
6. Not a director, supervisor, officer, or shareholder holding 5% or more of the shares, of a specified company or institution which has a financial or business relationship with the Company.
7. Not a professional individual who is an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof.
8. Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.
9. Not a person of any conditions defined in Article 30 of the Company Act.
10. Not a governmental, juridical person, or its representative as defined in Article 27 of the Company Act.

3.2.2 Management Team

April 23, 2019

Title	Name/ Nationality/ Gender (Note 1)	Date elected /appointed	Shares held		Shares held by spouse and underage children Subsidiary shareholding		Total shares held in the names of others Shares held		Major career (academic) achievements	Selected Current Positions	Spouse or relatives of second degree or closer acting as managers		
			Shares	Shareholding Percentage (%)	Shares	Shareholding Percentage (%)	Shares	Shareholding Percentage (%)			Title	Name	Relationship
Chief Strategy Officer	Jui-Tsung Chen	2018.07.04	35,352,587	0.80%	1,069,405	0.02%	0	0.00%	Honorary Doctorate, National Cheng Kung University Chairman of Compal Communication Inc. & Arcadyan Technology Corp.	Refer to Page11-12	Vice President	Po-Tang Wang	Relative by affinity
President	Chung-Pin Wong	2018.07.04	6,618,618	0.15%	1,398	0.00%	0	0.00%	Graduate Institute of Management Science, National Chiao Tung University Chairman of Compal Broadband Networks, Inc.	Refer to Page 13	N/A	N/A	N/A
Executive Vice President	Ming-Chih Chang	2018.07.04	1,919,489	0.04%	0	0.00%	0	0.00%	Department of Electrical Engineering, Ming Chi University of Technology Director of Mactech Co., Ltd.	Refer to Page 13	N/A	N/A	N/A
Executive Vice President	Sheng-Hua Peng	2018.07.04	835,000	0.02%	0	0.00%	0	0.00%	Graduate Institute of Electrical Engineering, National Taiwan University Director of Arcadyan Technology Corp.	Refer to Page 14	N/A	N/A	N/A
Executive Vice President	Chen-Chang Hsu	2011.08.31	0	0.00%	0	0.00%	0	0.00%	National Chiao Tung University EMBA Executive Vice President of WINTEK Corporation	(Note 3)	N/A	N/A	N/A
Senior Vice President	Chun-Te Shen	2007.01.01	2,953,700	0.07%	900,000	0.02%	0	0.00%	Graduate Institute of Electrical Engineering, National Taiwan University Director of Kinpo Electronics Inc.	(Note 3)	N/A	N/A	N/A
Senior Vice President	Kuo-Chuan Chen	2007.01.01	991,823	0.02%	10,924	0.00%	0	0.00%	Department of Physics, Chung Yuan Christian University Senior Vice President of Compal Communication Inc.	N/A	N/A	N/A	N/A
Senior Vice President	Pei-Yuan Chen	2009.10.06	3,487,698	0.08%	1,045,585	0.02%	0	0.00%	Department of International Trade, Hsingwu College Director of Kinpo Electronics Inc.	(Note 3)	N/A	N/A	N/A
Senior Vice President	Chyou-Jui Wei	2010.03.18	0	0.00%	142,966	0.00%	0	0.00%	Master of Business Administration, University of Washington, USA Senior Vice President of Toppoly Optoelectronics Corp.	(Note 3)	N/A	N/A	N/A

Title	Name/ Nationality/ Gender (Note 1)	Date elected /appointed	Shares held		Shares held by spouse and underage children Subsidiary shareholding		Total shares held in the names of others Shares held		Major career (academic) achievements	Selected Current Positions	Spouse or relatives of second degree or closer acting as managers		
			Shares	Shareholding Percentage (%)	Shares	Shareholding Percentage (%)	Shares	Shareholding Percentage (%)			Title	Name	Relationship
Senior Vice President	Ying Chang	2011.02.24	735,000	0.02%	0	0.00%	0	0.00%	MBA, University Of Georgia President of Swenc Technology Co., Ltd.	**(Note 3)**	N/A	N/A	N/A
Senior Vice President	Wen-Da Hsu	2014.02.27	1,333,000	0.03%	0	0.00%	0	0.00%	Department of Media Administration, Shih Hsin University Senior Vice President of Compal Communication Inc.	(Note 3)	N/A	N/A	N/A
Senior Vice President	Wei-Chang Chen	2004.04.01	810,656	0.02%	0	0.00%	0	0.00%	Department of Electronic Engineering, Taipei College of Maritime Technology Vice President of Cheong Tat Technology	**(Note 3)**	N/A	N/A	N/A
Senior Vice President	Shi-Kuan Chen	2009.05.01	0	0.00%	0	0.00%	0	0.00%	Master of Industrial Design, Cranbrook Academy of Art Director of Design and Customer Affairs, Philips (Hong Kong)	(Note 3)	N/A	N/A	N/A
Senior Vice President	Chi-Wai Wan	2017.05.10	0	0.00%	0	0.00%	0	0.00%	Department of Electrical Engineering, Fu Jen Catholic University Inventec Corp. Vice President	N/A	N/A	N/A	N/A
Senior Vice President	Min-Tung Weng	2018.12.01	623,786	0.01%	0	0.00%	0	0.00%	Master of Business Administration, University of Washington, USA Deputy Manager of Sales, Kapok Computer Company	(Note 3)	N/A	N/A	N/A
Senior Vice President	Lo-Chun Lee	2018.12.01	420,000	0.01%	0	0.00%	0	0.00%	Department of Electronic Engineering, Lee-Ming Institute of Technology Chairman's Special Assistant, Mag Technology Co., Ltd.	N/A	N/A	N/A	N/A

Title	Name/ Nationality/ Gender (Note 1)	Date elected /appointed	Shares held		Shares held by spouse and underage children Subsidiary shareholding		Total shares held in the names of others Shares held		Major career (academic) achievements	Selected Current Positions	Spouse or relatives of second degree or closer acting as managers		
			Shares	Shareholding Percentage (%)	Shares	Shareholding Percentage (%)	Shares	Shareholding Percentage (%)			Title	Name	Relationship
Vice President	Chih-Chuan Cheng	2003.01.01	2,103,786	0.05%	51,194	0.00%	0	0.00%	Department of Electronic Engineering, Lunghwa University of Science and Technology Deputy Manager of Research and Development, Top Information Technologies Co., Ltd.	N/A	N/A	N/A	N/A
Vice President	Ching-Hsiung Lu	2003.01.01	7,707,007	0.17%	1,000,000	0.02%	0	0.00%	Department of Accounting, Feng Chia University Director Compal Communication Inc.	(Note 3)	N/A	N/A	N/A
Vice President	Po-Hsiung Chang	2006.02.21	0	0.00%	270	0.00%	0	0.00%	Department of Electrical Engineering, National Taipei Institute of Technology UNICOM GLOBAL., Inc. Director	N/A	N/A	N/A	N/A
Vice President	Po-Tang Wang	2007.07.10	559,548	0.01%	486	0.00%	0	0.00%	Department of Computer Science and Information Engineering, National Taiwan University President of Vibo Telecom Inc.	N/A	Chief Strategy Officer t	Jui-Tsung Chen	Relative by affinity
Vice President	Tzong-Ming Wang	2009.07.16	313,184	0.01%	0	0.00%	0	0.00%	National Taipei Institute of Technology Head of Research and Development, CLEVO Company	N/A	N/A	N/A	N/A
Vice President	Fu-Chuan Chang	2009.07.16	150,662	0.00%	0	0.00%	0	0.00%	National Chin-Yi University of Technology Production Manager, ADI Corp	(Note 3)	N/A	N/A	N/A
Vice President	Yung-Nan Chang	2011.01.01	0	0.00%	0	0.00%	0	0.00%	MBA, Pacific Western University Factory Manager, Delta Electronics Inc.	N/A	N/A	N/A	N/A
Vice President	Sheng-Hung Li	2011.07.01	504,574	0.01%	0	0.00%	0	0.00%	Department of Electronics, National Taipei Institute of Technology	N/A	N/A	N/A	N/A
Vice President	Yong-Ho Su	2011.07.01	500,401	0.01%	82,000	0.00%	0	0.00%	Department of Electrical Engineering, National Taipei Institute of Technology Vice President of Arima Photovoltaic & Optical Corp.	N/A	N/A	N/A	N/A
Vice President	Jyh-Shyan Liang	2011.10.31	120,000	0.00%	0	0.00%	0	0.00%	University of Colorado Postgraduate Institute of Digital Communication/Vice President of Wireless Communication, Altek Corporation	N/A	N/A	N/A	N/A

Title	Name/ Nationality/ Gender (Note 1)	Date elected /appointed	Shares held		Shares held by spouse and underage children Subsidiary shareholding		Total shares held in the names of others Shares held		Major career (academic) achievements	Selected Current Positions	Spouse or relatives of second degree or closer acting as managers		
			Shares	Shareholding Percentage (%)	Shares	Shareholding Percentage (%)	Shares	Shareholding Percentage (%)			Title	Name	Relationship
Vice President	Chiao-Lie Huang	2014.02.27	38,992	0.00%	0	0.00%	0	0.00%	Graduate Institute of Electrical Engineering, National Taiwan University Vice President of Compal Communication Inc.	(Note 3)	N/A	N/A	N/A
Vice President	Chung-Hsing Tan	2014.02.27	60,000	0.00%	5,320	0.00%	0	0.00%	Department of Electrical Engineering, Tatung University Vice President of Compal Communication Inc.	(Note 3)	N/A	N/A	N/A
Vice President	Yi-Yun Chang	2014.08.13	300,246	0.01%	0	0.00%	0	0.00%	Graduate Institute of Electrical Engineering, National Taiwan University Senior Manager of Compal Communication Inc.	N/A	N/A	N/A	N/A
Vice President	Hsin-Kung Mao	2014.11.13	420,714	0.01%	0	0.00%	0	0.00%	Master of Business Administration, University of Lincoln Director of Avalue Technology Inc.	(Note 3)	N/A	N/A	N/A
Vice President	Hsin-Hsiung Huang	2015.01.22	419,001	0.01%	0	0.00%	0	0.00%	Department of Electronics, Chung Yuan Christian University Senior Manager of Compal Communication Inc.	(Note 3)	N/A	N/A	N/A
Vice President	Shih-Hong Huang	2016.02.24	280,000	0.01%	0	0.00%	0	0.00%	Master in Control Engineering, National Chiao Tung University Director of Coretronic Corporation	N/A	N/A	N/A	N/A
Vice President	Yi-Chiang Chiu	2016.02.24	280,000	0.01%	0	0.00%	0	0.00%	Master in Earth Sciences, National Central University	N/A	N/A	N/A	N/A
Vice President	Tsing-Fa Lee	2016.02.24	185,690	0.00%	0	0.00%	0	0.00%	Information Engineering Ph.D., National Tsing Hua University Vice General Manager – Eten Technology Inc.	N/A	N/A	N/A	N/A
Vice President	Bor-Heng Chen	2016.02.24	280,010	0.01%	0	0.00%	0	0.00%	COLUMBIA UNIVERSITY Master of Industrial Engineering and Operations Management	N/A	N/A	N/A	N/A
Vice President	Jui-Chun Shyur	2016.05.11	0	0.00%	0	0.00%	0	0.00%	PhD, Graduate Institute of Electrical Engineering, National Taiwan University Photonics Industries International, Inc.President	N/A	N/A	N/A	N/A
Vice President	Shyh-An Lee	2016.06.29	76,071	0.00%	4,259	0.00%	0	0.00%	Department of Navigation, Taipei College of Maritime Technology LCFC Taiwan Branch Vice CEO	(Note 3)	N/A	N/A	N/A

Title	Name/ Nationality/ Gender (Note 1)	Date elected /appointed	Shares held		Shares held by spouse and underage children Subsidiary shareholding		Total shares held in the names of others Shares held		Major career (academic) achievements	Selected Current Positions	Spouse or relatives of second degree or closer acting as managers		
			Shares	Shareholding Percentage (%)	Shares	Shareholding Percentage (%)	Shares	Shareholding Percentage (%)			Title	Name	Relationship
Vice President	Ta-Chun Wang	2016.06.29	204,200	0.00%	4,119	0.00%	0	0.00%	Master of Industrial Engineering, University of Illinois Shanghai Real Industrial Co., Ltd. Managing Vice President	N/A	N/A	N/A	N/A
Vice President	Fei-Long Chen	2016.06.29	0	0.00%	0	0.00%	0	0.00%	PhD, Industrial Engineering, Auburn Uni., USA Kunshan MYZY Technology Co., Ltd. CTO	N/A	N/A	N/A	N/A
Vice President	Jen-Liang Lin	2018.03.06	100,500	0.00%	0	0.00%	0	0.00%	Department of Industrial Engineering, Feng Chia University Director of Operations Division, Compal Fab No. 2	N/A	N/A	N/A	N/A
General Counsel	Peng-Hong Chan	2018.05.09.	0	0.00%	0	0.00%	0	0.00%	Master of Cornell University Law School CSO, Pou Chen Group	N/A	N/A	N/A	N/A
Vice President	Wei-Chia Wang	2018.12.01	120,000	0.00%	0	0.00%	0	0.00%	Chung Yuan Christian University, Electrical Engineering Senior Director of LCFC	N/A	N/A	N/A	N/A
Accounting & Corporate Governance Officer	Cheng-Chiang Wang	2018.07.04 2019.05.13	955,808	0.02%	30	0.00%	0	0.00%	Fu Jen Catholic University, Department of Accounting Financial officer of Allied Circuit Co., Ltd.	(Note 3)	N/A	N/A	N/A
Vice President	Cheng-Hui Su	2018.12.01	105,000	0.00%	0	0.00%	0	0.00%	Tulane University Master of MBA	N/A	N/A	N/A	N/A
Vice President	Tu-Chuan Tu	2018.12.01	593,081	0.01%	62,105	0.00%	0	0.00%	Vanung University, Electrical Engineering	N/A	N/A	N/A	N/A
Vice President	Chang-Chieh Tien	2018.12.01	403	0.00%	0	0.00%	0	0.00%	National Chiao Tung University,Transportation Management	N/A	N/A	N/A	N/A
Internal Audit Officer	Po-Wen Hsieh	2010.10.27	0	0.00%	0	0.00%	0	0.00%	Department of Accounting, National Taiwan University Audit Manager, KGT Telecom	N/A	N/A	N/A	N/A

Note: 1. All managers are ROC nationals; except for Senior Vice President Chyou-Jui Wei, all other managers are male.

2. Executive Vice President Chao-Cheng Chen, Vice Presidents Ling-Sheng Wu, Chi-Hsiang Ma and Shih-Tung Wang resigned in 2018.

3. Concurrent positions in other companies

Title	Name	Concurrent positions in other companies
Executive Vice President	Chen-Chang Hsu	Chairman：HengHong Optoelectronics Technology (Kunshan) Co., Ltd., LUCOM Display Technology (KunShan) Limited Vice Chairman：HengHao Technology Co. Ltd., LUCOM Display Technology (KunShan) Limited Director：Mactech Co., Ltd. President：HengHao Technology Co. Ltd., HengHong Optoelectronics Technology (Kunshan) Co., Ltd., LUCOM Display Technology (KunShan) Limited
Senior Vice President	Chun-Te Shen	Director：Kinpo Electronics, Inc., Compal Information Research & Development (Nanjing) Co., Ltd., Auscom Engineering Inc. President：Compal Information Research & Development (Nanjing) Co., Ltd.
Senior Vice President	Pei-Yuan Chen	Director：Kinpo Electronics, Inc., Infinno Technology Corp., Full Power Investment Co., Ltd.
Senior Vice President	Chyou-Jui Wei	Chairman：Rapha Bio Ltd. Director：Taiwan Star Telecom Co., Ltd., UniCore Biomedical Co., Ltd., Trust Bio-sonics, Inc., Raycore Biotech Co., Ltd., Maxima Ventures I, Inc., Taiwan, Hua Vi Venture Capital Corporation, Hua VII Venture Capital Corporation, Cdib & Partners Investment Holding Corp., Compal Electronic Technology (Chongqing) Co., Ltd., ZhengYing Electronics (Chongqing) Co., Ltd., Compal Precision Module(Jiangsu) Co., Ltd., ShengBao Precision Electronics (Taicang) Ltd., Rayonnant Technology (HK) Holdings Limited Supervisor：HengHao Technology Co. Ltd., Infinno Technology Corp., Rayonnant Technology Co., Ltd., Ripal Optotronics Co., Ltd., Mactech Co., Ltd., Unicom Global, Inc., General Life Biotechnology Co., Ltd., Global BioPharma, Inc., Ray-Kwong Medical Management Consulting Co., Ltd., Rayonnant Technology (Taicang) Co., Ltd. Independent Director：SYNergy ScienTech Corp. Remuneration Committee Member：SYNergy ScienTech Corp. Audit Committee Member：SYNergy ScienTech Corp.
Senior Vice President	Ying Chang	Director：Allied Circuit Co., Ltd.
Senior Vice President	Wen-Da Hsu	Director：HANHELT Communications (Nanjing) Co., Ltd
Senior Vice President	Wei-Chang Chen	Director：Shennona Corporation
Senior Vice President	Hsi-Kuan Chen	Director：Rayonnant Technology Co., Ltd., Rayonnant Technology (Taicang) Co., Ltd.
Senior Vice President	Ming-Dong Wong	Director：Auscom Engineering Inc. President：Auscom Engineering Inc.
Vice President and head of finance	Ching-Hsiung Lu	Director：Zhi-Bao Technology Corporation, Arcadyan Technology (Shanghai) Corp., Compal Wireless Communications (Nanjing) Co., Ltd., Compal Digital Communications (Nanjing) Co., Ltd., Compal Communications (Nanjing) Co., Ltd., Great Arch Group Ltd., Leading Images Limited Supervisor：Accesstek Inc., Compal Electronics Technology (Kunshan) Co., Ltd., Compal Information (Kunshan) Co., Ltd., Compal Information Technology (Kunshan) Co., Ltd., Compal Electronics, (China) Co., Ltd., Compal Digital Technology (Kunshan) Co., Ltd., Compal Electronics (Chengdu) Co., Ltd., Compal Electronics (ChongQing) Co., Ltd., Compal Optoelectronics (Kunshan) Co., Ltd., Compal Display Electronics (Kunshan) Co., Ltd., Compal Networking (Kunshan) Co., Ltd., Kunshan Botai Electronics Co., Ltd., Compal Investment (Sichuan) Co., Ltd., Compal Investment (Jiangsu) Co., Ltd., Compal Management (Chengdu) Co., Ltd.
Vice President	Fu-Chuan Chang	President：Compal Optoelectronics (Kunshan) Co., Ltd., Compal Electronics, (China) Co., Ltd.
Vice	Chiao-Lieh Huang	Supervisor：HANHELT Communications (Nanjing) Co., Ltd

Title	Name	Concurrent positions in other companies
President		
Vice President	Chung-Shing Tan	Director：HANHELT Communications (Nanjing) Co., Ltd
Vice President	Hsin-Kung Mao	Director：Avalue Technology Inc., Unicom Global, Inc., Amexcom Electronics, Inc., CENA Electromex S.A. de C.V., Compalead Electronics B.V., Mexcom Electronics, LLC, Mexcom Technologies, LLC President：Amexcom Electronics, Inc.
Vice President	Hsin-Hsiung Huang	Director：Compal Wireless Communications (Nanjing) Co., Ltd., Compal Digital Communications (Nanjing) Co., Ltd., Compal Communications (Nanjing) Co., Ltd.
Vice President	Shyh-An Lee	Director：Rayonnant Technology (Taicang) Co., Ltd. Infinno Technology Corp.
Accounting & Corporate Governance Officer	Cheng-Chiang Wang	Director：Zhi-pal Technology Inc., HengHao Technology Co. Ltd., Palcom International Corporation Supervisor：Compal System Trading (Kunshan) Co., Ltd., Compal Information Research & Development (Nanjing) Co., Ltd., Compower Global Service Co., Ltd., HengHong Optoelectronics Technology (Kunshan) Co., Ltd., Compal Smart Device (Chongqing) Co., Ltd.

3.2.3 Remuneration of Directors, Supervisors, President and Vice Presidents

<u>Remuneration of Directors</u>

Unit: NTD thousand; thousand shares; %

<table>
<tr><th rowspan="4">Title</th><th rowspan="4">Name</th><th colspan="8">Directors' remuneration</th><th colspan="2" rowspan="2">The sum of A, B, C and D as a percentage of after-tax profit</th><th colspan="8">Remuneration as an employee</th><th colspan="2" rowspan="2">The sum of A, B, C, D, E, F, and G as a percentage of after-tax profit</th><th rowspan="4">Remuneration from invested businesses other than the subsidiaries (H)</th></tr>
<tr><th colspan="2">Remuneration (A)</th><th colspan="2">Pension (B)</th><th colspan="2">Remuneration from earnings appropriation (C)</th><th colspan="2">Business department implementation Fees for services rendered (D)</th><th colspan="2">Salaries, bonuses, special allowances etc (E)</th><th colspan="2">Retirement Pension (F)</th><th colspan="4">Share of profit as an employee (G)</th></tr>
<tr><th rowspan="2">The Company</th><th rowspan="2">All companies included in the financial statements</th><th rowspan="2">The Company</th><th rowspan="2">All companies included in the financial statements</th><th rowspan="2">The Company</th><th rowspan="2">All companies included in the financial statements</th><th rowspan="2">The Company</th><th rowspan="2">All companies included in the financial statements</th><th rowspan="2">The Company</th><th rowspan="2">All companies included in the financial statements</th><th rowspan="2">The Company</th><th rowspan="2">All companies included in the financial statements</th><th rowspan="2">The Company</th><th rowspan="2">All companies included in the financial statements</th><th colspan="2">The Company</th><th colspan="2">All companies included in the financial statements</th><th rowspan="2">The Company</th><th rowspan="2">All companies included in the financial statements</th></tr>
<tr><th>Cash Amount</th><th>Stock Amount</th><th>Cash</th><th>Stock</th></tr>
<tr><td>Chairman</td><td>Sheng-Hsiung Hsu</td><td rowspan="18">7,200</td><td rowspan="18">7,200</td><td rowspan="18">0</td><td rowspan="18">0</td><td rowspan="18">49,223</td><td rowspan="18">49,223</td><td rowspan="18">2,759</td><td rowspan="18">3,429</td><td rowspan="18">0.66%</td><td rowspan="18">0.67%</td><td rowspan="18">19,729</td><td rowspan="18">48,732</td><td rowspan="18">806</td><td rowspan="18">806</td><td rowspan="18">57,500</td><td rowspan="18">0</td><td rowspan="18">57,500</td><td rowspan="18">0</td><td rowspan="18">1.54%</td><td rowspan="18">1.87%</td><td rowspan="18">111,746</td></tr>
<tr><td>Vice Chairman</td><td>Jui-Tsung Chen</td></tr>
<tr><td>Director</td><td>Representative: of Binpal Investment Co., Ltd. Wen-Being Hsu</td></tr>
<tr><td>Director</td><td>Representative of Kinpo Electronics Inc.: Shyh-Yong Shen</td></tr>
<tr><td>Director</td><td>Charng-Chyi Ko</td></tr>
<tr><td>Director</td><td>Sheng-Chieh Hsu</td></tr>
<tr><td>Director</td><td>Yen-Chia Chou</td></tr>
<tr><td>Director</td><td>Chung-Pin Wong</td></tr>
<tr><td>Director</td><td>Chiung-Chi Hsu</td></tr>
<tr><td>Director</td><td>Ming-Chih Chang</td></tr>
<tr><td>Director</td><td>Anthony Peter Bonadero</td></tr>
<tr><td>Director</td><td>Sheng-Hua Peng</td></tr>
<tr><td>Independent Director</td><td>Min-Chih Hsuan</td></tr>
<tr><td>Independent Director</td><td>Duei Tsai</td></tr>
<tr><td>Independent Director</td><td>Duh-Kung Tsai</td></tr>
<tr><td>Director</td><td>Wen-Chung Shen</td></tr>
<tr><td>Director</td><td>Yung-Ching Chang</td></tr>
<tr><td>Director</td><td>Chao-Cheng Chen</td></tr>
<tr><td colspan="21">* Remuneration collected by Directors for their services (i.e. acting as advisor for non-employees) as disclosed in the Financial Report in the most recent year not shown in the table: 0</td></tr>
</table>

Note: 1. Directors Ming-Chih Chang, Anthony Peter Bonadero and Sheng-Hua Peng took office on June 22, 2018. Directors Wen-Chung Shen, Yung-Ching Chang and Chao-Cheng Chen left office on June 22, 107.

2. In 2017, the Company made pension contributions totaling NT$ 744 thousand (including NT$ 405 thousand under the new system and NT$ 339 thousand under the old system) for directors who also assumed managerial roles as employees; Meanwhile, all companies reported in the financial statements had made pension contributions totaling NT$ 744 thousand (including NT$ 405 thousand under the new system and NT$ 339 thousand under the old system).

3. Directors' compensation refers to the estimated directors' compensation approved by the Board of Directors meeting on March 22, 2019.

Range of Remuneration	Number of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G+H)	
	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements
Under NT$ 2,000,000	7 (Note 1)	7 (Note 4)	5 (Note 7)	3 (Note 12)
NT$2,000,000 ~ NT$5,000,000	10 (Note 2)	10 (Note 5)	9 (Note 8)	8 (Note 13)
NT$5,000,000 ~ NT$10,000,000	3 (Note 3)	3 (Note 6)	2 (Note 9)	2 (Note 14)
NT$10,000,000 ~ NT$15,000,000				
NT$15,000,000 ~ NT$30,000,000			3 (Note 10)	4 (Note 15)
NT$30,000,000~ NT$50,000,000			1 (Note 11)	1 (Note 16)
NT$50,000,000 ~ NT$100,000,000				2 (Note 17)
Over NT$100,000,000				
Total	20	20	20	20

Note:

1. Shyh-Yong Shen, Ming-Chih Chang, Anthony Peter Bonadero, Sheng-Hua Peng, Wen-Chung Shen, Yung-Ching Chang and Chao-Cheng Chen – 7 position
2. Wen-Being Hsu, Sheng-Chieh Hsu, Yung-Chia Chou, Chung-Pin Wong, Chiung-Chi Hsu, Min-Chih Hsuan, Duei Tsai, Duh-Kung Tsai, Binpal Investment Co., Ltd. and Kinpo Electronics Inc. – 10 positions
3. Sheng-Hsiung Hsu, Jui-Tsung Chen, Charng-Chi Ko – 3 position
4. Shyh-Yong Shen, Ming-Chih Chang, Anthony Peter Bonadero, Sheng-Hua Peng, Wen-Chung Shen, Yung-Ching Chang and, Chao-Cheng Chen – 7 position
5. Wen-Being Hsu, Sheng-Chieh Hsu, Yung-Chia Chou, Chung-Pin Wong, Chiung-Chi Hsu, Min-Chih Hsuan, Duei Tsai, Duh-Kung Tsai, Binpal Investment Co., Ltd. and Kinpo Electronics Inc. – 10 positions
6. Sheng-Hsiung Hsu, Jui-Tsung Chen, Charng-Chi Ko – 3 position
7. Shy-Yong Shen, Anthony Peter Bonadero, Wen-Chung Shen, Yung-Ching Chang and Chao-Cheng Chen – 5 positions
8. Wen-Being Hsu, Sheng-Chieh Hsu, Yung-Chia Chou, Chiung-Chi Hsu, Min-Chih Hsuan, Duei Tsai, Duh-Kung Tsai, Binpal Investment Co., Ltd. and Kinpo Electronics Inc. – 9 positions
9. Sheng-Hsiung Hsu, Charng-Chi Ko – 2 positions
10. Chung-Pin Wong, Ming-Chih Chang, Sheng-Hua Peng – 3 positions
11. Jui-Tsung Chen – 1 position
12. Wen-Chung Shen, Chao-Cheng Chen, Binpal Investment Co., Ltd. – 3 position
13. Wen-Being Hsu, Yung-Chia Chou, Chiung-Chi Hsu, Min-Chih Hsuan, Duei Tsai, Duh-Kung Tsai, Yung-Ching Chang and Kinpo Electronics Inc. – 8 positions
14. Charng-Chi Ko, Sheng-Chieh Hsu – 2 position
15. Chung-Pin Wong, Ming-Chih Chang, Anthony Peter Bonadero, Sheng-Hua Peng, -4 position
16. Jui-Tsung Chen – 1 positions
17. Sheng-Hsiung Hsu, Shyh-Yong Shen – 2 positions

Remuneration of Supervisors: Not Applicable (The Company adopts an Audit Committee system)

Remuneration of the President and Vice Presidents

Unit: NTD thousand; thousand shares; %

Title	Name	Salary (A)		Pension (B)		Bonus and special allowances (C)		Share of profit as an employee (D)				Sum of A, B, C and D as a percentage of after-tax profit (%)		Remuneration from invested businesses other than the subsidiaries (E)
		The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company		All companies included in the financial statements		The Company	All companies included in the financial statements	
								Cash Amount	Stock Amount	Cash Amount	Stock Amount			
50 employees including CSO Jui-Tsung Chen (Note1)		117,301	123,971	5,913	5,913	91,565	92,086	127,150	0	127,150	0	3.84%	3.92%	1,337

Note: 1.Managers' titles and names

- Chief Strategy Officer: Jui-Tsung Chen – 1 position
- President: Chung-Pin Wong – 1 position
- Executive Vice Presidents: Ming-Chih Chang, Shen-Hua Peng, Chen-Chang Hsu, and Chao-Cheng Chen, – 4 positions
- Senior Vice Presidents: Chun-Te Shen, Kuo-Chuan Chen, Pei-Yuan Chen, Chyou-Jui Wei, Ying Chang, Wen-Da Hsu, Wei-Chang Chen, Shi-Kuan Chen, Chi-Wai Wan, Min-Tun Weng, Lo-Chun Lee – 11 positions
- Vice Presidents: Chih-Chuan Cheng, Ching-Hsiung Lu, Po-Hsiung Chang, Po-Tang Wang, Tzong-Ming Wang, Fu-Chuan Chang, Yung-Nan Chang, Sheng-Hung Li, Yong-Ho Su, Jyh-Shyan Liang, Chiao-Lie Huang, Chung-Hsing Tan, Yi-Yun Chang, Hsin-Kung Mao, Hsin-Hsiung Huang, Shih-Hong Huang, Yi-Chiang Chiu, Tsing-Fa Lee, Bor-Heng Chen, Jui-Chun Shyur, Shyh -An Lee, Ta-Chun Wang, Fei-Long Chen, Liang-Jen Lin, Peng-Hong Chan, Wei-Chia Wang, Cheng- Chiang Wang, Cheng-H Su, Tu-Chuan Tu, Chang-Chieh Tien, Ling-Sheng Wu, Chi-Hsiang Ma, Shih-Tung Wang,– 33 positions

2. The Company made pension contributions totaling NT$ 5,913 thousand (including NT$ 4,349 thousand under the new system and NT$ 1,564 thousand under the old system). While all companies reported in the financial statements made pension contributions totaling NT$ 5,913 thousand (including NTD NT$ 4,349 thousand under the new system and NT$ 1,564 thousand under the old system).
3. Employees' compensation appropriation was approved by the Board of Directors at the meeting on March 22, 2019. The compensations of the aforementioned managers were not yet final and will be reviewed based on the list of the date of distribution.

Range of Remuneration	Number of President and Vice Presidents	
	Total of (A+B+C+D)	Total of (A+B+C+D+E)
	The Company	Companies in the consolidated financial statements
Under NT$ 2,000,000	3 (Note 1)	3 (Note 7)
NT$2,000,000 ~ NT$5,000,000	20 (Note 2)	19 (Note 8)
NT$5,000,000 ~ NT$10,000,000	19 (Note 3)	20 (Note 9)
NT$10,000,000 ~ NT$15,000,000	2 (Note 4)	2 (Note 10)
NT$15,000,000 ~ NT$30,000,000	5 (Note 5)	5 (Note 11)
NT$30,000,000 ~ NT$50,000,000	1 (Note 6)	1 (Note 12)
NT$50,000,000 ~ NT$100,000,000		
Over NT$100,000,000		
Total	50	50

Note:

1. Chao-Cheng Chen, Ling-Sheng Wu, Shih-Tung Wang – 3 positions
2. Ching-Hsiung Lu, Po-Hsiung Chang, Po-Tang Wang, Tzong-Ming Wang, Fu-Chuan Chang, Yung-Nan Chang, Yong-Ho Su, Chiao-Lie Huang, Yi-Yun Chang, Hsin-Kung Mao, Jui-Chun Shyur, Shyh -An Lee, Liang-Jen Lin, Peng-Hong Chan, Wei-Chia Wang, Cheng- Chiang Wang, Cheng-Hui Su, Tu-Chuan Tu, Chang-Chieh Tien, Chi-Hsiang Ma – 20 position
3. Kuo-Chuan Chen, Pei-Yuan Chen, Chyou-Jui Wei, Ying Chang, Wen-Da Hsu, Wei-Chang Chen, Min-Tung Weng, Lo-Chun Lee, Chih-Chuan Cheng, Sheng-Hung Li, Jyh-Shyan Liang, Chung-Hsing Tan, Hsin-Hsiung Huang, Shih-Hong Huang, Yi-Chiang Chiu, Tsing-Fa Lee, Bor-Heng Chen,, Ta-Chun Wang, Fei-Lung Chen – 19 positions
4. Chun-Te Shen, Shi-Kuan Chen – 2 positions
5. Chung-Pin Wong, Ming-Chih Chang, Shen-Hua Peng, Chen-Chang Hsu, Chi-Wai Wan – 5 positions
6. Jui-Tsung Chen– 1 position
7. Chao-Cheng Chen, Ling-Sheng Wu, Shih-Tung Wang – 3 positions
8. Ching-Hsiung Lu, Po-Hsiung Chang, Po-Tang Wang, Tzong-Ming Wang, Fu-Chuan Chang, Yung-Nan Chang, Yong-Ho Su, Chiao-Lie Huang, Yi-Yun Chang, Hsin-Kung Mao, Jui-Chun Shyur, Shyh -An Lee, Peng-Hong Chan, Wei-Chia Wang, Cheng- Chiang Wang, Cheng-Hui Su, Tu-Chuan Tu, Chang-Chieh Tien, Chi-Hsiang Ma – 19 positions
9. Kuo-Chuan Chen, Pei-Yuan Chen, Chyou-Jui Wei, Ying Chang, Wen-Da Hsu, Wei-Chang Chen, Min-Tung Weng, Lo-Chun Lee, Chih-Chuan Cheng, Sheng-Hung Li, Jyh-Shyan Liang, Chung-Hsing Tan, Hsin-Hsiung Huang, Shih-Hong Huang, Yi-Chiang Chiu, Tsing-Fa Lee, Bor-Heng Chen,, Ta-Chun Wang, Fei-Lung Chen, Liang-Jen Lin – 20 positions
10. Chun-Te Shen, Shi-Kuan Chen – 2 positions
11. Chung-Pin Wong, Ming-Chih Chang, Shen-Hua Peng, Chen-Chang Hsu, Chi-Wai Wan – 5 positions
12. Jui-Tsung Chen – 1 position

Employee profit sharing granted to the management team

Unit: NTD thousand

Title	Name	Stock dividends	Cash dividends	Total	Total as a percentage to after-tax profit (%)
47 employees including CSO Jui-Tsung Chen (Note 1)		0	127,350	127,350	1.43%

Note: 1.Managers' titles and names

- Chief Strategy Officer: Jui-Tsung Chen – 1 position
- President: Chung-Pin Wong – 1 position
- Executive Vice Presidents: Ming-Chih Chang, Shen-Hua Peng, Chen-Chang Hsu, – 3 positions
- Senior Vice Presidents: Chun-Te Shen, Kuo-Chuan Chen, Pei-Yuan Chen, Chyou-Jui Wei, Ying Chang, Wen-Da Hsu, Wei-Chang Chen, Shi-Kuan Chen, Chi-Wai Wan, Min-Tung Weng, Lo-Chun Lee – 11 positions
- Vice Presidents :Chih-Chuan Cheng, Ching-Hsiung Lu, Po-Hsiung Chang, Po-Tang Wang, Tzong-Ming Wang, Fu-Chuan Chang, Yung-Nan Chang, Sheng-Hung Li, Yong-Ho Su, Jyh-Shyan Liang, Chiao-Lie Huang, Chung-Hsing Tan, Yi-Yun Chang, Hsin-Kung Mao, Hsin-Hsiung Huang, Shih-Hong Huang, Yi-Chiang Chiu, Tsing-Fa Lee, Bor-Heng Chen, Jui-Chun Shyur, Shyh -An Lee, Ta-Chun Wang, Fei-Long Chen, Liang-Jen Lin, Peng-Hong Chan, Wei-Chia Wang, Cheng- Chiang Wang, Cheng-Hui Su, Tu-Chuan Tu, Chang-Chieh Tien, Ling-Sheng Wu, Chi-Hsiang Ma, Shih-Tung Wang – 30 positions
- Other: Po-Wen Hsieh - 1 position

2. Executive Vice Presidents Chao-Cheng Chen, Vice Presidents Ling-Sheng Wu, Chi-Hsiang Ma, Shih-Tung Wang, resigned in 2018.
3. Employees' compensation appropriation was approved by the Board of Directors at the March 22, 2019 meeting. The compensations of the aforementioned managers have not been finalized and will be reviewed based on the list upon the date of distribution.

3.2.4 Comparison of Remuneration for Directors, Supervisors, Presidents and Vice Presidents in the Most Recent Two Fiscal Years and Remuneration Policy for Directors, Supervisors, Presidents, and Vice Presidents

A. The percentage of total remuneration paid by the Company and by all companies included in the consolidated financial statements for the two most recent fiscal years to directors, supervisors, presidents, and vice presidents of the Company, relative to net income.

Unit: NT$ thousands

Analysis	2018		2017 (Note)		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Directors CSO, Presidents and Vice Presidents	437,080	4.90%	461,102	8.02%	(24,022)	(5.21)%
Net Income	8,913,365		5,749,525		3,163,840	

Note: 2017 is the actual amount.

B. The policies, standards, and portfolios for the payment of remuneration, the procedures for determining remuneration, and correlation with business performance.

- Remuneration paid by the Company to Directors has been made in accordance with the Articles of Incorporation. When the Company makes profit in a year, no more than 2% of the Company's pre-tax profit (not including remuneration for employees and Directors) shall be paid to Directors as remuneration along with reasonable compensation based on other factors such as the Company's operational performance and the individual Director's contribution to the Company's performance taken into consideration.
- The Company's remuneration policy for Managers has been established based on various factors, including the Company's wage policy, the average wage offered by competitors for the same position, the duties and responsibilities for the position in question, and the Manager's actual contribution to the Company's operational objectives.
- The Company's procedure for determining remuneration not only takes into account the Company's overall operational performance but also includes employee's personal performance and their contribution to the Company's performance in order to determine a reasonable compensation. Relevant wages and compensations are reviewed by the Remuneration Committee and resolved by the Board of Directors. The Company will also be keeping a close eye on the latest developments in the global economy, international financial environment, and state of the industry in order to predict its operational development, profit status, operational risks and changes in pertinent regulations in the near future in order to review the compensation system, thereby striving for an ideal balance between the Company's sustainable operation and relevant risk control.

3.3 Implementation of Corporate Governance

3.3.1 Board of Directors

- The term of the 12th committee is from June 26, 2015 to June 22, 2018.
- The term of the 13th committee is from June 22, 2018 to June 21, 2021.
- There were seven Board meetings during 2018 (A). Director's attendance records are as shown below:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%)[B/A]	Remarks
Chairman	Sheng-Hsiung Hsu	7	0	100%	
Director	Jui-Tsung Chen	7	0	100%	
Director	Wen-Being Hsu	5	1	71%	
Director	Kinpo Electronics, Inc. Representative: Shyh-Yong Shen	2	5	29%	
Director	Charng-Chyi Ko	7	0	100%	
Director	Sheng-Chieh Hsu	7	0	100%	
Director	Yen-Chia Chou	6	1	86%	
Director	Chung-Pin Wong	7	0	100%	
Director	Chiung-Chi Hsu	7	0	100%	
Director	Wen-Chung Shen	3	0	100%	Note1
Director	Yung-Ching Chang	1	1	33%	Note1
Director	Chao-Cheng Chen	3	0	100%	Note1
Director	Ming-Chih Chang	2	2	50%	Note 2
Director	Anthony Peter Bonadero	1	2	25%	Note 2
Director	Sheng-Hua Peng	4	0	100%	Note 2
Independent Director	Min-Chih Hsuan	7	0	100%	
Independent Director	Duei Tsai	7	0	100%	
Independent Director	Duh-Kung Tsai	5	2	71%	

Note: 1. Directors Wen-Chung Shen, Yung-Ching Chang and Chao-Cheng Chen left office on June 22, 2018.

2. Director Ming-Chih Chang, Anthony Peter Bonadero, and Sheng-Hua Peng took office on June 22, 2018.

- In 2018, Independent Director's attendance records are as shown below:

Title	Name	1st Meeting	2nd Meeting	3rd Meeting	4th Meeting	5th Meeting	6th Meeting	7th Meeting
Independent Director	Min-Chih Hsuan	●	●	●	●	●	●	●
Independent Director	Duei Tsai	●	●	●	●	●	●	●
Independent Director	Duh-Kung Tsai	★	●	●	●	●	★	●

Note: ●: Attendance in Person； ★: By Proxy； ◯: Absent

A. Enhance the valuation regarding the target achievement and execution by the Board of Directors in the current and most recent year:

The Company established a "Remuneration Committee" since 2011. During the election of the 11th Board of Directors and Supervisors at the 2012 shareholders' meeting, 3 independent directors were elected and appointed to be the committee members of the Remuneration Committee. Supervisors were replaced with the Audit committee after the 12th Board of Directors was chosen at the 2015 shareholders' meeting. In 2019, the amendment to the Rules and Procedures for Board of Directors Meetings was handled in accordance with the "Key points for the establishment and compliance of exercising duties of powers of the board of directors by TWSE Listed Companies" and "Company Act".

B. Other notes:

1. For board of directors meetings that meet any of the following descriptions, state the date, session, the discussed topics, independent directors' opinions and how the company has responded to such opinions:
   (1) Conditions described in Article 14-3 of the Securities and Exchange Act: Not applicable (the Company has assembled the Audit Committee in place of supervisors)
   (2) Any other documented objections or qualified opinions raised by independent directors against board resolutions in relation to matters other than those described above: None.
2. Disclosure regarding avoidance of interest-conflicting agendas, including the names of directors concerned, the agendas, the nature of conflicting interests, and the voting outcome:

◆ March 6, 2018, the 16th meeting of the 12th term of the board of directors

・ Approved the change of the chairman of Corporate Social Responsibility Committee

An interested party relationship exited in Director Chung-Pin Wong. In order to avoid conflict of interest, the Director excused himself from discussion and voting on this proposal. Upon solicitation of comments by the Chairman of the meeting, there was no objection addressed and the resolution was adopted unanimously by the remaining Directors present.

◆ May 9, 2018, the 18th meeting of the 12th term of the board of directors

・ Approved the release of non-competition restrictions for managers

An interested parties relationship existed among Directors Jui-Tsung Chen, Chung-Pin Wong, and Chao-Cheng Chen, who are also acting as managerial officers of Compal. In order to avoid conflict of interest, these Directors excused themselves from discussion and voting on this proposal. Upon solicitation of comments by the Chairman of the meeting, there was no objection addressed and the resolution was adopted unanimously by the remaining Directors present.

・ Approved the first mid-year employees' bonus of 2018

In accordance with the Company's Regulations Governing the Proceedings of Board of Directors Meetings, if an interested party relationship existed among any Directors and any agenda proposals, such Directors should excuse themselves during discussion of and voting on those proposals. Accordingly, to avoid conflict of interest, Directors Jui-Tsung Chen, Chung-Pin Wong, and Chao-Cheng Chen, who are also acting as managerial officers of Compal, avoided discussion and voting on this proposal. Upon solicitation of comments by the chairman, there was no objection addressed and the resolution was adopted unanimously by the remaining Directors present.

・ Approved employees' salary adjustment of 2018

In accordance with the Company's Regulations Governing the Proceedings of Board of Directors Meetings, if an interested party relationship existed among any Directors and any agenda proposals, such Directors should excuse themselves during discussion of and voting on those proposals. Accordingly, to avoid conflict of interest, Directors Jui-Tsung Chen, Chung-Pin Wong, and Chao-Cheng Chen, who are also acting as managerial officers of Compal, avoided discussion and voting on this proposal. Upon solicitation of comments by the chairman, there was no objection addressed and the resolution was adopted unanimously by the remaining Directors present.

◆July 4, 2018, the 1st meeting of the 13th term of board of directors

・Passed the senior level management change

An interested parties relationship exits among Directors Jui-Tsung Chen, Chung-Pin Wong, Ming-Chih Chang (attended by proxy of Sheng-Hua Peng), and Sheng-Hua Peng. In order to avoid conflict of interest, these Directors excused themselves from discussion and voting on this proposal. Upon solicitation of comments by the Chairman of the meeting, there was no objection addressed and the resolution was adopted unanimously by the remaining Directors present.

・Passed the appointment of the term 4th remuneration committee members

An interested parties relationship exits among Independent Directors Min-Chih Hsuan, Duei Tsai, and Duh-Kung Tsai. In order to avoid conflict of interest, these Independent Directors excused themselves from discussion and voting on this proposal. Upon solicitation of comments by the Chairman of the meeting, there was no objection addressed and the resolution was adopted unanimously by the remaining Directors present.

◆August 9, the 2nd meeting of the 13th term of board of directors

・Passed the compensation of Directors' Remuneration of 2017

Chairman Sheng-Hsiung Hsu asked the Independent Director Min-Chih Hsuan to act as a deputy chairman to preside at this meeting for discussion and voting on this proposal. Since an interested party relationship exists, the Directors (i.e., Sheng-Hsiung Hsu, Jui-Tsung Chen, Wen Being Hsu, Shyh-Yong Shen〔attended by proxy of Sheng-Hsiung Hsu〕, Charng-Chyi Ko, Sheng-Chieh Hsu, Yen-Chia Chou, Chung-Pin Wong and Chiung-Chi Hsu) excused themselves from discussion and voting on this proposal to avoid conflict of interest. Upon solicitation of comments by the deputy chairman, there was no objection addressed and the resolution was adopted unanimously by the remaining Directors present.

・Approve the second mid-year employees' bonus of 2018

In accordance with the Company's Regulations Governing the Proceedings of Board of Directors Meetings, if an interested party relationship exists between any Directors and any agenda proposals, such Directors should excuse themselves during discussion of and voting on those proposals. Accordingly, to avoid conflict of interest, Directors Jui-Tsung Chen, Chung-Pin Wong, Ming-Chih Chang, and Sheng-Hua Peng, who are also acting as managerial officers of Compal, avoided discussion and voting on this proposal. Upon solicitation of comments by the chairman, there was no objection addressed and the resolution was adopted unanimously by the remaining Directors present.

◆November 8, the 4th meeting of the 13th term of board of directors

・Approved the compensation of Employee bonuses in cash of year 2017

In accordance with the Company's Regulations Governing the Proceedings of Board of Directors Meetings, if an interested party relationship exists between any Directors and any agenda proposals, such Directors should excuse themselves during discussion of and voting on those proposals. Accordingly, to avoid conflict of interest, Directors Jui-Tsung Chen, Chung-Pin Wong, Ming-Chih Chang, and Sheng-Hua Peng, who are also acting as managerial officers of Compal, avoided discussion and voting on this proposal. Upon solicitation of comments by the chairman, there was no objection addressed and the resolution was adopted unanimously by the remaining Directors present.

・Approved the proposal for 2018 year-end employees' bonus

In accordance with the Company's Regulations Governing the Proceedings of Board of Directors Meetings, if an interested party relationship exists between any Directors and any agenda proposals, such Directors should excuse themselves during discussion of and voting on those proposals. Accordingly, to avoid conflict of interest, Directors Jui-Tsung Chen, Chung-Pin Wong, Ming-Chih Chang, and Sheng-Hua Peng, who are also acting as managerial officers of Compal, avoided discussion and voting on this proposal. Upon solicitation of comments by the chairman, there was no objection addressed and the resolution was adopted unanimously by the remaining Directors present.

◆ May 13, 2019, the 7th meeting of the 13th term of board of directors

・Approved the release of non-competition restrictions for the managers

An interested parties relationship existed among Directors Jui-Tsung Chen, Chung-Pin Wong, Ming-Chih Chang, and Sheng-Hua Peng. In order to avoid conflict of interest, these Directors excused themselves from discussion and voting on this proposal. Upon solicitation of comments by the Chairman of the meeting, there was no objection addressed and the resolution was adopted unanimously by the remaining Directors present.

・Approved the establishment of Compal Electronics Kaohsiung Branch Office

An interested party relationship exited in Director Chung-Pin Wong. In order to avoid conflict of interest, the Director excused himself from discussion and voting on this proposal. Upon solicitation of comments by the Chairman of the meeting, there was no objection addressed and the resolution was adopted unanimously by the remaining Directors present.

・Approve the first mid-year employees' bonus of 2019

In accordance with the Company's Regulations Governing the Proceedings of Board of Directors Meetings, if an interested party relationship existed among any Directors and any agenda proposals, such Directors should excuse themselves during discussion of and voting on those proposals. Accordingly, to avoid conflict of interest, Directors Jui-Tsung Chen, Chung-Pin Wong, Ming-Chih Chang, and Sheng-Hua Peng, who are also acting as managerial officers of Compal, avoided discussion and voting on this proposal. Upon solicitation of comments by the chairman, there was no objection addressed and the resolution was adopted unanimously by the remaining Directors present.

・Approve employees' salary adjustment of 2019

In accordance with the Company's Regulations Governing the Proceedings of Board of Directors Meetings, if an interested party relationship existed among any Directors and any agenda proposals, such Directors should excuse themselves during discussion of and voting on those proposals. Accordingly, to avoid conflict of interest, Directors Jui-Tsung Chen, Chung-Pin Wong, Ming-Chih Chang, and Sheng-Hua Peng, who are also acting as managerial officers of Compal, avoided discussion and voting on this proposal. Upon solicitation of comments by the chairman, there was no objection addressed and the resolution was adopted unanimously by the remaining Directors present.

3.3.2 Audit Committee

・The Company’s Audit Committee has three members.
・The term of the 1st committee is from June 26, 2015 to June 22, 2018.
・The term of the 2nd committee is from June 22, 2018 to June 21, 2021.
・There were six Audit Committee meetings during 2018 (A). The attendance records of the Independent Directors are as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) [B/A]	Remarks
Independent Director	Min-Chih Hsuan	6	0	100%	-
Independent Director	Duei Tsai	6	0	100%	-
Independent Director	Duh Kung Tsai	5	1	83%	-

•Duties of the Audit Committee

The Audit Committee exists as an enhancement to the Company's supervisory and management function. It assists the Board of Directors in various decisions such as review of financial statements, internal control policies, internal audits, accounting policies and procedures, major asset transactions, appointment/dismissal/independence/suitability of certified public accountants, appointment/dismissal of the chief accountant and chief auditor, etc., thereby ensuring that the Company operates in compliance with the competent authority's instructions and relevant laws.

•The major audit items of the Audit Committee in 2018 are as follows:

1. 2017 and 1H 2018 Financial Statement
2. To evaluate the CPAs’ independence and competence for performing the financial report audit.
3. Appointment of the attesting CPA
4. A matter bearing on the personal interest of the director and Manager
5. Appointment of the Accounting Officer and Internal Audit Officer
6. A material monetary loan
7. A material asset transaction.
8. Assessment of the design and operation effectiveness of the internal control system.
9. The defects, irregularities, and the status of corrections in the internal control system.
10. Annual audit plan for year 2019
11. Compliance with the relevant laws and regulations by this Corporation.

・Review Financial Statements for the year 2018

The Company’s 2018 financial statements have been approved by the Audit Committee and by the Board of Directors. Szu-Chuan Chien and Yiu-Kwan Au, certified public accountants of KPMG, have completed the audit of the financial statements and issued an audit report relating thereto. In addition, the Board of Directors has prepared and submitted the Company’s 2018 business report and proposal for distribution of earnings to us. We, the Audit Committee members, have duly examined and determined such business report and proposal for distribution of earnings to be in line with the requirements under the Company Law and relevant laws and regulations.

・The Internal Audit Officer prepared the internal audit report and tracking report for each independent director’s review routinely. In addition, he/she reported the relevant internal audit affairs to the Audit Committee face-to-face quarterly.

Independent directors engage external auditors to discuss the outcome of the financial statement audit and other relevant legal issues at least once a year.

Independent directors are also involved in decisions such as appointment, independence review, and suitability review of certificated public accountants.

•The implementations of the Audit Committee in 2018 are as follows:

<table>
<tr><th>Board of Directors Meeting</th><th>Content of discussion and actions taken in response</th><th>Matters listed in Item 5, Article 14 of the Security Act</th><th>Not approved by the Audit Committee but had the consent of more than two-thirds of all directors.</th></tr>
<tr><td rowspan="5">17th Meeting (12th Term) 2018.3.19</td><td>1. To review and approve the Consolidated and Individual Financial Statements for 2017.</td><td>V</td><td>N.A</td></tr>
<tr><td>2. To review and approve the Company's Internal Control Declaration for 2017.</td><td>V</td><td>N.A</td></tr>
<tr><td>3. To review and approve the independence and fitness of the CPA engaged by the Company for the Financial Statements.</td><td>V</td><td>N/A</td></tr>
<tr><td colspan="3">▲Resolution adopted by the Audit Committee (2018.3.19):
Upon solicitation of comments by the Chairman, there was no objection addressed and the resolution was adopted unanimously by the Committee Members present.</td></tr>
<tr><td colspan="3">▲Action taken by the Company in response to opinion of the Audit Committee:
Upon solicitation of comments by the Chairman, there was no objection addressed and the resolution was adopted unanimously by the Directors present.</td></tr>
<tr><td rowspan="5">18th Meeting (12th Term) 2018.5.9</td><td>1. To approve the motion of changing the Company's CPA.</td><td>V</td><td>N/A</td></tr>
<tr><td>2. To review and approve the independence and fitness of the CPA engaged by the Company for the Financial Statements.</td><td>V</td><td>N/A</td></tr>
<tr><td>3. To review and approve the motion to lift the non-competition restriction for Managers.</td><td>V</td><td>N/A</td></tr>
<tr><td colspan="3">▲Resolution adopted by the Audit Committee (2018.5.9):
Upon solicitation of comments by the Chairman, there was no objection addressed and the resolution was adopted unanimously by the Committee Members present.</td></tr>
<tr><td colspan="3">▲Action taken by the Company in response to the opinion of the Audit Committee:
・Motion 1 and 2:
Upon solicitation of comments by the Chairman, there was no objection addressed and the resolution was adopted unanimously by the Directors present.
・Motion 3:
An interested parties relationship existed among Directors Jui-Tsung Chen, Chung-Pin Wong, and Chao-Cheng Chen, who are also acting as managerial officers of Compal. In order to avoid conflict of interest, these Directors excused themselves from discussion and voting on this proposal. Upon solicitation of comments by the Chairman of the meeting, there was no objection addressed and the resolution was adopted unanimously by the remaining Directors present.</td></tr>
<tr><td>1st Meeting (13th Term)</td><td>1.Election of the Convener and Meeting chair of the 2nd Audit Committee</td><td>V</td><td>N/A</td></tr>
</table>

<table>
<tr><th>Board of Directors Meeting</th><th>Content of discussion and actions taken in response</th><th>Matters listed in Item 5, Article 14 the Security Act</th><th>Not approved by the Audit Committee but had the consent of more than two-thirds of all directors.</th></tr>
<tr><td rowspan="5">2018.7.4</td><td>2.To approve for senior level management change</td><td>V</td><td>N/A</td></tr>
<tr><td>3.To approve the appointment of Accounting Officer</td><td>V</td><td>N/A</td></tr>
<tr><td>4. To approve the appointment of Internal Audit Officer</td><td>V</td><td>N/A</td></tr>
<tr><td colspan="3">▲Resolution adopted by the Audit Committee (2018.7.4):
・Motion 1:
Min-Chih Hsuan is elected by all members the Audit Committee as the convener and meeting Chairman.
・Motion 2, 3 and 4:
Upon solicitation of comments by the Chairman, there was no objection addressed and the resolution was adopted unanimously by the Committee Members present.</td></tr>
<tr><td colspan="3">▲Action taken by the Company in response to opinion of the Audit Committee:
・Motion 1:
Not applicable (without the consent of the Board of Directors)
・Motion 2:
An interested parties relationship exits among Directors Jui-Tsung Chen, Chung-Pin Wong, Ming-Chih Chang (attended by proxy of Sheng-Hua Peng), and Sheng-Hua Peng. In order to avoid conflict of interest, these Directors excused themselves from discussion and voting on this proposal. Upon solicitation of comments by the Chairman of the meeting, there was no objection addressed and the resolution was adopted unanimously by the remaining Directors present.
・Motion 3 and 4:
Upon solicitation of comments by the Chairman, there was no objection addressed and the resolution was adopted unanimously by the Directors present.</td></tr>
<tr><td rowspan="5">2nd Meeting (13th Term) 2018.8.9</td><td>1. To approve the 1H 2018 Consolidated Financial Statements</td><td>V</td><td>N/A</td></tr>
<tr><td>2.To approve a loan to Henghao Technology Co., Ltd.</td><td>V</td><td>N/A</td></tr>
<tr><td>3.To approve for a loan to Unicom Global, Inc.</td><td>V</td><td>N/A</td></tr>
<tr><td colspan="3">▲Resolution adopted by the Audit Committee (2018.8.9):
Upon solicitation of comments by the Chairman, there was no objection addressed and the resolution was adopted unanimously by the Committee Members present.</td></tr>
<tr><td colspan="3">▲Action taken by the Company in response to opinion of the Audit Committee:
・Motion 1: not applicable (the motion was a report intended for the Board of Directors)
・Motion 2 and 3:
Upon solicitation of comments by the Chairman, there was no objection addressed and the resolution was adopted unanimously by the Directors present.</td></tr>
<tr><td rowspan="3">3rd Meeting (13th Term) 2018.8.7</td><td>1.Compal's 100% owned subsidiary – Billion Sea Holdings – plans to dispose of the 49% owned JV – LC Future Center Limited</td><td>V</td><td>N/A</td></tr>
<tr><td colspan="3">▲Resolution adopted by the Audit Committee (2018.8.7):
Upon solicitation of comments by the Chairman, there was no objection addressed and the resolution was adopted unanimously by the Committee Members present.</td></tr>
<tr><td colspan="3">▲Action taken by the Company in response to opinion of the Audit Committee:</td></tr>
</table>

Board of Directors Meeting	Content of discussion and actions taken in response	Matters listed in Item 5, Article 14 the Security Act	Not approved by the Audit Committee but had the consent of more than two-thirds of all directors.
	Upon solicitation of comments by the Chairman, there was no objection addressed and the resolution was adopted unanimously by the Directors present.		
4th Meeting (13thT Term) 2018.11.8	1.To propose for approval of annual audit plan for year 2019	V	N/A
	▲Resolution adopted by the Audit Committee (2018.11.8): Upon solicitation of comments by the Chairman, there was no objection addressed and the resolution was adopted unanimously by the Committee Members present.		
	▲Action taken by the Company in response to opinion of the Audit Committee: Upon solicitation of comments by the Chairman, there was no objection addressed and the resolution was adopted unanimously by the Directors present.		

•Other notes:

1. The Company should record the date of the Board of Directors' meeting, the term, content of discussion, the result of the Audit Committee's decision and the actions the Company has taken in response should any of the following situations arise in the operation of the Audit Committee:
   (1) Matters listed in Item 5, Article 14 of the Security Act: None
   (2) With the exception of the aforementioned matter, other matters not approved by the Audit Committee but had the consent of more than two-thirds of all directors: None.

2. The actions of the independent directors with respect to the avoidance of conflict of interest should be disclosed including the name of the independent director, the matter, the reasons for the avoidance, and the voting and attendance status: None.

3. Status of communication between Independent Directors, Internal Audit Officer and CPA:
   (1). Method of communication between Independent Directors, the Internal Audit Officer, and CPA:
   - After the Internal Audit Officer has submitted an audit report and follow-up report, he/she should provide the completed audited items to the independent directors for their review by the end of the following month. Should the Independent Directors require clarification of the audit and follow-up, they should contact the internal audit supervisor at any time. The internal auditor shall report the audit results to the Audit Committee on a quarterly basis and discuss the relevant matters in person with the committee.

   - The Independent Directors must communicate with the CPA on a yearly basis through the Audit Committee or Board of Directors' Meeting. The CPA shall report to the Independent Directors on the results of the financial statement audit and other pertinent legal requirements while the Audit Committee shall also evaluate the selection, independence, and fitness of the CPA engaged by the Company.

(2). Summary of the communications between Independent Directors and Internal Audit Officer:

Date	Key point of communication
2018.3.19	Report on audits carried out between 2017.11.1~2018.1.31, internal control systems self-assessment review results and to produce Internal Control System Statement
2018.5.9	Report on audits carried out between 2018.2.1~2018.4.30
2018.8.9	Report on audits carried out between 2018.5.1~2018.7.31
2018.11.8	Report on audits carried out between 2018.8.1~2018.10.31 and formulation of the Audit Plan for 2019
2019.3.22	Report on audits carried out between 2018.11.1~2019.1.31, internal control system self-evaluation review results and to produce Internal Control System Statement

(3). Summary of the communications between the Independent Directors and CPA:

Date	Key point of communication
2018.3.19	Report on the key audit items for the 2017 consolidated and individual financial statements and audit outcomes
2019.3.22	Report on the key audit items for the 2018 consolidated and individual financial statements and audit outcomes

3.3.3 Corporate Governance Implementation and Deviations from the "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies"

Assessment criteria	Actual governance			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
I. Has the company established and disclosed its corporate governance principles based on the "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies?"	Yes		The Company's corporate governance principles were approved by the Board of Directors on May 13, 2019, and have been disclosed on its official website and MOPS.	No deviations were found
II. Shareholding structure and shareholders' interests				
1. Has the company implemented a set of internal procedures to handle shareholders' suggestions, queries, disputes, and litigations?	Yes		The Company has a spokesperson and acting spokesperson that represent the interest of the shareholders and a unit that specializes in addressing shareholders' suggestions, queries, disputes, and litigations.	No deviations were found
2. Is the company constantly informed of the identities of its major shareholders and the ultimate controller?	Yes		The Company keeps track of the identity of its ultimate controller by monitoring insider shareholding positions (including that of directors, supervisors, managers, and shareholders with more than 10% ownership interest), with the shareholder registry held by the share administration agency.	No deviations were found
3. Has the company established and implemented risk management practices and firewalls for companies it is affiliated with?	Yes		The Company has established "Internal Control Policy - Non-trade Activities - Supervision and Management of Subsidiaries", "Internal Control Policy - Trade Activities – Investment Management", and "Guidelines on Financial and Business Dealings Between Affiliated Enterprises" to set up and execute firewalls and risk controls over related parties.	No deviations were found
4. Has the company established internal policies that prevent insiders from trading securities against non-public information?	Yes		To prevent insider trading, the "CO10 Insider Trading Prevention Management" and "Insider Trading Prevention Procedures" have been included as part of the internal control of the company and details are published on the intranet and linked to the TWSE website to which employees have access. Both policies have been included as part of the compulsory e-Learning courses for departmental heads, and eCSA questionnaires are issued on a yearly basis to facilitate self-assessment. Insiders such as directors, supervisors, and managers are given a copy of the TWSE "Insider Share Trading Manual" when they come aboard to make them aware of the company insider rules.	No deviations were found
III. Assembly and				

Assessment criteria	Actual governance			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
obligations of the board of directors				
1. Has the board devised and implemented policies to ensure the diversity of its members?	Yes		The Company has established rules and regulations such as the “Corporate Governance Guidelines” and “Rules for Director Election” to ensure a diversified board member composition in addition to drafting suitable guidelines for diversification based on the Board’s operation, the Company’s operating format, and its needs and developments. As such, board members are required to possess the required knowledge, skills, and character in order to accomplish the goal of ideal corporate governance. For more information on the diversification of board members, please refer to page 42.	No deviations were found
2. Apart from the Remuneration Committee and Audit Committee, has the company assembled other functional committees at its own discretion?		No	Apart from the Remuneration and Audit Committees, the Company has also established a CSR Committee headed by President & CEO Chung-Pin Wong, who in turn reports to the Board of Directors regarding the operating status and results of the committee on a yearly basis.	No deviations were found
3. Has the Company established a set of policies and assessment tools to evaluate the board’s performance? Is performance evaluated regularly at least on an annual basis?		No	At present, the Company has yet to establish any policy or assessment tool to evaluate Board performance.	Such policies and tools will be created after careful consideration.
4. Is the independence of external auditors assessed on a regular basis?	Yes		The CPA issues an “Independent Auditor’s Report” on an annual basis and is required to decline engagement should he/she be involved in any direct or indirect material interest. The Company evaluates the independence and suitability of the CPA at least once a year, in accordance with Article 47 of the CPA Law and Bulletin 10 of the Norms of Ethics for Certified Public Accountants. The CPA cannot be a director, supervisor, or shareholder of the company and may not be on the payroll or be a related party to the Company. The Company then submits the “CPA Independence and Fitness Evaluation Form” along with the “Independent Auditor’s Report” to the Audit Committee for review before it is submitted to the Board of Directors for examination and discussion. The same principles apply to whenever there is an internal rotation within the accounting firm.	No deviations were found
IV. Has the company established a dedicated unit or full time (or part time) personnel responsible for	Yes		VP Cheng-Chiang Wang has been appointed to take charge of and supervise affairs pertaining to corporate governance in accordance with the Company’s “Corporate Governance Guidelines”, while the BOD secretariat was assigned as the Company’s responsible unit for corporate governance to handle relevant affairs.	No deviations were found

Assessment criteria	Actual governance			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
corporate governance-related affairs (including but not limited to providing the requisite information/data to directors or supervisors to perform their duties, organizing director and shareholder meetings as required by pertinent regulations, processing company registration and/or changes in registration, and preparing the agendas for board of directors' meetings/shareholders' meetings)?			VP Cheng-Chiang Wang and the designated personnel responsible for corporate governance have more than 25 years of experience in stock affairs and meeting-related management for publicly traded companies. They are primarily responsible for handling corporate governance affairs, such as handling matters relating to board meetings and shareholders meetings according to the laws, producing minutes of board meetings and shareholders meetings, assisting in onboarding and continuous development of directors, furnishing information required for duty execution by directors and members of the audit committee, ensuring legal compliance and taking other matters set out in the articles or corporation or contracts, periodically examining and revising the Company's corporate governance guidelines and relevant procedures, improving disclosure transparency, safeguarding shareholder rights and promoting better corporate governance. For more information on the status of Compal's corporate governance operations for 2018, refer to page 45.	
V. Has the company provided proper communication channels and created dedicated sections on its website to address corporate social responsibility issues that are of significant concern to stakeholders (including but not limited to shareholders, employees, customers, and suppliers)?	Yes		The Company has addressed its stakeholder relations on its corporate website, CSR report, and CSR Sustainability website. Separate contact persons, phone numbers, and e-mail addresses have been provided for each type of stakeholder relation to ensure that queries are directed to the relevant departments. In addition, an online "Material Aspects" questionnaire has also been created for stakeholders to identify issues that are of significant concern. The Company will address stakeholders' responses properly and take their suggestions as part of the Company's goals.	No deviations were found
VI. Does the company engage a share administration agency to handle shareholder meeting affairs?	Yes		The Chinatrust Commercial Bank – Securities Trust has been appointed as the share administration agency responsible for handling shareholder affairs and meetings while offering share administration services.	No deviations were found
VII. Information				

<table>
<tr><th rowspan="2">Assessment criteria</th><th colspan="3">Actual governance</th><th>Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary description</th><th></th></tr>
<tr><td>disclosure</td><td></td><td></td><td></td><td></td></tr>
<tr><td>1. Has the company established a website that discloses financial, business and corporate governance-related information?</td><td>Yes</td><td></td><td>The Company website at (www.compal.com) is regularly updated with information such as financial performance, corporate governance and shareholder meetings</td><td>No deviations were found</td></tr>
<tr><td>2. Has the company adopted other means to disclose information (e.g. an English website, assignment of specific personnel to collect and disclose corporate information, implementation of a spokesperson system, broadcasting of investor conferences via the company website)?</td><td>Yes</td><td></td><td>・The Company website has both Chinese and English pages. The information is gathered and disclosed by a dedicated department.
・The Company has also appointed a spokesperson and an acting spokesperson in place.
・Investor conferences are held regularly and whenever deemed necessary. The proceedings are posted on the Company's website and also broadcast on the TWSE platform (at https://www.compal.com/investor-relations/financial-release/).</td><td>No deviations were found</td></tr>
<tr><td>VIII. Does the company offer other vital information (including but not limited to employee rights, employee care, investor relationships, supplier relationships, stakeholders' interests, continuing education of directors/supervisors, risk management policies, risk assessment standard implementation status, implementation status of customer policies, insuring against liabilities of company directors and supervisors) that would enable a better understanding of the company's</td><td>Yes</td><td></td><td>• Employee welfare and care to employees (page 45)
• Directors and Managers code of conduct, Employee code of conduct (page 46)
• Investor relations (page 46)
• Supplier relations and execution of customer policy (page 46)
• Stakeholders' interests (page 47)
• Risk management execution and framework (page 47~49), risk analysis and evaluation (page 149~153)
• Insuring against liabilities of company directors and supervisors (page 49)
• Directors', supervisors', and managers' ongoing education (page 49)
• Succession plan for Board members and key Management team (page 50)
• Certificate and qualification acquisition status for personnel (page 50)</td><td>No deviations were found</td></tr>
</table>

Assessment criteria	Actual governance			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
corporate governance practices?				

IX. State the improvements that have been made with regards to the results of the latest Corporate Governance Evaluation conducted by TWSE in the most recent year. For items that have yet to be improved upon, state the company's priorities and measures for improvement.

- Pursuant to the amendments to the "Regulations Governing the Exercise of Powers by Audit Committees of Public Companies" (effective July 28, 2017) by the FSC, the entire proceedings of Audit Committee Meetings shall be recorded on audio tape.
- With regards to the further education of Directors (including Independent Directors), Compal has advocated and encouraged Directors to take part in courses on the pertinent regulations offered by subsidiary Kinpo Group Management Consultant Company or training provided by external professional organizations. In 2018, members of the Board of Directors completed a total of 33 hours of training.
- In 2018, the "Corporate Social Responsibility Committee Organizational Rules" were adopted as the basis for the operation of the Corporate Social Responsibility Committee
- In 2019, the amendment to the "Articles of Incorporation", "Procedures for Acquisition or Disposal of Assets", "Procedures for Financial Derivatives Transactions", "Procedures for Endorsements and Guarantees", "Procedures for Lending Funds to Other Parties", "Corporate Governance Best-Practice Principles", "Rules and Procedures for Board of Directors Meetings" are proposed to accommodate the business needs and the requirements of applicable laws and regulations.
- In the "5th Round of Corporate Governance Evaluations" by TWSE, Compal was placed in the top 6%~20% listed companies.
- The Company provided quarterly financial report in English since the fourth quarter of 2018.

A. Status of board member diversification :

Core items for diversification / Name of director (Note)	Operation management	Leadership and decision-making	Knowledge of the industry	International market perspective	Finance and accounting	Legal
Sheng-Hsiung Hsu	V	V	V	V	V	
Jui-Tsung Chen	V	V	V	V	V	
Representative of Binpal Investment Co., Ltd.:Wen-Being Hsu	V	V	V	V	V	
Representative of Kinpo Electronics Inc.: Shyh-Yong Shen	V	V	V	V	V	V
Charng-Chyi Ko	V	V	V	V	V	
Sheng-Chieh Hsu	V	V	V	V	V	
Yen-Chia Chou	V	V	V	V	V	
Chung-Pin Wong	V	V	V	V	V	
Chiung-Chi Hsu	V	V	V	V	V	
Ming-Chih Chang	V	V	V	V	V	
Anthony Peter Bonadero	V	V	V	V	V	
Sheng-Hua Peng	V	V	V	V	V	
Min-Chih Hsuan	V	V	V	V	V	
Duei Tsai	V	V	V	V	V	
Duh-Kung Tsai	V	V	V	V	V	

Note: Except for Anthony Peter Bonadero, who is a US citizen, others are Chinese nationality and male

B. The status of Compal's corporate governance operations for 2018 is as follows:

- Compiled and prepared relevant documents needed for the Audit Committee and the Board of Directors' Meetings in accordance with the pertinent regulations and operational/financial needs, also responsible for coordination of relevant units and coordination of proposals from different relevant units.
- Pursuant to business operation needs, partial revisions have been made to the "Corporate Social Responsibility Committee Organizational Rules" and submitted to the Board of Directors for approval.
- Canceled and changed the registration for new restricted employee shares because the criteria was not met by the intended employees.
- Planned the communication meeting between Independent Directors, Internal Audit Supervisors, and CPA to have the Audit Committee determine the independence and fitness of the CPA engaged by the Company as a measure to ensure sound corporate governance. For the records of the communication meetings, access Compal's website.
- Pursuant to the "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEx Listed Companies", Compal has advocated and encouraged Directors to take part in the courses on pertinent regulations offered by subsidiary Kinpo Group Management Consultant Company or by external professional organizations.
- Disclosed and announced important information in conjunction with Board of Directors Meetings, Shareholders Meetings, financial and sales information. In addition, the Company has also held investor conferences at least two times annually, and has been invited to attend domestic/overseas investor conferences to help investors better understand the Company's status of operation.
- Registered the date for Shareholders Meetings as required by law, prepared meeting notifications within the scheduled deadline, meeting handbook and meeting minutes, election and filing of the 13th term directors, coordinated relevant units, agents for stock affairs, CPA, attorneys and so forth.
- Contents on the chapter for corporate governance – responsible for the collection of data, compilation of stock affairs data, coordination of different units and editing.
- Corporate governance evaluation – responsible for the collection of data, compilation of stock affairs data, coordination of different units and website maintenance.
- The Company has offered liability coverage for directors, supervisors, and managers. The amount for their liability insurance in 2018 came to USD 50,000 thousand which was roughly equivalent to NTD 1,541,500 thousand.

C. Other vital information on the operating status of corporate governance:

■ Employees' rights and care for employees

Compal respects employees' rights and tends to their needs. All internal policies are updated constantly to reflect the latest labor regulations, and published to ensure understanding and compliance from employees. Compal's subsidiaries in the USA, China, Brazil, Poland, Vietnam, and India have all established employment guidelines in accordance with local labor regulations, and all terms of employment are compliant with the laws of the local countries and regions.

The Company's support for equal work opportunities and respect for employees' freedom of association have led to the assembly of a union at Kunshan Factory. Employees are offered equal compensation for equal work, whereas salary details are approved based on the nature of work involved and individual performance. The Company has nursery rooms available throughout the organization. It actively prevents and resolves sexual harassment incidents, grants workers the break and overtime pay they deserve, purchases social insurance coverage, and contributes to employees' pension funds.

Compal is committed to creating communication platforms where employees may exchange opinions and information. A "Sunshine Group" and hotlines have been set up at all plant sites and are run by compassionate people who promptly respond to employees' thoughts. By providing employees with the means to express feelings and complaints, the Company is able to help employees resolve difficulties in a timely manner. In an attempt to create a joyful work environment where talents are assigned to suitable positions, Compal publishes recruitment information internally and offers employees the freedom to choose or transfer to positions they consider suitable, and thereby assures satisfaction across the work force and protects employees' interest.

Compal provides employees with the following health-related facilities and services outside of work:

- Common dining: Employee dining facilities have been made available to serve nutritional and healthy foods.
- Recreation center: Places where employees may hold club activities, exercise, and make friends.
- Spiritual, health, and arts seminars: The Company organizes health seminars, spiritual seminars, musical performances, and art exhibitions from time to time, and uses them as a means of stress relief to cater to employees' physical and mental health.
- Infirmary and stationed physicians: Employees may consult physicians and access timely medical assistance for them and their family members.
- Employee assistance services are available. Employees can consult with consultants on work, family, relationships, physical and mental health, mental illness, finance, legal, and management issues through a

dedicated line or E-mail.

■ Codes of conduct for directors, managers, and employees

Compal has established an ethics policy as described below to enforce business integrity and to guide employees toward complying with laws and ethics for the protection of Compal's and stakeholders' assets, interests, and reputation:

- Comply with government regulations.
- Protect the interests of employees, customers, shareholders, suppliers, communities, and relevant organizations.
- Uphold business integrity and the principles of fair trade, fair advertising, and fair competition. Refrain from making illicit gains. Make information transparent to stakeholders while at the same time respecting intellectual property rights, privacy, and identity protection. Prohibit retaliation and make responsible purchase of minerals.
- Continually improve, execute, and convey the Company's ethics policy to relevant organizations.

In addition to implementing an ethics policy, Compal has also established a Human Resource Management Policy, Director and Manager Code of Conduct, and Employee Code of Conduct not only in the employees' best interest, but also to communicate with stakeholders about the moral standards and behavioral guidelines that employees are bound to obey when carrying out their duties. All employees are required to sign a "Confidentiality Commitment Letter" when coming on board, which is a declaration to abide by the Company's rules, the Human Resources Management Policy and to maintain confidentiality of the Company's business secrets.

■ Investor relations

The Company has an Investor Relations Department available to handle shareholders' recommendations. The department bridges communication between the Company and its investors. In addition to hosting investor seminars on a regular and ad-hoc basis, the department has also created an Investor Relations section on the Company's website to facilitate complete and fair disclosure of Compal's latest progress, and thereby provide investors with full understanding of the Company's business performance and long-term goals. In 2018, Compal organized two investor conferences on its own and was invited to participate in four investor forums hosted by foreign brokers, which it used as a means to promote investors' understanding towards the Company's operations.

■ Supplier relations and execution of customer policy

The Company signs contract with all suppliers and customers not only to protect the interests of both parties, but also to maintain a strong working relationship.

With respect to green products and parts, the Company coordinates closely and systematically with partnered suppliers, and follows a robust review and certification process to ensure effective communication, tracking, management, and elimination of parts that contain prohibited chemical substances. Every supplier and business partner thereof is able to inquire about the latest "Compal Environmental Management Standard for Parts and Materials" through the SDCP (Supplier Design Cooperation Portal: sdcp.compal.com)/GPMS (Green Product Management System). They are also required to provide assurance that all raw materials supplied are free of substances that may potentially harm the environment.

The Company's R&D, production and quality assurance departments and all major customers are able to learn information concerning chemical composition and content of green products through the use of this system, and take measures such as sample testing and on-site inspection as deemed necessary.

The Company operates throughout Europe, America, and Asia, and has service centers established at main business locations to provide customers with safe and high-quality products, as well as complete and correct product information. The Company addresses customer complaints actively and immediately. It accepts customers' audit requests, participates in customers' activities, and handles critical correspondences in a confidential manner. The Company has always been protective of customers' secrets. It has firewalls in place to block exchange of confidential information between customers, teams, office areas, and factories. A specialized team has been assembled to monitor the security of network information from time to time for the protection of customers' interests. Meanwhile, all employees are required to sign a confidentiality agreement that prohibits them from openly discussing customers' details. It is the organization's goal to provide customers with the most comprehensive service network and the best protection anywhere in the world. There has been no violation of law concerning the offering and use of products or services.

■ Stakeholders' interests

Stakeholders are able to communicate with and make suggestions to the Company for the protection of their interests. The Company provides safe and high-quality products along with complete and accurate product information to customers. Customers' complaints are addressed immediately.

■ Risk management

1. Risk management practice

(1) One of the purposes of the risk management policy is to discover any risk factors in advance that might adversely affect operations, so that the Company may then apply appropriate assessments and treatments to transfer risks and mitigate or prevent losses. Another purpose is to enable timely detection and warning of changes in the internal and external environment, and thereby allow employees worldwide to execute risk management practices within their areas of responsibility in a timely manner. The Company has established its own financial, sales, and accounting system, and a system for monitoring financial and business information of its subsidiaries in accordance with "Regulations Governing the Establishment of Internal Control Systems by Public Companies". The Company has also set up relevant guidelines for supplier management, customer relations, R&D, human resources, financial affairs, credit/endorsement/guarantee arrangements with affiliated businesses, and acquisition/disposal of key assets. These policies, risk assessment standards, and procedures serve as a guideline by which employees may abide for risk assessment and management. Dedicated personnel have been appointed in every department to manage, control, minimize, and prevent Company risks.

(2) The Internal Control System developed by the Company is distinguished between the Overall Level and Operation Level. Five elements (Control Environment, Risk Assessment, Control Operation, Information and Communication, Supervision) have been incorporated into each transaction cycle at the operation level. In recent years, the Company has made enhancements to corporate risk management based on the latest Regulations Governing Establishment of Internal Control Systems by Public Companies, corporate governance practice, internal audit theory, technology, and various codes of conduct by adopting robust risk detection, assessment, reporting, handling, and prevention measures.

The Company's risk control mechanism operates on three levels:

- The first level involves the organizer or handling officer, who is responsible for risk discovery, assessment and control at first contact, as well as designing preventive measures against risks.
- The second level involves heads of various divisions (offices), headquarters, business departments/centers and regional business groups/centers, Executive Vice Presidents and the President. This level comprises members of the senior management, who are responsible for assessing the feasibility of various operations as well as identifying, handling, and preventing operational risks.
- The third level involves review by Legal Affairs, the Auditing Office, the Board of Directors, and the Audit Committee. The Company involves all employees as part of the risk management system and implements layered controls over day-to-day operations.

(3) From the implementation perspective, the Company prepares its annual budget and work plan based on risk assessment results, which also serve as a valuable reference for decision-making and project planning in the coming year. At the same time, the audit department also drafts audit plans for the coming year based on the results of risk assessment and includes the progress of implementation into the Board of Directors meeting agenda. Given the Company's role as an ODM for 5C electronics, we review and assess business risks on an annual basis, and reflect our findings in the financial statements under accounts such as allowance for doubtful debts, warranty reserves, and royalties. All provisioning policies are submitted to the CPA for review whenever adjustments are made. This is to ensure that financial reports present a fair view of the Company's operations. Furthermore, the Company has dedicated personnel appointed to monitor and control exchange rate risks, and take hedging measures as necessary (please refer to page 149).

(4) Important risk assessment issues that concern business execution but without having to undergo 2nd tier or 3rd tier review are circulated to the Auditing Office, and sometimes involve the Legal Affairs Office for support. The purpose of this practice is to engage different expertise for advice on risk identification, assessment, and prevention. If a potential urgent risk is identified, it can be reported to the supervisor immediately for proper prevention. For extremely important matters, such as investments and project tendering, each project will be jointly reviewed or supervised. Inspection will be performed on a regular and intermittent basis. In conclusion, we believe our practices to be appropriate for the given purpose, and minimized risks and kept operations under control.

2. Risk management framework

Key risk areas	Front line unit (Business organizer) (Level 1)	Risk review and control (Executive management meeting) (Level 2)	Board of directors, Audit Committee, Legal Affairs Office, Auditing Office (Level 3)
• Interest rate, exchange rate, inflation and financial risks • High-risk or highly leveraged investment, loan to third party, endorsement, guarantee, trading of derivatives and treasury investment	• Finance Department	• Operation Team	• Legal Affairs Office: Oversees legal affairs and makes suggestions on risk identification, assessment and prevention • Auditing Office: Risk inspection, evaluation, supervision, improvement and reporting • Board of Directors, Audit Committee: Decision-making and ultimate control over risk evaluation
• R&D planning • Changes in policy and law • Changes in technology and industry • Changes in corporate image • Investment, subsidiary and M&A benefits	• Business departments/centers (Note 1) • Common departments (Note 3)	• Corporate investment review • Executive management meeting • Subsidiaries monitoring and management report	
• Expansion of factory, production site and equipment • Centralized purchase or sale	• Business departments/centers (Note 1) • Common departments (Note 3)	• Monthly operating meeting • Production and marketing meeting	
• Equity transfer involving directors, supervisors, and major shareholders • Change of management	• Share administration affairs • Board of Directors	• Share administration affairs • Head of Finance/Accounting	
• Litigation and non-contentious cases • Handling of product safety incidents • Other operational affairs	• Product risk management • Managers of all levels	• Legal affairs • Business groups/centers (Note 2)	
• Personnel behaviors, ethics, and conduct	• Managers of all levels • HR & Administration	• Personnel Evaluation Committee	
• Rules (including SOP), internal control system and compliance with regulations	• Managers of all levels	• Legal Affairs Office • Investment Planning and Management Office • Auditing Office • Finance • Accounting • HR & Administration • IT	
• Board of Directors Meetings	• Share administration affairs • Secretary of the Board of Directors	• Legal Affairs Office • Auditing Office	
• Prevention of insider trading	• Managers of all levels	• Insider Trading Prevention Office	
• Information security management	• Managers of all levels	• Product risk management • IT Department	

Notes: 1. Business departments/centers:America/Europe, Asia Pacific, Operations, Enterprise Products, Auto Electronics, IPC Project, Creativity, Quality Assurance, Procurement, R&D, Manufacturing, and Sales, etc.
2. Business groups/centers: PC Business Group, Smart Devices Business Group, Global Operations, PC R&D, etc.
3. Common departments: Finance, Accounting, HR & Administration, Investment Planning and Management Office, Legal Affairs Office, etc.

- **Purchasing liability coverage for the Company's directors, supervisors, and managers**

Starting from 2002, the Company has been purchasing liability coverage for directors, supervisors, and managers. The amount for their liability insurance in 2018 came to USD 50,000,000, which was roughly equivalent to NTD 1,541,500,000. Vital information relating to their liability insurance was reported to the Board of Directors on February 22, 2019.

- **Continuing education for directors, supervisors and managers**

All directors and managers are equipped with relevant professional knowledge and skills. In addition to offering relevant information both on a regular and intermittent basis to directors and managers, the Company would also organize seminars and workshops when deemed necessary. Training completed by directors and managers in 2018 include:

Title	Name	Date of training	Organized by	Course title	Hours of training
Director	Jui-Tsung Chen	2018.7.17	Taiwan Corporate Governance Association	Corporate Governance and Securities Regulations	3
Director	Chang Chi Ko	2018.9.21	Taiwan Corporate Governance Association	Discussion on the amendment of 2018 company law (1)	3
Director	Chung-Pin Wong	2018.7.17	Taiwan Corporate Governance Association	Corporate Governance and Securities Regulations	3
Independent Director	Min-Chih Hsuan	2018.9.5	Securities & Futures Institute	Strengthening corporate governance with the self-assessment system of the board of directors	3
		2018.9.25.	Youth Career Development Association	Company law amendment - description and observation	3
Independent Director	Duei Tsai	2018.3.5	Taiwan Depository & Clearing Corporation	Seminar on "Electronic Voting and Corporate value enhancement"	2
		2018.5.28	Taiwan Corporate Governance Association	The trend of "Artificial Intelligence" and "Anti-tradition business era"	3
		2018.7.27	Securities & Futures Institute	Conference for relevant Insider trading laws and compliance for TWSEC listed and public–hold companies.	3
		2018.8.24	Securities & Futures Institute	The impact on and new outlook for corporate governance affairs and Director's/Supervisor's responsibility due to modification of "The Company Act"	3
Independent Director	Duh-Kung Tsai	2018.10.30	Taiwan Corporate Governance Association	5. Laws risk with respect to the Directors and the Managers	3
Accounting Supervisor	Cheng-Chiang Wang	2018.10.1~ 2018.10.9	Accounting Research and Development Foundation	"Training program for the new Accounting Officer" The class for the new Accounting Officer, requested due to the company share exchange/transaction on public place.	30

Title	Name	Date of training	Organized by	Course title	Hours of training
Head of Auditing	Po-Wen Hsieh	2018.2.6	Accounting Research and Development Foundation	The Practice and Case Study of The Internal Audit for Material Systems in the Manufacturing Industry.	6
		2018.6.11	Accounting Research and Development Foundation	Internal Audit: The Common Internal Weaknesses and Deficiencies, Legal Liabilities, and Case Studies	6

Succession plan for Board members and key Management team

Compal launched the succession plan for Board members and the key management team in 2018. The former President Jui-Tsung Chen (Ray Chen) was promoted to the position of Vice Chairman and Chief Strategy Officer of the company, responsible for the company's long-term strategy development and implementation. The President's position was taken by Executive VP Chung-Pin Wong, who joined Compal in 1989 and has full experience in various positions, such as marketing, procurement, sales, etc. In addition, Anthony Peter Bonadero, Sheng-Hua Peng (Eric Peng), and Ming-Chih Chang (Mage Chang) were promoted from Senior VP to Executive VP positions and were appointed to lead the three business group: PCBG, SDBG, and GOBG, separately. They were also been elected as the 13th Board of Directors in 2018. By this, Compal has successfully completed the succession of the Board members and the key management team that symbolizes transition into a new generation.

Certificate and qualification acquisition status for personnel involved in financial information transparency

Name of certificate	No. of persons
CPA qualification	7 persons
USCPA qualification	2 persons
Senior Securities Specialist	12 persons
Securities Specialist	8 persons
Futures Specialist	7 persons
Securities Investment Trust and Consulting Professional	5 persons
Certified Internal Auditor - Taiwan	3 persons
Certified Internal Auditor	4 persons
Chartered Financial Analyst	1 person

3.3.4 Composition, Responsibilities, and Operations of the Remuneration Committee

A. Professional Qualifications and Independence Analysis of Remuneration Committee Members

Title (Note 1)	Criteria / Name	Having Met One of the Following Professional Qualifications, Together with at Least Five Years Work Experience			Independence Criteria (Note 2)								Number of Other Public Companies in Which the Individual is Concurrently Serving as an Remuneration Committee Member	Remarks
		An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the Company in a public or private junior college, college or university	A judge, public prosecutor, attorney, Certified Public Accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the Company	Having work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company	1	2	3	4	5	6	7	8		
Independent Director	Min-Chih Hsuan												0	-
Independent Director	Duei Tsai												3	-
Independent Director	Duh-Kung Tsai												1	-

Note 1: Please fill in “director”, “independent director”, or “other” in the identification.

Note 2: Please check “ ” in the box for a member, who during the two years before being elected or during the term of office, any of the following applied:

(1) Not an employee of the company or any of its affiliates.

(2) Not a director or supervisor of the company or any of its affiliates. (The same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary in which the company holds, directly or indirectly, more than 50 percent of the voting shares.)

(3) Not a natural-person shareholder or holder of shares, together with those held by a spouse, minor children, or held by the person under other names, in an aggregate amount of one percent or more of the total number of issued shares of the company or ranking within the top 10 in holdings.

(4) Not a spouse, relative within a second degree of kinship, or lineal relative within the third degree of kinship, or a person in compliance with any of the preceding three subparagraphs.

(5) Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company or that holds shares ranking within the top five in holdings.

(6) Not a director, supervisor, officer, or shareholder holding five percent or more of the shares of a specified company or institution that has a financial or business relationship with the company.

(7) Not a professional individual who, as an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting services, or consultation to the company or to any affiliate of the company, or the spouse thereof.

(8) No matters as noted in Article 30 of the Company Law.

B. Attendance of Members at Remuneration Committee Meetings

- The Company elected three members of the Remuneration Committee.
- The term of the 3rd committee is from July 9, 2015 to June 22, 2018.
- The term of the 4th committee is from July 4, 2018 to June 21, 2021.
- There were five Remuneration Committee meetings during 2018(A) and the committee member qualifications and attendance records are as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) [B/A]	Remarks
Convener	Min-Chih Hsuan	5	0	100%	-
Committee Member	Duei Tsai	5	0	100%	-
Committee Member	Duh-Kung Tsai	5	0	100%	-

■Functions and Tasks of the Remuneration Committee

- Prescribe and periodically review the performance review and remuneration policy, system, standards, and structure for directors/independent directors, and managerial officers.
- Periodically evaluate and prescribe the remuneration of directors/independent directors, and managerial officers.

"Remuneration" as used in the preceding two paragraphs includes cash compensation, stock options, profit sharing and stock ownership, retirement benefits or severance pay, allowances or stipends of any kind, and other substantive incentive measures.

■The discussion of the salary and Remuneration Committee and the outcome of the resolution, as well as the actions the Company has taken in response should any of the situations arise in the operation of the Remuneration Committee.

Board of Directors Meeting	Resolution Adopted by the Remuneration Committee
17th Meeting (12th Term) 2018.3.19	1. To approve the distribution of compensation to employees and directors for 2017
	▲Resolution Adopted by the Remuneration Committee (2018.3.19): Upon solicitation of comments by the Chairman, there was no objection addressed and the resolution was adopted unanimously by the Committee Members present.
	▲Action taken by the Company in Response to the Opinion of the Remuneration Committee: Upon solicitation of comments by the Chairman, there was no objection addressed and the resolution was adopted unanimously by the Directors present.
18th Meeting (12th Term) 2018.5.9	1. To approve the 1st mid-year bonus of 2018
	2. Salary adjustment of 2018
	3. To approve the percentage of employees' compensation and directors' remuneration of 2018
	▲Resolution Adopted by the Remuneration Committee (2018.5.9): Upon solicitation of comments by the Chairman, there was no objection addressed and the resolution was adopted unanimously by the Committee Members present.
	▲Action taken by the Company in Response to the Opinion of the Remuneration Committee: ・Motion 1 and 2:

<table>
<tr><th>Board of Directors Meeting</th><th>Resolution Adopted by the Remuneration Committee</th></tr>
<tr><td></td><td>Directors Jui-Tsung Chen, Chung-Pin Wong and Chao-Cheng Chen, who held concurrent managerial positions, had disassociated from the discussion and voting that pertained to their personal interests. Discussions for other parties were passed as proposed without objection from the remaining directors present at the meeting.
・Motion 3:
Upon solicitation of comments by the Chairman, there was no objection addressed and the resolution was adopted unanimously by the Directors present</td></tr>
<tr><td rowspan="3">1st Meeting (13th Term) 2018.7.4</td><td>1. Election of the convener and meeting chair of the 4th Remuneration Committee.</td></tr>
<tr><td>▲Resolution Adopted by the Remuneration Committee (2018.7.4):
Min-Chih Hsuan was elected by all Committee members as the convener and meeting chair.</td></tr>
<tr><td>▲Action taken by the Company in Response to the Opinion of the Remuneration Committee:
Not applicable (without the consent of the Board of Directors)</td></tr>
<tr><td rowspan="4">2nd Meeting (13th Term) 2018.8.9</td><td>1. To approve the Directors' remuneration of 2017</td></tr>
<tr><td>2. To approve the 2nd mid-year bonus of 2018</td></tr>
<tr><td>▲Resolution Adopted by the Remuneration Committee (2018.8.9):
Upon solicitation of comments by the Chairman, there was no objection addressed and the resolution was adopted unanimously by the Committee Members present.</td></tr>
<tr><td>▲Action taken by the Company in Response to the Opinion of the Remuneration Committee:
・Motion 1:
・Passed the compensation of Directors’ Remuneration of 2017
Chairman Sheng-Hsiung Hsu asked the Independent Director Min-Chih Hsuan to act as a deputy chairman to preside at this meeting for discussion and voting on this proposal. Since an interested party relationship exists, the Directors (i.e., Sheng-Hsiung Hsu, Jui-Tsung Chen, Wen Being Hsu, Shyh-Yong Shen〔attended by proxy of Sheng-Hsiung Hsu〕, Charng-Chyi Ko, Sheng-Chieh Hsu, Yen-Chia Chou, Chung-Pin Wong and Chiung-Chi Hsu) excused themselves from discussion and voting on this proposal to avoid conflict of interest. Upon solicitation of comments by the deputy chairman, there was no objection addressed and the resolution was adopted unanimously by the remaining Directors present.
・Motion 2:
In accordance with the Company’s Regulations Governing the Proceedings of Board of Directors Meetings, if an interested party relationship exists between any Directors and any agenda proposals, such Directors should excuse themselves during discussion of and voting on those proposals. Accordingly, to avoid conflict of interest, Directors Jui-Tsung Chen, Chung-Pin Wong, Ming-Chih Chang and Sheng-Hua Peng, who are also acting as managerial officers of Compal, avoided discussion and voting on this proposal. Upon solicitation of comments by the chairman, there was no objection addressed and the resolution was adopted unanimously by the remaining Directors present.</td></tr>
<tr><td rowspan="4">4th Meeting (13th Term) 2018.11.8</td><td>1. To approve employees' compensation in cash of 2017</td></tr>
<tr><td>2. To approve the year-end bonus payment of 2018</td></tr>
<tr><td>▲Resolution Adopted by the Remuneration Committee (2018.11.8):
Upon solicitation of comments by the Chairman, there was no objection addressed and the resolution was adopted unanimously by the Committee Members present.</td></tr>
<tr><td>▲Action taken by the Company in Response to the Opinion of the Remuneration Committee:</td></tr>
</table>

Board of Directors Meeting	Resolution Adopted by the Remuneration Committee
	・Motion 1 and 2: In accordance with the Company's Regulations Governing the Proceedings of Board of Directors Meetings, if an interested party relationship exists between any Directors and any agenda proposals, such Directors should excuse themselves during discussion of and voting on those proposals. Accordingly, to avoid conflict of interest, Directors Jui-Tsung Chen, Chung-Pin Wong, Ming-Chih Chang and Sheng-Hua Peng, who are also acting as managerial officers of Compal, avoided discussion and voting on this proposal. Upon solicitation of comments by the chairman, there was no objection addressed and the resolution was adopted unanimously by the remaining Directors present.

■Other notes:

1. If the board of directors declines to adopt or modify a recommendation of the remuneration committee, it should specify the date of the meeting, the session, the nature of motion, the resolution made by the board of directors, and the Company's response to the remuneration committee's opinion (e.g., if the amount of remuneration passed by the Board of Directors exceeds the remuneration committee's recommended amount, the circumstances and cause for the difference shall be specified): None.

2. If resolutions of the remuneration committee are objected to by members or become subject to a qualified opinion, which has been recorded or declared in writing, then the date of the meeting, the session, the nature of the motion, all members' opinions and the response to members' opinions should be specified: None.

3.3.5 Corporate Social Responsibility

Assessment criteria	Actual governance			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
I. Sound corporate governance				
1. Does the company have a corporate social responsibility policy or system in place? Is progress reviewed on a regular basis?	Yes		The Company has established its CSR policies and relevant management guidelines, including Corporate Governance Best-Practice Procedures, Code of Conduct for Directors and Managers, Code of Conduct for Employees, Ethical Corporate Management Best Practice Principles, Business Integrity Procedures and Behaviors, Insider Trading Prevention Procedures, Corporate Social Responsibility Best Practice Principles and so forth. The CSR Committee reports annually to the Board of Directors to present the results of implementation, review the outcomes, and establish the targets for the following year. Under the CSR Committee, there are other subordinating units including the CSR Office and CSR Execution Teams for each factory/(Corporate social responsibility framework please refer to page 60)/fab responsible for the implementation, follow-up, revision and recording of relevant plans. The results of implementation are also disclosed in our Annual Report, CSR Report, and on our corporate website/CSR sustainability website.	No deviations were found
2. Does the company organize social responsibility training on a regular basis?	Yes		The Company organizes annual CSR training courses in accordance with its Employee Code of Conduct and CSR-related policies. These training courses cover a broad variety of topics including corporate policies, HR system, employee code of conduct, personal information protection act and other areas as the law may require. All training courses are accessible online and have been made as requisites for new employees. Existing employees may complete courses online at their own discretion at any time. In 2018, 3,923 employees had completed their training for a total of 18,338.58 hours	No deviations were found
3. Does the company have a unit that specializes (or is involved) in CSR practices? Is the CSR unit run by senior management and reports its progress to the board of directors?	Yes		The Company has established a CSR Committee and a dedicated unit responsible for the prevention of insider trading. The Committee consists of members of senior management authorized by the Board of Directors to oversee affairs pertaining to CSR and integrity management. In addition, Compal has also initiated its CSR Office with designated personnel to handle the promotion of relevant tasks resolved by the CSR Committee. For the 2018 Corporate Social responsibility operation and implementation please refer to page 61, the targets and plans of 2019 Corporate Social Responsibility please refer to page 62. The results of implementation are also disclosed in our Annual Report, CSR Report, and on our corporate website/CSR sustainability website.	No deviations were found
4. Has the company implemented	Yes		Employees’ salary levels are set based upon those of similar responsibilities, with adjustments made	No deviations were

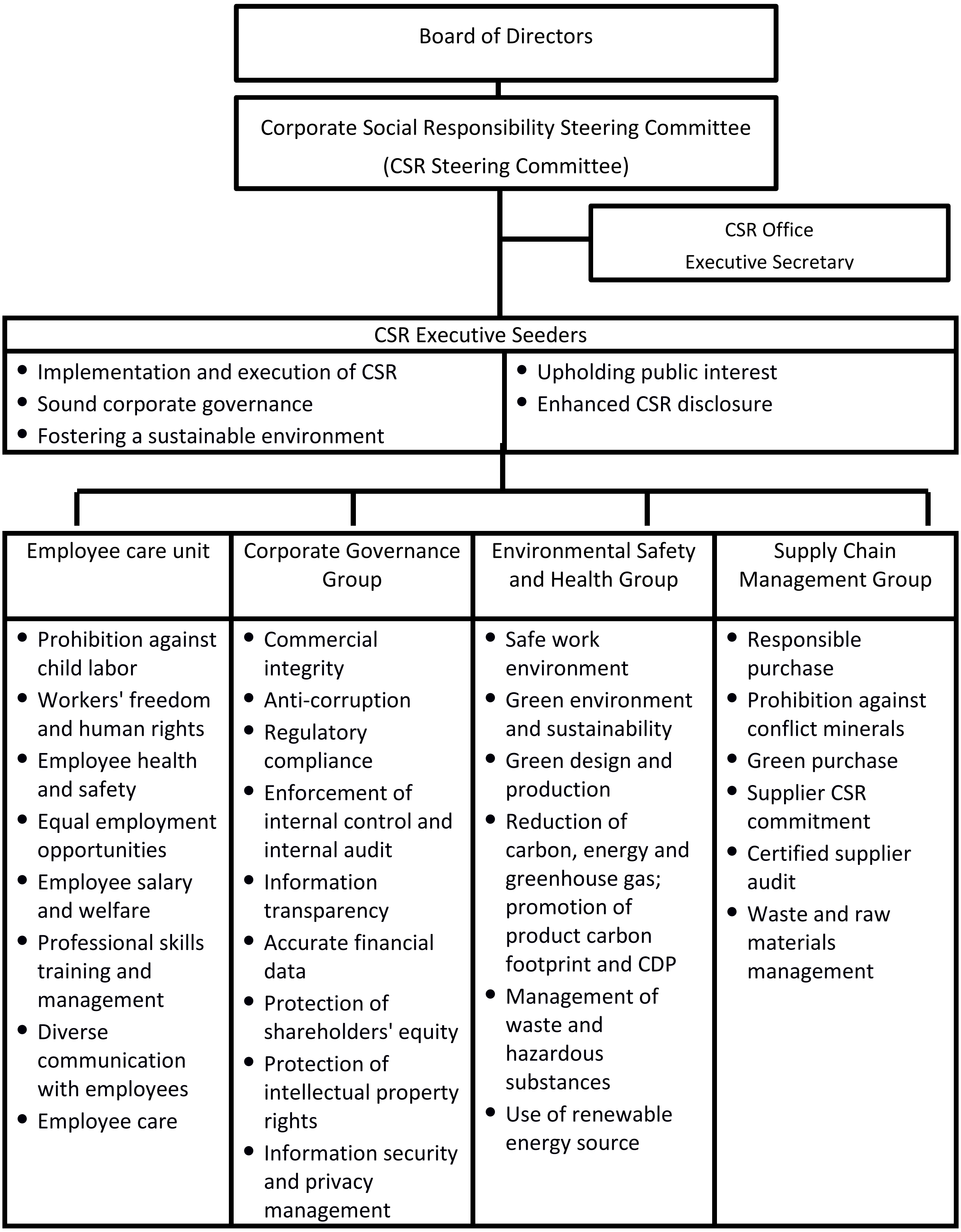
Assessment criteria	Actual governance			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
a reasonable remuneration system that associates employees’ performance appraisals with CSR? Is the remuneration system supported by an effective reward/discipline system?			based on individual work performance. Different salary levels may be granted depending on education, experience, job grade, and the assigned duties. Furthermore, employees are entitled to a portion of the share of the Company’s current year profits. The Company has set clear guidelines to reward and penalize employees’ conduct and performance. Rewards and penalties are decided to depend on the severity and impact of the event involved. Generally speaking, employees’ compensation includes 12 months of salary, a mid-year bonus and year-end bonus (to be determined based on the Company’s operational performance and employees’ individual performance), with adjustment to their wages. In addition, pursuant to the Articles of Incorporation, when the Company makes profit in a year, no more than 2% of the Company’s pre-tax profit (not including remuneration for employees and Directors) shall be appropriated to employees. The aforementioned bonus, adjustment in wages, and employee compensations are reviewed by the Remuneration Committee and resolved by the Board of Directors.	found
II. Fostering a sustainable environment				
1. Is the company committed to achieving efficient use of resources, and using renewable materials that produce less impact on the environment?	Yes		Throughout the "product life cycle", we consider the environmental impacts of raw material procurement, manufacturing, transportation and distribution, consumer use and disposal, etc., at the beginning of product design. In addition to focusing on user needs, functionality and additional Value, the R&D team is more focused on product development and design from the perspective of “environmental load minimization” at each stage, covering at least the three core directions of “green materials”, “energy efficiency”, and “ease of dis-assembly/recycling”. Improve production line yield and energy efficiency, develop, and use recycled materials stably, design energy-saving products to reduce energy consumption during reuse, and increase the recoverable proportion of waste entering the waste phase	No deviations were found
2. Has the company developed an appropriate environmental management system, given its distinctive characteristics?	Yes		The Company began its implementation of ISO 14001 Environment Management System in April 1997. Quality and environmental safety policies were created in 2005 to guide the Company’s efforts on employee workplace safety and corporate responsibilities. Operating procedures and environmental/safety/health management systems have been established based on government regulations and international standards such as ISO 45001. The Company adopts proper communication channels to convey its environmental and safety policies and goals to employees, suppliers, contractors, surrounding neighbors, and interest groups.	No deviations were found
3. Is the company aware of how	Yes		The Company began its greenhouse gas surveys (scopes 1 and 2) and carbon footprint inventory as	No deviations were

Assessment criteria		Actual governance			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
		Yes	No	Summary description	
	climate changes affect its business activities? Are there any actions taken to measure and reduce greenhouse gas emissions and energy use?			early as 2010. Starting from 2014, the Company has conducted greenhouse gas (scopes 3) inventory on a yearly basis. In 2015, Compal was included in the CDP Climate Disclosure Leadership Index for the first time (CDLI). The Company has actively participated in the Carbon Disclosure Project (CDP) as a means to improve its response to climate changes. The CDP achieves its purpose by assessing a company's carbon emissions, reduction progress, compliance risks and exposure to physical risks in the hopes of reducing operational risks and costs through autonomous carbon reduction or even turning risks into opportunities to ensure the Company's sustainability.	found
III.	Enforcement of public welfare				
1.	Has the company developed its policies and procedures in accordance with laws and International Bill of Human Rights?	Yes		The Company places great emphasis on equal opportunities and business ethics. It has policies and systems in place to ensure compliance with international conventions. The Company and all its subsidiaries throughout the world have established employment guidelines according to international human rights conventions and local labor regulations. All employment terms have been assured to conform with the laws of the local country or region. Out of respect to labor rights, the Company changes its policies and rules in line with the latest regulations, and announces them to the understanding of all its employees. For the purpose of maintaining harmonic employer-employee relations, a communication platform has been created to enable exchange of opinions and information between the Company and its employees.	No deviation was found
2.	Does the company have means through which employees may raise complaints? Are employee complaints being handled properly?	Yes		The Company has set up email contacts through which employees may express their opinions and offer suggestions. These opinions and suggestions are referred to appropriate units within the Company. Progress and outcomes are reported back to employees as they become available.	No deviations were found
3.	Does the company provide employees with a safe and healthy work environment? Are employees trained regularly on safety and health issues?	Yes		The Company is well-aware of how significantly "workplace safety and health" affects a company, its employees, and stakeholders. This was the reason why the Company has enhanced its environmental, safety, and quality policies and obtained ISO14001 and ISO45001 certification, which requires all departments to implement proper safety and health practices, as well as regular training on matters such as fire safety equipment, utility plans, waste disposal, emergency response procedures, etc. The Company organizes health and safety training for employees on a regular basis as a means to prevent occupational hazards and ensure workplace safety. In 2018, 2,861 employees had completed their training for a total of 5,785 hours.	No deviations were found
4.	Does the company have means to communicate with	Yes		The Company is committed to creating communication platforms where employees may exchange opinions and information. "Employee opinion boxes" have been made available at the headquarters	No deviations were found

Assessment criteria	Yes	No	Summary description	Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
			Actual governance	
employees on a regular basis, and inform them of operational changes that may be of significant impact?			and at various plant sites to receive employees' complaints. A "Sunshine Group" and hotlines have been set up in all plant sites and are run by compassionate people who promptly respond to employees' opinions so that the Company can rectify its flaws and help solve employees' problems immediately. Townhall Meetings are organized regularly at the turn of the year, during which the CEO will personally address employees on the Company's new business developments. All department managers announce key points of the meeting to their subordinates.	
5. Has the company implemented an effective training program that helps employees develop skills over their career?	Yes		Annual training programs are tailored to suit the needs of different employees, based on the Company's business strategies, policy guidelines, and career roadmaps. The Company constantly aims to establish itself as a learning organization and coaching management.	No deviations were found
6. Has the company implemented consumer protection and grievance policies with regards to its research, development, procurement, production, operating and service activities?	Yes		The Company is an OEM/ODM manufacturer, manufacturing TV sets, notebooks, cell phones and electronics for top brands. There is a dedicated unit responsible for every step in the production process such as product development and design, shipping, and repair and maintenance services Once customers have launched their products, the Company will continue to support them with services and parts until the product no longer requires after-sale responsibilities. Customers are given the option to visit Compal's website, click on the Stakeholder Communication Area, and leave messages using an exclusive link. These messages will then be handled by the appropriate departments.	No deviations were found
7. Has the company complied with laws and international standards with regards to the marketing and labeling of products and services?	Yes		The Company is an OEM/ODM. It manufactures TV sets, notebooks, cell phones and electronics for the world's top brands. All products are printed with customers' trademarks, names, and labeling that conform with relevant laws and international guidelines. However, the Company does not print its own logos or names on the products it produces.	No deviations were found
8. Does the company evaluate suppliers' environmental and social conduct before commencing business relationships?	Yes		The Company requests all its suppliers to fulfill their responsibilities with respect to the environment, labor, management, and ethics. Furthermore, the Company also demands its suppliers to sign and comply with the Letter of Undertaking for Compliance with the Responsible Business Alliance (RBA) Code of Conduct by Vendor and evaluates suppliers' performance by their contribution to corporate social responsibilities.	No deviations were found
9. Is the company entitled to terminate supply agreements at any time with a major	Yes		The Company requires all major suppliers to comply with local regulations and fulfill their duties to the environment and society. They are demanded to immediately rectify any violations found to ensure the business relationship with the Company.	No deviations were found

Assessment criteria	Actual governance			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
supplier, if the supplier is found to have violated its corporate social responsibilities and caused significant impacts against the environment or society?			The Company's standard procurement contract specifically requires suppliers to comply with the Responsible Business Alliance (RBA) Code of Conduct and environmental protection laws. The contract empowers the Company to terminate procurement relationship with any supplier that is found to have violated the above rules.	
IV. Enhanced information disclosure				
1. Has the company disclosed relevant and reliable CSR information on its website and at the Market Observation Post System?	Yes		A "CSR" section is created on the Company's website to disclose information in different categories. A "News" section is also available on the home page where stakeholders are given access to the latest information. The Company prepares CSR reports on an annual basis to disclose how it has fulfilled its social responsibilities. This report may be downloaded from the Company's website and from the Market Observation Post System (MOPS).	No deviations were found

Corporate social responsibility framework



The operation and implementation of Corporate Social Responsibility in 2018

Item	Result
Corporate Governance	1. We were awarded "4th Corporate Governance Evaluation top 6-20% in the publicly traded company group", which was held by Taiwan Stock Exchange (TWSE). 2. We have been selected into the MSCI ESG Leaders Index, the most importance sustainable performance evaluation indexes taken by international investors, for 12 consecutive years. 3. We finished the Corporate Social Responsibility Committee Organizational Rules.
Supply Chain Management	1. To achieve Conflict-Free Minerals, we completed the investigation of Conflict Minerals and signed commitment statements. 2. To reinforce CSR audits and management on Tier 1 suppliers, we audited 15 suppliers in 2018.
Green Environment	1. We received a B- grade for CDP in 2018 and have been selected for CDP Climate Change for five consecutive years. 2. We built solar power generators and introduced an ISO 50001 energy management system at plants of CD, KSP3, and PCP.
Green Product	1. In 2018, we produced 63 halogen-free notebooks, 12 halogen-free smart phones, 2 halogen-free tablets and 20 halogen-free wearable devices. 2. 92.6 % of notebook computers and tablets product were certified of Energy Star 6.1. 6 display products were certified Energy Star 7.0.
Social Welfare	1. We donated NT$10 million to Hualien Earthquake Disaster Relief. 2. To encourage employees to participate in social welfare, we offer a paid volunteering leave. 3. We consistently donate tablets and AIO computers to promote digital mobile learning in schools in remote areas and achieve the SDGs (Sustainable Development Goals) of the United Nations. 4. We consistently participate in charities with the HCI foundation and sponsored the children's theatre of the W3 Troupe in Taitung, annual fundraising, as well as blood donation events (350 employees donated 546 units of blood in 2018.) 5. We built up a CSR page on Facebook to enhance internal and external communication and share information.
Employee Care	1. We offer employee care including health Counseling, health lectures, weight loss programs, birthday events, department gathering, and all kinds club activities. 2. To improve fertility rates, we provide an NT$ 66,000 maternity subsidy to employees for each newborn baby. 253 Compal babies were born in 2018.
Awards and Honors	1. The Compal CSR report in 2017 was assured by SGS Taiwan Ltd., which has been engaged to provide assurance for AA1000 AS and GRI Standards disclosure in accordance with Core Options. Meanwhile, the report won the Platinum Medal in the Taiwan Corporate Sustainability Report of TCSA. 2. We were ranked 404th of Fortune Top 500, 1500th of Forbes Top 2000, 6th of Common Wealth Magazine's Top 2000 Manufacturers, and 59th of Common Wealth Magazine's Top 1000 in China, Taiwan, and Hong Kong

■ **The targets and plans of Corporate Social Responsibility in 2018**

NO.	Target	Plan
1	In response to all of the "United Nations Sustainable Development Goals (SDGS)", the 14^{th} "Life below water" event was launched.	(1)Held beach cleaning activities and lectures on environment protection, which invited professional environmental lecturers to educate our colleagues on the correct action to take care of the sea. (2)Promote reading education – focusing on the marine ecology and plastic reduction. (3)Hold the sketch/painting activities for employees and their children and marine ecology.
2	Focus on the mitigation and adaptation of climate change, continuously producing green designs, as well as managing the energy conservation and extreme climate resilience in plants.	(1)Promise to reduce greenhouse gas emissions. With the emission volume of 2014 as the standard, we will decrease our emission volume (Revenue in NT$ per million) by 6% by 2020 (2)Continue to promote our suppliers with energy-saving and carbon-reducing plans in order to help them carry out decreases and adjustments to cope with climate change. (3)Continue to refer to the TCFD framework to effectively identify risks associated with climate change and master green business opportunities. (4)Promote lean production, adopt systematic management methods, reduce unhelpful waste in production process, control energy resource use, create economic effects, and improve environmental efficiency and enterprise competitiveness. (5)Continue to transport solar power plants to maximize the use of renewable energy.
3	Keep collaborating with customers and suppliers and promote the establishment of a CSR management platform and system before the year 2020.	(1)Complete the platform and system of supply chain management before the end of October 2020. (2)Complete the CSR data collection, analysis and tracking improvement by suppliers on the system.
4	Introduce the Employee Assistance Program (EAP) to strengthen the employee's physical and mental health care.	(1)Cooperate with external professional consultants to provide our employees more of the assistance support in physical and mental health. (2)Hold parent-child education/legal/financial management and other related lectures to help our staff understand more and take care of their family. (3)Actively execute in the health promotion management for the moderate and high-risk groups in cardiovascular in health examinations.

V. If the company has established the corporate social responsibility principles based on “Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies”, please describe any discrepancy between the Principles and their implementation:

■ The Company has established the “Compal Corporate Social Responsibility Best Practices” based on “Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies”. A “CSR Office” has also been introduced specifically for the purpose of promoting social responsibilities, environmental sustainability, public welfare, and information disclosure. The Company has adopted the principles of RBA by including corporate social responsibilities as part of its overall business plan, thereby making sure that everything it does confirms with RBA. The CSR Office reports its progress regularly to the Board of Directors, and publishes annual CSR reports to ensure proper disclosure of CSR information.

■ In order to implement the development of sustainable environment, maintain environmental management system, the company regularly organizes environmental education courses for management and employees. At the same time, green management has been introduced from the product design stage and the supply chain. Reduce the energy consumption of products and services, effectively manage harmful substances, reduce the generation of waste water and waste, and properly handle and adopt the best feasible pollution prevention and control technology measures. Improve product life and reliability, and maximize the sustainable use of renewable resources with the concept of easy disassembly and recycling. Formulate the company's energy conservation and carbon reduction targets, carry out greenhouse gas reduction operations, and do its utmost to reduce the adverse impact of the company's operations on human health and the natural environment.

VI. Other important information to facilitate better understanding of the company's corporate social responsibility practices:

■ External initiatives and participation

As a significant member of the Earth, the Company actively participates in global and local environmental initiatives and actions. Since 2009, Compal has been participating in CDP's questionnaires on climate change, water, and supply chain carbon management. In addition, the Company takes part in the GHG Protocol developed by World Business Council for Sustainable Development (WBCSD) and World Resources Institute (WRI), and the "Business Transformation Carbon Footprint Program" introduced by the Industrial Technology Research Institute (ITRI) and Taiwan Electrical and Electronic Manufacturers' Association (TEEMA). The Company has been named a "Low-carbon pioneer", and is a current participant of DSJI and the Supply Chain GHG Task Force under the International Sustainability Index Promotion Alliance for Taiwanese Businesses, and took part in the Taipei Earth Day Corporate Environment Education Commitment campaign. In 2014, Compal was invited to the annual meeting of Taiwan's "Cradle to Cradle" platform. In 2015, Compal was selected as part of CDP's Climate Disclosure Leadership Index (CDLI) for the first time. In 2018, Compal received an overall CDP Management score of B-.

■ Energy management system

Increasing productivity per unit of energy is the most fundamental solution to reducing energy consumption and greenhouse gas emission. In 2018 , it obtained the ISO 50001 certification of the Pingzhen Plant and Plant 3 in Kunshan. It plans to complete the Chengdu plant energy management system certification this year and extend the relevant experience to other factories.

■ Supply chain carbon management

Being one of the world's key IT producers, Compal uses "information platform" and "workshops" to keep suppliers informed of the latest energy/carbon reduction technologies and green living, and inspires them to commit to active care for the local environment.

The Company requires all its suppliers to be certified for ISO9001 (quality management system) and ISO14001 (environmental management system), and follow EICC guidelines by signing a letter of commitment to the behavioral standards of the RBA Code of Conduct. Under this commitment, upstream suppliers are bound to comply with international, national, and local regulations with respect to all activities. In the second half of 2017, Compal launched its "Supply Chain GHG Management Program" and held seminars at various factories as a means to communicate with suppliers on how they are expected to contribute and assist in Compal's global environmental protection and quality management initiatives. Compal also took the opportunity to exchange and share experiences on CSR issues with suppliers.

■ Corporate environmental education

The Company continued to incorporate environmental education and green experience into employees' training throughout 2018. Invite the popular professors of National Taiwan Ocean University to share the information on sustainable seafood, small ecological travel of the stream, the ecological and cultural history of Dadaotun Wharf, ecological and cultural lectures on Huajiang Wild Geese, and the natural ecological journey. The Company had provided full support from the top-down, while employees and their family members enthusiastically participated in a series of "experiential" environmental education. We rallied our employees to exercise our influence as consumers to select safe foods and sponsor quality rice fields and tea farms. The crops are later presented to clients as Chinese New Year gifts. By modifying demand, we hope to change supply and promote more sustainable agriculture, forestry, animal husbandry, and fishery. All new recruits are required to undergo 0.5 hours of online environmental training in their initial year. The course covers a variety of topics from green living, preservation of ecosystems, climate change, to green design. In the future, the Company will also make "green products" a mandatory course and introduce more advanced courses on green design issues. A core team will be assembled specifically for the purpose of improving green energy efficiency, and building up Compal's distinguished values in the ICT (Information and Communication Technologies) industry.

■ Supporting social enterprises

In recent years, many social enterprises have emerged with goals to protect the environment and improve public interest. In support of their efforts, the Company encourages employees to purchase products and services offered by social enterprises, hoping that by redirecting purchasing power, we may be able to muster positive energy to solve society's problems. In 2018, Compal collaborated with Mennonite Hualien County Sheltered Workshop, Taiwan Association for Marine Environmental Education, I Can Sheltered Workshop, Hanner Family, Taiwan Mountain and Maritime Protection Society, and managed to raise several hundred thousand dollars of donations from employees.

■ Community engagement

The Company has long been sponsoring the maintenance and management of Zhouzi Park No. 2 in Neihu in order to provide community residents and industrial park workers an ideal place for leisure and recreation activities.

■ Social services

・Compal's employees have been running the “Compal Volunteer Club” since 2004. Members of this club visit disadvantaged children during weekends and guide them to reading good books. The goal of this program is to help them develop the habit of reading and the ability to think independently, and hence prepare them for the future. The volunteers have also been working with Hsu Chauing Social Welfare and Charity Foundation to provide extra-curriculum education for immigrant children. Since 2009, they have been visiting Jong Jen Elementary School, Wuhan Elementary School, Nan-Shi Primary School, Chung Ping Elementary School, Shuang Long Elementary School, Neihai Elementary School, Nan Sing Elementary School, Hsiang An Elementary School, Tien Hsin Elementary School, Hua Hsun Elementary School, Wu Cyuan Elementary School, San He Elementary School, Chung-Shing Elementary School, Sin-Jie Elementary School, Xin Lu Elementary School, Fu An Elementary School, Dacheng Elementary School, Long-Sing Primary School, San Keng Primary School, Shanghu Primary School, Yisheng Elementary School, Shi-Hai Primary School, Te-Long Elementary School, Sha Keng Elementary School, Da Po Elementary School and Haibin Elementary School in Taoyuan during public holidays to accompany children in their reading activities. By the end of 2018, the volunteers had assisted 1,810 immigrant children and children from disadvantaged families.

・Compal has been encouraging college volunteer clubs to join the Company's “reading volunteers” initiative and provide study aids to children from low-income families in the neighborhood. By sharing good reading materials and environmental awareness, the Company hopes to contribute to the learning progress of disadvantaged children.

■ Social welfare

(1) Budget sponsorship

・Sponsoring of budgets for college volunteer clubs- In an attempt to encourage college students to participate in volunteer service, the Company has been contributing NT$600,000 every year since 2004 to sponsor college clubs in promoting children's reading, after-school classes, and environmental education in locations that lack resources and for low-income households. A total of 19 college clubs applied for sponsorship and 401 volunteers participated in sponsored volunteer activities in 2018, for which the Company contributed a sum of NT$600,000 that benefited 1,016 students.

・Sponsoring of W3 Troupe's charity performance - Compal donated NT$800,000 and invited more than 1250 disadvantaged children and their teachers to W3 Troupe's show - “Fantasy Valley I - Finding Lost Courage”. Through art therapy, we hope to give children the right influence they need to develop a positive mind, and encourage them to listen, see, and experience for themselves the wonders of life.

・In addition to charity involvement, the Company also provides strong support to academic and industrial organizations including: NTU System Culture Foundation, Taipei City Friends of the Police Association Neihu Office, International Council for Small Business –ROC, Taiwan Pawprint K9 Rescue, Taoyuan Enterprise Chamber, Garden Homeless Animal Association, Cheng Dian Culture & Education Foundation, Fire Department, Taipei City Government, Taiwan District of Kiwanis International, Shenkeng District Office of New Taipei City, National Pingtung University of

Science and Technology, Kenting National Park Headquarters, Spinal Cord Injury Foundation, Taoyuan County Volunteer Fire Brigade Pingzhen Division. A sum of NT$6,251,720 donated to the abovementioned entities in 2018

(2) Donation of supplies

・320 tablets, 25 AIOs, 30 NBs, 15 E-sports Nbs, and 15 sets of desktop computers (including a host computer and LCD) were donated to support the digital learning Program in remote areas.

The Company donated 150 tablets to eight digital centers located in Sanzhi Dist of New Taipei City, Gongguan Township of Miaoli County, Yuanli Township of Miaoli County, Mailiao Township of Yunlin County, Zhuqi Township of Chiayi County, Dalin Township of Chiayi County, Fengbin Township of Hualien County, and Jincheng Township of Kinmen County. In addition, the company donated 50 tablets, 30 NBs, 15 sets of desktop computers (including a host computer and LCD) to Fu Jen University Taiwan Bi-Education Care Center and the Love Reading Service of Department of Library & Information Science. 25 AIOs were donated to 5 elementary schools located in Pingtung and Taoyuan County, 15 sets of 21-inch curved E-sports notebooks to Wen Huan elementary schools in Taoyuan County, 120 tablets to 5 elementary schools located in New Taipei City, Taoyuan City and Miaoli County, and assisted Township schools and communities to help promote digital mobile learning.

(3) Charity Arts Exhibition and Concert

“Meeting pets” was the theme of the Charity art exhibition in 2018 and the Thanksgiving concert to show supports and warmness to pets. 15 photographs from employees and 19 hand-drawing bags from employees and their kids were displayed at the exhibition. Meanwhile, all exhibits were on sale for charity. We collected NT$67,793 from the exhibition subscription and donated NT$44,055 to the Taiwan animal protection association and NT$23,738 to the Taiwan Guide Dog Association respectively.

■ Human rights

The Company respects the human rights of all employees. In addition to prohibiting the use of child labor and overtime working, the Company treats all employees of different ethnicities, religious beliefs, skin color, gender, nationality, age and physical features with equal respect and fairness. It has been explicitly stated in the Human Resource Management Policy that “The Company shall recruit employees based on knowledge, morality, skills, experience and suitability for the position/job in question. Under no circumstances may the Company reject recruitment for reasons such as gender, ethnicity, religion, political association, nationality, sexual preference, or age”. The Company also refrains from using involuntary workers and child labor.

■ Safety and health

At a time when financial performance is as important as environmental protection, the Company considers “occupational safety and health” to be an important issue that no business shall neglect. Only by creating a safe work environment are employees able to unleash their full potential, which is a driving force behind the Company's progress. For this reason, the Company not only ensures that every operation is compliant with environmental, safety, and health rules, but also commits to eliminate or reduce safety and health risks to employees, suppliers, contractors and stakeholders that are caused by production procedures, facilities, and activities. At Compal, we see financial performance, environmental protection, and occupational safety and health as three co-existing and complementing factors of business administration. The Company created its official environmental safety and quality policies to guide employees toward protection in the workplace and social responsibilities. Furthermore, these policies also provide employees and external stakeholders (such as suppliers, contractors, customers, environmental organizations, government agencies and community residents) with a better understanding of the Company's environmental safety efforts and its resolve to protect and minimize risks to the environment. Ultimately, we hope to direct the attention of our partnered vendors to environmental protection, safety and health, and work together towards accomplishing our goals.

(1) Environment safety policy:

- Comply with environmental, safety and health laws, and related requirements.
- Conduct environment safety and health training to raise employees' awareness towards individual responsibilities as well as safety and health concerns of the surrounding environment, while at the same time encouraging their participation in relevant issues.
- Continually improve environmental, safety and health performance through programs such as pollution prevention, accident prevention, energy/resource conservation, waste reduction, and responsible care.
- Pay attention to the control of pollution sources and reducing waste from production. Enhance safety and health facilities to prevent pollution and minimize risks.
- Establish proper communication channels to convey the Company's environmental safety policy, requirements, and goals to employees, suppliers, contractors, nearby residents and concerned organizations.

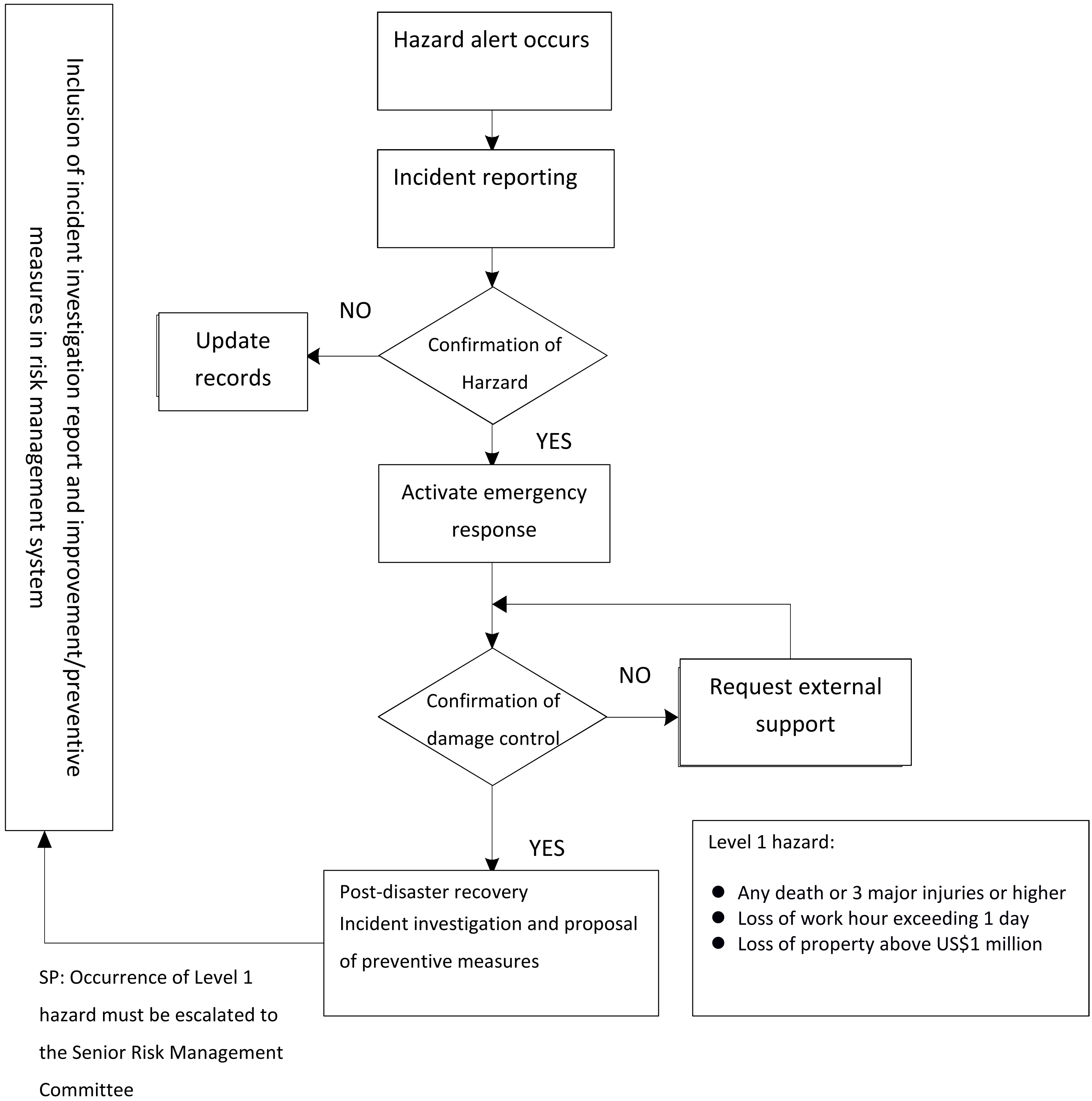
(2) Environmental safety and health systems/measures:

In an attempt to minimize losses on occupational hazards and rectify hidden dangers and recurring safety incidents for more harmonic labor-management relations, the Company subsequently assembled an Environment Safety Promotion Committee that specializes in the development of environment safety plans. Any environment safety-related policies and goals proposed are subject to review during the Environmental Safety Management Review Meeting. Once reviewed, the Committee becomes responsible for supervising work safety units in the implementation of safety and health-related measures, auto inspections, maintenance, and training to eliminate hazardous factors in the environment. In addition, the Committee also supervises relevant departments in completing hazard prevention and loss control systems.

(3) Execution

- Fire safety equipment (facility) plans and execution: Appropriateness and adequacy of fire safety equipment (facilities) are reviewed whenever there is a change to the layout of the business premises. Locations of fire safety equipment (facility) and evacuation routes are clearly labeled on each floor. The Company also engages professional and qualified fire safety inspectors to conduct annual fire safety inspections and reports according to law.
- Water/power plans and execution: The Company promotes proper awareness and implements appropriate control on all uses of water and power equipment for more effective conservation of energy and resources. The administrative department is responsible for the day-to-day inspection of power usage, power systems, and water equipment. All inspection findings are detailed in the “Safety and Health Equipment Inspection Log” and any issues discovered are rectified immediately.
- Cleaning, monitoring, and control of industrial waste: Handled by the Factory Affairs Division of various factories and General Affairs Department of the headquarters. Waste generated from factories can be classified into the following categories:
  a. Hazardous waste: Sorted according to “Standards for Defining Hazardous Industrial Waste” stipulated by the Environmental Protection Administration (EPA), Executive Yuan, and collected by certified contractors for subsequent treatment.
  b. Industrial waste: Industrial waste other than hazardous industrial waste is collected and treated by certified contractors.

• Emergency response procedures: These procedures have been established to guide the Company through disruption of production, information, and raw material supply in the occurrence of natural or man-made disasters. Incident resolution procedures:



(4) Quality Policy (pursuing continuous improvement to meet customer needs): We commit to

. Implement customer-oriented performance management.

. Create competitive advantages in products and services.

VII. A clear statement shall be made below if the corporate social responsibility reports were verified by external certification institutions:

■ Criteria undertaken by institutions to certify the Company's products:

The Company adopts the green concept right from the design and development stage for all products it manufactures. In addition to making sure that all manufactured products conform with compulsory regulations and voluntary certifications in the countries where they are distributed, the Company also takes the initiative in developing talents and technologies in relation to energy-saving issues and thereby keeping up with world's latest trends and challenges. Apart from knowing the latest news in environmental regulations and certifications, Compal also possesses adequate R&D and execution capacity to quickly respond to customers' needs for certification, such as IECQ QC 080000, Energy Star, US & EPEAT, US & WW EPEAT, China CECP & CEC, Taiwan Green Mark and Indoor Air Quality Testing & Certification.

■ Criteria undertaken by institutions to certify the Company's CSR report:

The Company has been preparing annual CSR reports and disclosing them to stakeholders on its website since 2010. The CSR report was first certified by an external institution in 2012**.** The Company adopted Global Reporting Initiative's most updated guidelines (GRI Standards, published in 2016) to prepare its 2018 CSR report. The report was compiled based on issues concerning stakeholders and the Company's key objectives. To ensure the credibility of reported contents, the Company commissioned SGS to provide independent assurance based on the criteria specified in AA 1000 AS and GRI Standards. After their assurance, the report was certified to meet AA 1000 AS Standard Type 2, mid-level accountability and GRI Standards application core requirements. The Company was awarded Silver or Bronze Awards by Taiwan Institute for Sustainable Energy for its "Taiwan Corporate Sustainability Report Award" in 2014-2017 and a Top 50 Platinum Award in 2018.

3.3.6 Ethical Corporate Management

Assessment criteria	Actual governance			Deviation and causes of deviation from Integrity Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
I. Establishment of integrity policies and solutions				
1. Has the company stated in its Memorandum or external correspondence the policies and practices it has to maintain business integrity? Are the board of directors and the management committed to fulfilling this commitment?	Yes		The Company has clearly outlined the procedures for ethical management and guidelines for conduct in its HR policies, social responsibility policies, the integrity principles and code of conduct for directors, supervisors, managers, and the general code of conduct. The Board of Directors and the management have committed themselves to business integrity. The Company's "Board of Directors Meeting Guidelines" contain a conflicting interest clause that requires directors to disassociate from all discussion and voting on any agenda that poses a conflict of interest between the Company and themselves or the entities they represent.	No deviations were found
2. Does the company have any measures against dishonest conduct? Are these measures supported by proper procedures, behavioral guidelines, disciplinary actions and complaint systems?	Yes		The Company has established the "Ethical Corporate Management Best Practice Principles" and "Procedures for Ethical Management and Guidelines for Conduct" (hereinafter, "Procedures and Behaviors") as an incentive to insiders and outsiders to report unethical or unseemly conduct. Any insider who makes a false report or a malicious accusation shall be subject to disciplinary action and be removed from office if the circumstance has substance. This Company has appointed a contact person, and has established a hotline and mailbox that can be used either through the Intranet of the Company website or the official Company website. Any person involved in unethical conduct will be referred to an authorized department and processed	No deviations were found

Assessment criteria	Actual governance			Deviation and causes of deviation from Integrity Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
			according to the “Procedures for Ethical Management and Guidelines for Conduct”.	
3. Has the company taken steps to prevent occurrences listed in Article 7, Paragraph 2 of “Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies” or business conducts that are prone to integrity risks?	Yes		The Company’s “Procedures for Ethical Management and Guidelines for Conduct” govern the following • Prohibition against offering and acceptance of improper gains • Prohibition against lobbying • Prohibition against illegal political donations • Prohibition against improper donations or sponsorships • Prohibition against inappropriate gifts, treatments and illegitimate benefits • Prohibition against unfair competition • Prohibition against leakage of commercial secrets and infringement of intellectual property rights • Prohibition against insider trading and rules of confidentiality Furthermore, the “Information Security Policy” has introduced measures to prevent violation of commercial secrets.	No deviations were found
II. Integrity actions				
1. Does the company evaluate the integrity of all counterparties it has business relationships with? Are there any integrity clauses in the agreements it signs with business	Yes		The Company requires all suppliers to sign the Letter of Undertaking for Compliance with the Responsible Business Alliance (RBA) Code of Conduct by Vendors, which binds them to local regulations on workers, environment, safety, health, management, and moral conduct, and prevents them against corruptive and unethical behaviors.	No deviations were found

Assessment criteria	Actual governance			Deviation and causes of deviation from Integrity Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
partners?				
2. Does the company have a unit that specializes (or is involved) in business integrity? Does this unit report its progress to the board of directors on a regular basis?	Yes		The Company has appointed its Human Resources, Administrative Management and Legal Affairs Office as the competent units in charge of the Company's ethical matters. These units jointly set the guidelines and policies, which are monitored by the auditors and reports to the Board of Directors on a yearly basis. To prevent potential conflicts of interest, the Company has established the "Ethical Corporate Management Best Practice Principles" and "Procedures for Ethical Management and Guidelines for Conduct" in 2014 and 2015 respectively. In addition, the Company has also designed relevant course for its online e-Learning, including legal affairs related training on information security, personal information protection act, relevant company policies and employees' code of conduct so as to familiarize all employees with the aforementioned guidelines and thereby facilitate the promotion of honest management. Status of Operation and Implementation in 2018: A total of 682 suppliers (91%) engaged in business transactions with the Company signed the RBA Code of Conduct commitment or completed the RBA Code of Conduct questionnaire. In addition, a total of 4,655 employees completed a total of 20,963 hours of integrity management related training, including: ・Orientation training for new employees and group activities, covering topics such as: Company policies, corporate culture, human resource system, ethical corporate management best practice principles, trade secrets, information security, Personal Information Protection Act, and so forth	No deviations were found

Assessment criteria	Actual governance			Deviation and causes of deviation from Integrity Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
			・Management for the prevention of insider trading (for senior managers) ・Responsible Business Alliance ・Introduction to intellectual property rights, understanding information security, and Personal Information Protection Act, and case studies	
3. Does the company have any policy that prevents conflict of interest, and channels that facilitate the report of conflicting interests?	Yes		The Company has established the “Ethical Corporate Management Best Practice Principles” and “Procedures for Ethical Management and Guidelines for Conduct” (hereinafter, “Procedures and Behaviors”). A Company director, officer or other stakeholder attending, or present at a board meeting, or a juristic representative whose presence infers a likelihood that company interests might be prejudiced may not participate in a discussion or vote on that proposal, shall recuse themselves from any discussion and voting, and may not exercise voting rights as a proxy on behalf of another director. The directors shall exercise discipline among themselves, and may not support each other in any inappropriate manner. If, in the course of conducting company business, an employee of this Corporation discovers that a potential conflict of interest exists involving themselves or the juristic person that they represent, or that they or their spouse, parents, children, or a person with whom they have a relationship of interest is likely to obtain improper benefit, the matter shall be reported to their immediate supervisor and the responsible unit, and the supervisor shall provide the employee with the proper instructions. No employee of this Corporation may use company resources for commercial activities other than those of this Corporation, nor may his or her job performance be affected by involvement in commercial activities other than those of this Corporation. The Company’s HR policy and employee code of conduct have introduced rules to identify,	No deviations were found

Assessment criteria	Actual governance: Yes	No	Summary description	Deviation and causes of deviation from Integrity Best-Practice Principles for TWSE/TPEX Listed Companies
			supervise, and manage conflicts of interest for business activities that are more highly prone to dishonest behaviors. There are channels in place for directors, supervisors, managers, stakeholders, and board meeting participants to state their conflicting interests with the Company. To prevent leakage of material non-public information, the Company has established "CO10 Insider Trading Prevention Management" as part of its internal control and demanded strict compliance from directors, supervisors, managers, employees, and any party that gains knowledge to the Company's material non-public information whether because of their identity, job responsibility, or controlling relationships.	
4. Has the company implemented effective accounting and internal control systems for the purpose of maintaining business integrity? Are these systems reviewed by internal or external auditors on a regular basis?	Yes		The Company has set "Ethical Corporate Management Best Practice Principles" and focuses on creating an effective accounting system and internal control system to avoid high-risk or unethical business activities and the use of external or secret accounts. Self-evaluation is done on a regular basis to make sure the design and execution of the system is effective. The Company's internal audit unit oversees compliance of the system every year and prepares routine audit reports for the Board of Directors.	No deviations were found
5. Does the company organize internal or external training on a regular basis to maintain business integrity?	Yes		The Company organizes training courses in accordance with "Regulations Governing the Establishment of Internal Control Systems by Public Companies" and the board-approved "Insider Trading Prevention Principles". Insider training prevention courses are organized for vice president-grade employees and above, while general employees are subjected to training on ethical	No deviations were found

Assessment criteria	Actual governance			Deviation and causes of deviation from Integrity Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
			behaviors on a yearly basis.	
III. Implementation of whistleblowing system				
1. Does the company provide incentives and means for employees to report malpractice? Does the company assign dedicated personnel to investigate the reported malpractice?	Yes		The Company has mailboxes in place to receive malpractice reports from within or outside the Company. Once a report has been sent to the mailbox, it will be referred to the appropriate department and personnel depending on the nature of the underlying issue. The identity of the informer and details of the report will be kept confidential, and may involve internal auditors if the situation requires it.	No deviations were found
2. Has the company implemented any standard procedures or confidentiality measures for handling reported malpractices?	Yes		The Company has specifically instructed case handlers to strictly follow procedures when building, assigning and investigating cases, and to exercise discretion during the investigation process.	No deviations were found
3. Does the company assure malpractice reporters that they will not be mistreated for making such reports?	Yes		The Company has confidentiality procedures built into its management policies and employee code of conduct to protect informers and investigators from improper treatments or retaliation.	No deviations were found
IV Enhanced information				

Assessment criteria	Actual governance			Deviation and causes of deviation from Integrity Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
disclosure				
1. Has the company disclosed its integrity principles and progress onto its website and MOPS?	Yes		The Company has disclosed corporate governance and business integrity matters and updated the progress of such efforts in its annual reports, CSR reports and "Investor Relations-corporate governance" and "CSR" sections of its website.	No deviations were found
V If the company has established business integrity policies in accordance with "Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies", please describe its current practices and any deviations from the Best Practice Principles: The Company's "Business Integrity Principles" and "Business Integrity Procedures and Behaviors" have been passed by the Board of Directors and disclosed at the Company's website and MOPS. A specialized unit will be empowered to enforce these policies and ensure employees' compliance.				
VI. Other information relevant to understanding the company's business integrity (e.g. reviews over business integrity principles): Courses have been introduced to the e-Learning system so that employees are made aware of the Company's "Business Integrity Principles" and "Business Integrity Procedures and Behaviors".				

3.3.7 Corporate Governance Guidelines and Regulations

Please refer to the Company's website→ Investor Relations → Corporate Governance → Major Internal Policies

https://www.compal.com/investor-relations/corporate-governance/

・Framework of Corporate Governance
・Articles of Incorporation
・Rules of Procedure for Shareholders' Meetings
・Regulations for Election of Directors
・Procedures for Acquisition or Disposal of Assets
・Procedures for Financial Derivatives Transactions
・Procedures for Lending Funds to Other Parties
・Procedures for Endorsements and Guarantees
・Board of Directors Meeting Guidelines
・The Responsibilities and Rules for Independent Directors
・Audit Committee Procedures
・Remuneration Committee Procedures
・CSR Committee Procedure
・Corporate Governance Best-Practice Procedures
・Code of Conduct for Directors and Managers
・Code of Conduct for Employees
・Ethical Corporate Management Best Practice Principles
・Business Integrity Procedures and Behaviors
・Insider Trading Prevention Procedures
・Corporate Social Responsibility Best Practice Principles
・Rules Governing Financial and Business Matters Between this Corporation and its Affiliated Enterprises
・Procedures of Application to Suspend and Resume Trading

3.3.8 Other Important Information Regarding Corporate Governance

Please refer to the Company's website→ CSR https://www.compal.com/CSR/ZH/

・Sustainable Management
・Stakeholders
・Supply Chain Management
・Environment
・Employee Relationship
・Charity
・Download Report

Please refer to the Company's website→ Stakeholder Communication

https://www.compal.com/stakeholder-communication-area/

・Employee Relations
・Customer Relations
・Supplier Relations
・Investor Relations

3.3.9 Internal Control Systems

Compal Electronics, Inc.

Statement of the Internal Control System

Date: March 22 2019

The Company states the following with regard to its internal control system during fiscal year 2018, based on the findings of a self-assessment:

1. The Company is fully aware that establishing, operating, and maintaining an internal control system are the responsibility of its Board of Directors and management. The Company has established such a system aimed at providing reasonable assurance of the achievement of objectives in the effectiveness and efficiency of operations (including profits, performance, and safeguard of asset security), reliability, timeliness, transparency, and regulatory compliance of reporting, and compliance with applicable laws, regulations, and bylaws.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing the three goals mentioned above. Furthermore, the effectiveness of an internal control system may change along with changes in environment or circumstances. The internal control system of the Company contains self-monitoring mechanisms, however, and the Company takes corrective actions as soon as a deficiency is identified.
3. The Company judges the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (herein below, the “Regulations”). The internal control system judgment criteria adopted by the Regulations divide internal control into five elements based on the process of management control: 1. control environment 2. risk assessment 3. control activities 4. information and communications 5. monitoring activities. Each element further contains several items. Please refer to the Regulations for details.
4. The Company has assessed the design and operating effectiveness of its internal control system according to the aforesaid criteria.
5. Based on the findings of the assessment mentioned in the preceding paragraph, the Company believes that as of Dec 31, 2018 its internal control system (including its supervision and management of subsidiaries), encompassing internal controls for knowledge of the degree of achievement of operational effectiveness and efficiency objectives, reliability, timeliness, transparency, and regulatory compliance of reporting, and compliance with applicable laws, regulations, and bylaws, is effectively designed and operating, and reasonably assures the achievement of the above-stated objectives.
6. This Statement will become a major part of the content of the Company's Annual Report and Prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
7. This Statement has been passed by the Board of Directors Meeting of the Company held on March 22, 2019, where 0 of the 14 attending directors expressed dissenting opinions, and the remainder all affirmed the content of this Statement.

Compal Electronics, Inc.

Chairman: Sheng-Hsiung Hsu (Rock Hsu)

President: Chung-Pin Wong (Martin Wong)

3.3.10 Penalties imposed against the company and its staff, or penalties imposed by the company against its staff for violations of internal control or regulations. State any corrective actions taken in the most recent years up to the date of the annual report: None.

3.3.11 Major Resolutions Made in Shareholders' Meeting and Board Meetings

1. Shareholders' meeting

■Time：9:00 am, June 22, 2018

■Place：B1, No. 581, Ruiguang Rd., Neihu District, Taipei City 11492, Taiwan (R.O.C.)

■Major Resolutions:

(1)Election of the 13th Term of Directors, the result of the elections:

・New Directors are:

Sheng-Hsiung Hsu, Jui-Tsung Chen, Binpal Investment Co., Ltd., Kinpo Electronics, Inc., Charng-Chyi Ko, Sheng-Chieh Hsu , Yen-Chia Chou, Chung-Pin Wong , Chiung-Chi Hsu, Ming-Chih Chang, Anthony Peter Bonadero, Sheng-Hua Peng

・New Independent Director are:

Min-Chih Hsuan, Duei Tsai, Duh-Kung Tsai

(2) Ratified the Business Report and Financial Statements for 2017.

(3) Ratified the Distribution of Earnings for 2017.

(4) Approval cash distribution from capital surplus.

(5)Approval of the release of non-competition restrictions for Directors.

■Post-meeting Execution:

(1) The 13th Term of Directors approved by the Ministry of Economic Affairs on July 23, 2018

(2) The 2018 distribution of cash dividends and capital reserves are summarized as follows:

・Cash Dividends: NTD 1 per share

・Cash Distributed from Capital Reserve: NTD 0.2 per share

・Ex-dividend Date: July 29, 2018.

・Declaration Date: August 17, 2018.

2. Board meetings

Board of Directors Meeting	Major Resolutions
16th Meeting (12th Term) 2018.3.6	1. Approved the promotion of Managers. 2. Approved the cancellation of restricted employee warrant shares where conditions had not been met by the intended employee. 3. Approved the CSR Committee Procedure. 4. Approve the chairman of Corporate Social Responsibility Committee change. 5. Approved the Company's CSR Promotion Plan for 2018. 6. Approved the financing of the re-investment company through the issue of a Company Letter of Support. 7. Approved of the Company's financing authorization from the financial institute.
17th Meeting (12th Term) 2018.3.19	1. Approved the 2017 employee and Director compensation. 2. Approved the 2017 Consolidated and Individual Financial Statements. 3. Approved 2017 Statement of Internal Control System. 4. Approved the evaluation of the independence and suitability of the Company CPA. 5. Approved the call of 2018 Shareholders' Meeting. 6. Approved of the Company's financing authorization from the financial institute. 7. Approved the election of the 13th Term of Directors.
18th Meeting (12th Term) 2018.5.9	1. Approved the appointment of the Manager. 2. Approved the change of the Company CPA. 3. Approved the evaluation of the independence and suitability of the Company CPA. 4. Approved the 2017 Operation Report. 5. Approved the 2018 Operation Plan. 6. Approved the 2017 Distribution of Earnings. 7. Approved the distribution of capital surplus to Shareholders. 8. Approved the review of eligibility for the 13th Term of Directors and Independent Director nominees. 9. Approve the release of non-competition restrictions for managers 10. Approve the release of non-competition for the 13th Term of Directors and Independent Director-eligible nominees. 11. Approve the first mid-year employees' bonus of 2018. 12. Approve employee salary adjustment of 2018 13. Approved the 2018 appropriation of Director and employee compensation ratio. 14. Approved the cancellation of restricted employee warrant shares where conditions had not been met by the intended employee. 15. Approved of the Company's financing authorization from the financial institute.
1st Meeting (13th Term) 2018.7.4	1. Election of the 13th Term of Chairman of the Board 2. Election of the 13th Term of Vice Chairman of the Board 3. Approved the senior level management change 4. Approved the appointment of the Accounting Officer 5. Approved the appointment of the Internal Audit Officer 6. Approved the appointment of the 4th term remuneration committee members 7. Approved the relevant matters regarding the distribution of 2017 cash dividends and cash distribution from capital surplus to shareholders 8. Approved the issuance of the Letter of Support by the Company to facilitate its subsidiary in obtaining credit facilities from financial institutions 9. Approved of the Company obtaining credit facilities from financial institutions
2nd Meeting	1. Approved the compensation of Directors' Remuneration of 2017

Board of Directors Meeting	**Major Resolutions**
(13th Term) 2018.8.9	2. Approve the second mid-year employees' bonus of 2018 3. Approved a loan to Henghao Technology Co., Ltd. 4. Approved a loan to Unicom Global, Inc. 5. Approved the issuance of the Letter of Support by the Company to facilitate its subsidiary in obtaining credit facilities from financial institutions 6. Approved of the Company obtaining credit facilities from financial institutions
3rd Meeting (13th Term) 2018.8.7	1. Approved Compal's 100% owned subsidiary – Billion Sea Holdings – plans to dispose of the 49% owned JV – LC Future Center Limited
4th Meeting (13th Term) 2018.11.8	1. Approved the compensation of Employee bonuses in cash in 2017 2. Approved the proposal for 2018 year-end employee bonuses 3. Approved the annual audit plan for 2019 4. Approved the issuance of the Letter of Support by the Company to facilitate its subsidiaries in obtaining credit facilities from financial institution(s) 5. Approved of the Company obtaining credit facilities from financial institutions 6. Approved senior level management change
5th Meeting (13th Term) 2019.2.22	1. Approved of the Company obtaining credit facilities from financial institutions
6th Meeting (13th Term) 2019.3.22	1. Approved the Internal Control System Statement for the year 2018 2. Approved the proposal of the distribution of compensation to employees and directors for 2018 3. Approved the 2018 audited Financial Statements and Consolidated Financial Statements 4. Approved the Business Report for 2018 5. Approved the Business Plan for 2019 6. Approved the proposal for Distribution of Earnings for 2018 7. Approved the proposal of cash distribution from Capital Surplus 8. Approved the CPAs' independence and competence of performing the financial report audit. 9. Approved the convention of the 2019 Annual General Shareholders' Meeting 10. Approved the targets and plans of the 2019 Corporate Social Responsibility 11. Approved the issuance of the Letter of Support by the Company to facilitate its subsidiaries in obtaining credit facilities from financial institutions 12. Approved of the Company obtaining credit facilities from financial institutions

Board of Directors Meeting	**Major Resolutions**
7^{th} Meeting (13^{th} Term) 2019.5.13	1. Approved the amendment to the "Articles of Incorporation" 2. Approved the amendment to the "Procedures for Acquisition or Disposal of Assets" 3. Approved the amendment to the "Procedures for Financial Derivatives Transactions" 4. Approved the amendment to the "Procedures for Endorsement and Guarantee" 5. Approved the amendment to the "Procedures for Lending Funds to Other Parties" 6. Approved the amendment to the "Corporate Governance Best-Practice Principles" 7. Approved the amendment to the "Rules and Procedures for Board of Directors Meetings" 8. Approved the release of non-competition restrictions for the managers 9. Approved the release of non-competition restrictions for Directors 10. Approved the establishment of Compal Electronics Kaohsiung Branch Office 11. Approved the appointment of the Corporate Governance Officer 12. Approved the first mid-year employees' bonus of 2019 13. Approved employees' salary adjustment of 2019 14. Approved the proposal for the appropriated percentage for the remuneration of employees and Directors of 2019 15. Approved the loan to the 100% owned subsidiary Compal (Vietnam) Co., Ltd. 16. Approved the loan to the 100% owned subsidiary Compalead Eletrônica do Brasil Indústria e Comércio Ltda. 17. Approved the issuance of the Letter of Support by the Company to facilitate its subsidiary in obtaining credit facilities from financial institutions 18. Approved of the Company obtaining credit facilities from financial institutions

3.3.12 Major Issues of Record or Written Statements Made by Any Director or Supervisor Dissenting to Important Resolutions Passed by the Board of Directors: None.

3.3.13 Resignation or Dismissal of the Company's Key Individuals, Including the Chairman, CEO, and Heads of Accounting, Finance, Internal Audit, and R&D:

Title	Name	Date of appointment	Date of dismissal	Reasons for dismissal
President	Jui-Tsung Chen	1989.6.1	2018.7.4	Internal position adjustment
Accounting Officer	Ching-Hsiung Lu	1989.10.1	2018.7.4	Internal position adjustment

3.4 Information Regarding the Company's Audit Fees and Independence

3.4.1 Audit Fees

Accounting Firm	Name of CPA		Period Covered by CPA's Audit	Remarks
KPMG	Chien, Szu Chuan	Au, Yiu Kwan	2018.01.01~2018.12.31	-

Unit: NT$ thousands

Fee Range \ Fee Items		Audit Fee	Non-audit Fee	Total
1	Under NT$ 2,000,000	-	-	-
2	NT$2,000,000 ~ NT$4,000,000	-	2,023	2,023
3	NT$4,000,000 ~ NT$6,000,000	-	-	-
4	NT$6,000,000 ~ NT$8,000,000	-	-	-
5	NT$8,000,000 ~ NT$10,000,000	-	-	-
6	Over NT$100,000,000	10,420	-	10,420

(1) Non-audit fees paid to CPAs, accounting firms, and affiliated companies thereof that amount to more than 1/4 of the audit fees:

Unit: NT$ thousands

Firm	Name of CPA	Audit Fee	Non-audit Fee					Period Covered by CPA's Audit	Remarks
			System Design	Company Registration	Human Resource	Others	Subtotal		
KPMG	Chien, Szu Chuan Au, Yiu-Kwan	10,420	-	107	-	1,916	2,023	2018.01.01~2018.12.31	-

Note: Other non-audit fees: Transfer pricing report of $600,000, tax consultation of $1,086,000, and others of $230,000.

(2) Changes in the accounting firm that result in lesser audit fees paid in comparison to the previous year: None

(3) Reduction of audit fees by more than 15% compared to the previous year: None

3.5 Replacement of CPA

(1) About the former CPA

<table>
<tr><td>Date of replacement</td><td colspan="4">Approved by the Board of Directors on May 9, 2018</td></tr>
<tr><td>Reason and explanation for replacement</td><td colspan="4">Due to adjustments in work and duties at KPMG, the CPAs were changed from Kuo, Kuan-Ying and Au, Yiu-Kwan to Chien, Szu Chuan and Au, Yiu-Kwan starting from 1Q 2018.</td></tr>
<tr><td rowspan="3">State whether the commissioner or the CPA terminated the service or declined the commission</td><td colspan="2">Party involved / Situation</td><td>CPA</td><td>Commissioner</td></tr>
<tr><td colspan="2">Voluntarily terminated the commission</td><td>Not applicable</td><td>Not applicable</td></tr>
<tr><td colspan="2">Will no longer accept (continue) the commission</td><td>Not applicable</td><td>Not applicable</td></tr>
<tr><td>Other audit report opinions and causes issued within the last two years other than unqualified opinions</td><td colspan="4">N/A</td></tr>
<tr><td rowspan="7">Did he/she have opinions that differed from that of the publisher?</td><td rowspan="5">Yes</td><td></td><td colspan="2">Accounting principles or practices</td></tr>
<tr><td></td><td colspan="2">Disclosure of financial report</td></tr>
<tr><td></td><td colspan="2">Scope or step of auditing</td></tr>
<tr><td></td><td colspan="2">Other</td></tr>
<tr><td></td><td colspan="2"></td></tr>
<tr><td>N/A</td><td colspan="3">V</td></tr>
<tr><td colspan="4">Description</td></tr>
<tr><td>Other items of disclosure (Contents that should be disclosed as covered in Clauses 1.4~1.7, Section 6, Article 10 of this guideline)</td><td colspan="4">N/A</td></tr>
</table>

(2) About the succeeding CPA

Name of accounting firm	KPMG
Name of CPA	Chien, Szu Chuan, Au, Yiu-Kwan
Date commissioned	Approved by the Board of Directors on May 9, 2018
Items of consultation and results on the accounting methods for specific transactions, accounting principles and potential opinions for financial reports prior to commissioning	N/A
Written opinion from succeeding CPA on items of disagreement with the former CPA	N/A

(3) Response from the former CPA on Clauses 1 and Clause 2.3, Section 6, Article 10 of this guideline: None.

3.6 If the chairman, president, and financial or accounting manager of the Company had worked for the accounting firm or related parties thereof in the most recent year, the name, title, and the term of service with the accounting firm or the related party must be disclosed: None.

3.7 Changes in Shareholding of Directors, Supervisors, Managers and Major Shareholders

Unit: shares

Title	Name	2018		Up till April 23, 2019	
		Shares held Increase (Decrease)	Shares pledged Increase (Decrease)	Shares held Increase (Decrease)	Shares pledged Increase (Decrease)
Chairman	Sheng-Hsiung Hsu	0	0	0	0
Vice Chairman And CSO	Jui-Tsung Chen	0	0	0	0
Director	Binpal Investment Co., Ltd..	0	0	0	0
	Representative: Wen-Being Hsu	0	0	1,000,000	0
Director	Kinpo Electronics, Inc.	0	0	0	0
	Representative: Shyh-Yong Shen	0	0	0	0
Director	Chang Chi Ko	0	0	0	0
Director	Sheng Chieh Hsu	0	0	(225,000)	0
Director	Yen-Chia Chou	0	0	0	0
Director and President	Chung-Pin Wong	765,000	0	0	0
Director	Chiung-Chi Hsu	117,000	0	0	0
Director And EVP	Ming-Chih Chang	0	0	0	0
Director	Anthony Peter Bonadero	0	0	0	0
Director And EVP	Sheng-Hua Peng	315,000	0	0	0
Independent Director	Min-Chih Hsuan	0	0	0	0
Independent Director	Duei Tsai	0	0	0	0
Independent Director	Duh-Kung Tsai	0	0	0	0
Director	Wen-Chung Shen	0	0	-	-
Director	Yung-Ching Chang	(270,000)	0	-	-
Director And EVP	Chao-Cheng Chen	765,000	0	-	-
Executive Vice President	Chen Chang Hsu	0	0	0	0
Senior Vice President	Chun-Te Shen	315,000	0	0	0
Senior Vice President	Kuo-Chuan Chen	129,000	0	0	0
Senior Vice President	Pei-Yuan Chen	0	2,570,000	0	0

Title	Name	2018		Up till April 23, 2019	
		Shares held Increase (Decrease)	Shares pledged Increase (Decrease)	Shares held Increase (Decrease)	Shares pledged Increase (Decrease)
Senior Vice President	Chyou-Jui Wei	(80,000)	0	(120,000)	0
Senior Vice President	Ying Chang	315,000	0	0	0
Senior Vice President	Wen-Da Hsu	240,000	0	0	0
Senior Vice President	Wei-Chang Chen	180,000	0	0	0
Senior Vice President	Shi-Kuan Chen	0	0	0	0
Senior Vice President	Chi-Wai Wan	0	0	0	0
Senior Vice President	Min-Tung Weng	240,000	0	0	0
Senior Vice President	Lo-Chun Lee	180,000	0	0	0
Vice President	Chih-Chuan Cheng	180,000	0	0	0
Vice President	Ching-Hsiung Lu	(935,000)	0	0	0
Vice President	Po-Hsiung Chang	0	0	0	0
Vice President	Po-Tang Wang	180,000	0	0	0
Vice President	Tzong -Ming Wang	75,000	0	(10,000)	0
Vice President	Fu-Chuan Chang	(4,000)	0	30,000	0
Vice President	Yung-Nan Chang	54,000	0	(54,000)	0
Vice President	Sheng-Hung Li	180,000	0	0	0
Vice President	Yong-Ho Su	180,000	0	0	0
Vice President	Jyh-Shyan Liang	120,000	0	0	0
Vice President	Chiao-Lie Huang	10,000	0	0	0
Vice President	Chung-Hsing Tan	70,000	0	(10,000)	0
Vice President	Yi-Yun Chang	180,000	0	0	0
Vice President	Hsin-Kung Mao	180,000	0	0	0
Vice President	Hsin-Hsiung Huang	120,000	0	0	0
Vice President	Shih-Hong Huang	120,000	0	0	0
Vice President	Yi-Chiang Chiu	120,000	0	0	0
Vice President	Tsing-Fa Lee	(15,000)	0	0	0
Vice President	Bor-Heng Chen	120,000	0	0	0
Vice President	Jui-Chun Shyur	0	0	0	0
Vice President	Shyh-An Lee	0	0	0	0
Vice President	Ta-Chun Wang	0	0	0	0
Vice President	Fei-Long Chen	0	0	0	0
Vice President	Jen-Liang Lin	0	0	0	0
General Counsel	Peng-Hong Chan	0	0	0	0
Vice President	Wei-Chia Wang	0	0	0	0
Accounting & Corporate Governance Officer	Cheng-Chiang Wang	0	0	0	0

Title	Name	2018		Up till April 23, 2019	
		Shares held Increase (Decrease)	Shares pledged Increase (Decrease)	Shares held Increase (Decrease)	Shares pledged Increase (Decrease)
Vice President	Cheng-Hui Su	0	0	0	0
Vice President	Tu-Chuan Tu	0	0	0	0
Vice President	Chang-Chieh Tien	0	0	0	0
Internal Audit Officer	Po-Wen Hsieh	0	0	0	0
Vice President	Ling-Sheng Wu	(5,000)	0	-	-
Vice President	Chi-Hsiang Ma	0	0	-	-
Vice President	Shih-Tung Wang	0	0	-	-

Note: 1.Directors Wen-Chung Shen, Yung-Ching Chang and Chao-Cheng Chen left office on June 22, 2018.

2. Vice Presidents Liang-Jen Lin, Peng-Hong Chan, Wei-Chia Wang, Cheng- Chiang Wang, Cheng-Hui Su, Tu-Chuan Tu, Chang-Chieh Tien were promoted and took office respectively in 2018, while Executive Vice President Chao-Cheng Chen, Vice Presidents Ling-Sheng Wu, Chi-Hsiang Ma and Shih-Tung Wang resigned in 2018.

3.7.1 Shares Trading with Related Parties:

Name	Reason for transfer	Transaction date	Counterparty	Counterparty's relationship with the Company, Directors, Supervisors, and shareholders with more than 10% ownership interest	Shares	Transaction price
Chiung-Chi Hsu	Inherit	2018/10/17	Ching-Hua Hsu Hsu	Mother and Son	42,000	18.45
Chiung-Chi Hsu	Inherit	2018/10/23	Ching-Hua Hsu Hsu	Mother and Son	75,000	18.45
Kuo-Chuan Chen	Gift	2018/5/31	Chao-Chuan Chen	Father and Son	111,000	19.80
Ching-Hsiung Lu	Gift	2018/3/30	Shao-Hsuan Lu	Father and Daughter	115,000	19.95
Ching-Hsiung Lu	Gift	2018/7/10	Chen-Huei Yen	Husband and Wife	1,000,000	19.00
Yung-Nan Chang	Gift	2018/10/19	Hao-Ching Chang	Father and Daughter	126,000	17.40

3.7.2 Shares Pledged with Related Parties: None

3.8 Relationship among the Top Ten Shareholders

April 23, 2019 Unit: Shares

Name	Self Shares held		Shareholdings of spouse and underage children		Total shares held in the names of others Shares held		Spouse, relative of second degree or closer, and relationships among top 10 shareholders	
	Shares	Shareholding Percentage	Shares	Shareholding Percentage	Shares	Shareholding Percentage	Name	Relationship
Silchester International Investors International Value Equity Trust	195,311,000	4.43%	-	-	0	0%	N/A	N/A
Kinpo Electronics Inc. Representative: Sheng-Hsiung Hsu	151,628,692 8,975,401	3.44% 0.20%	- 17,107,025	- 0.39%	0 0	0% 0%	N/A	N/A
Silchester International Investors International Value Equity Group Trust	101,499,000	2.30%	-	-	0	0%	N/A	N/A
Fidelity Puritan Trust: Fidelity Low-Priced Stock Fund	67,000,000	1.52%	-	-	0	0%	N/A	N/A
Vanguard Emerging Markets Stock Index Fund, A Series of Vanguard International Equity Index Funds	66,273,410	1.50%	-	-	0	0%	N/A	N/A
Silchester International Investors International Value Equity Taxable Trust	66,086,000	1.50%	-	-	0	0%	N/A	N/A
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	65,563,212	1.49%	-	-	0	0%	N/A	N/A
Fubon Life Insurance Co., Ltd Representative: Ming-Hsing Tsai	64,200,991 0	1.46% 0%	- 0	- 0%	0 0	0% 0%	N/A	N/A
Cathay Life Insurance Co., Ltd. Representative: Tiao-Kuei Huang	58,181,000 0	1.32% 0%	- 0	- 0%	0 0	0% 0%	N/A	N/A
Dimensional Emerging Markets Value Fund	54,866,333	1.24%	-	-	0	0%	N/A	N/A

3.9 Ownership of Shares in Affiliated Enterprises

December 31, 2018 Unit: Shares; %

Investees (Note)	Invested by the Company		Held by directors, supervisors, managers, and directly/indirectly controlled entities		Aggregate investment	
	Shares	Shareholding percentage	Shares	Shareholding percentage	Shares	Shareholding percentage
Panpal Technology Corp.	500,000,000	100.00	-	-	500,000,000	100.00
Gempal Technology Corp.	90,000,000	100.00	-	-	90,000,000	100.00
Hong Ji Capital Co., Ltd.	100,000,000	100.00	-	-	100,000,000	100.00
Hong Jin Investment Co., Ltd.	29,500,000	100.00	-	-	29,500,000	100.00
Zhaopal Investment Co., Ltd.	135,800,000	100.00	-	-	135,800,000	100.00
Yongpal Investment Co., Ltd.	118,850,000	100.00	-	-	118,850,000	100.00
Kaipal Investment Co., Ltd.	51,050,000	100.00	-	-	51,050,000	100.00
Rayonnant Technology Co., Ltd.	29,500,000	100.00	-	-	29,500,000	100.00
RiPAL Optotronics Co., Ltd.	6,000,000	100.00	-	-	6,000,000	100.00
Unicom Global Inc.	10,000,000	100.00	-	-	10,000,000	100.00
Palcom International Corporation	10,000,000	100.00	-	-	10,000,000	100.00
Henghao Technology Co., Ltd.	63,815,952	100.00	-	-	63,815,952	100.00
Compal Broadband Networks Inc.,	29,060,176	43.48	14,172,854	21.20	43,233,030	64.68
Crownpo Technology Co., Ltd.	3,738,668	33.23	6,185,465	54.94	9,924,133	88.17
Kinpo Group Management Consultant Company	300,000	37.50	300,000	37.50	600,000	75.00
Mactech Co., Ltd.	21,756,192	52.88	274,954	0.67	22,031,146	53.55
General life Biotechnology Co., Ltd.	15,000,000	50.00	-	-	15,000,000	50.00
Lead-honor Optoelectronic Co., Ltd.	2,772,000	42.00	-	-	2,772,000	42.00
Infinno Technology Corporation	5,649,625	27.20	-	-	5,649,625	27.20
Accesstek Inc.	899,160	27.78	319,707	9.88	1,218,867	37.66
Allied Circuit Co., Ltd.	10,157,730	20.42	7,236,701	14.55	17,475,025	34.97
Arcadyan Technology Corp.,	41,304,504	21.34	27,497,677	14.55	68,802,181	35.55
Maxima Ventures I, Inc.	126,000	22.55	3,000	0.54	129,000	23.09
Avalue Technology Inc.	15,240,070	21.99	672,000	0.97	15,912,070	22.96
Core Profit Holdings Ltd.	147,000,000	100.00	-	-	147,000,000	100.00
Flight Global Holding Inc.	89,755,495	100.00	-	-	89,755,495	100.00
Just International Ltd.	48,010,000	100.00	-	-	48,010,000	100.00
High Shine Industrial Corp.	42,700,000	100.00	-	-	42,700,000	100.00
Compal International Holding Co., Ltd.	53,001,000	100.00	-	-	53,001,000	100.00
Big Chance International Co., Ltd.	90,820,000	100.00	-	-	90,820,000	100.00
Compal Rayonnant Holdings Limited	12,500,000	100.00	-	-	12,500,000	100.00
Auscom Engineering Inc.	3,000,000	100.00	-	-	3,000,000	100.00

Investees (Note)	Invested by the Company		Held by directors, supervisors, managers, and directly/indirectly controlled entities		Aggregate investment	
	Shares	Shareholding percentage	Shares	Shareholding percentage	Shares	Shareholding percentage
Compal Europe (Poland) Sp. z o.o.	136,080	100.00	-	-	136,080	100.00
Bizcom Electronics, Inc.	100,000	100.00	-	-	100,000	100.00
Compal Electronics (Holding) Ltd.	1,000	100.00	-	-	1,000	100.00
Compalead Electronics B.V.	6,426,516	100.00	-	-	6,424,516	100.00
Etrade Management Co., Ltd.	46,900,000	65.23	25,000,000	34.77	71,900,000	100.00
Webtek Technology Co., Ltd.	100,000	100.00	-	-	100,000	100.00
Forever Young Technology Inc.	50,000	100.00	-	-	50,000	100.00
Lipo Holding Co., Ltd.	98,000	49.00	102,000	51.00	200,000	100.00
Ascendant Private Equity Investment Ltd.	31,253,125	34.72	37,253,825	42.50	68,506,950	77.22
UniCore BioMedical Co., Ltd.	20,000,000	100.00			20,000,000	100.00
Shennona Corporation	2,500,000	100.00			2,500,000	100.00

Note: Investments made by the Company using the Equity Method.

IV. Capital Overview

4.1 Capital and Shares

4.1.1 Source of Capital

May 13, 2019

Year	Month	Issuance Price	Authorized capital		Paid-up capital		Remarks		
			Shares	Amount (NTD)	Shares	Amount (NTD)	Source of capital	Paid in properties other than cash	Others
2017	2	10	6,000,000,000	60,000,000,000	4,422,464,625	44,224,646,250	Cancellation of Restricted Employee Shares of $20,460,000	N/A	Change of capital approved by the Ministry of Economic Affairs on February 24, 2017
2017	5	10	6,000,000,000	60,000,000,000	4,422,152,625	44,221,526,250	Cancellation of Restricted Employee Shares of $3,120,000	N/A	Change of capital approved by the Ministry of Economic Affairs on June 3, 2017
2017	8	10	6,000,000,000	60,000,000,000	4,421,870,625	44,218,706,250	Cancellation of Restricted Employee Shares of $2,820,000	N/A	Change of capital approved by the Ministry of Economic Affairs on August 29, 2017
2017	11	10	6,000,000,000	60,000,000,000	4,420,280,625	44,202,806,250	Cancellation of Restricted Employee Shares of $15,900,000	N/A	Change of capital approved by the Ministry of Economic Affairs on November 29, 2017
2018	3	10	6,000,000,000	60,000,000,000	4,419,191,625	44,191,916,250	Cancellation of Restricted Employee Shares of $10,890,000	N/A	Change of capital approved by the Ministry of Economic Affairs on March 21, 2018
2018	5	10	6,000,000,000	60,000,000,000	4,407,146,625	44,071,466,250	Cancellation of Restricted Employee Shares of $120,450,000	N/A	Change of capital approved by the Ministry of Economic Affairs on May 29, 2018

Share Type	Authorized capital			Remarks
	Outstanding shares (public listed)	Unissued shares	Total	
Ordinary shares	4,407,146,625	1,592,853,375	6,000,000,000	Approved to include 100,000,000 shares of employees shares and corporate bonds with warrant in capital.

■ Shelf registration system information: None

4.1.2 Status of Shareholders

April 23, 2019

Analysis	Government Agencies	Financial Institutions	Other Institutions	Foreign Institutions & Natural Persons	Domestic Natural Persons	Treasury stocks	Total
Number of Shareholders	3	42	285	993	175,750	0	177,073
Shareholding (shares)	8	174,421,971	388,781,921	2,260,082,693	1,583,860,032	0	4,407,146,625
Percentage	0.00%	3.96%	8.82%	51.28%	35.94%	0.00%	100.00%

4.1.3 Share Ownership Distribution

April 23, 2019

Range of Shareholding (Unit: Shares)	Number of Shareholders	Shareholding (Shares)	Percentage
1 ~ 999	45,590	8,863,196	0.20%
1,000 ~ 5,000	86,852	198,236,742	4.50%
5,001 ~ 10,000	21,532	160,694,287	3.65%
10,001 ~ 15,000	7,683	93,997,886	2.13%
15,001 ~ 20,000	4,354	79,298,458	1.80%
20,001 ~ 30,000	3,817	95,240,018	2.16%
30,001 ~ 40,000	1,755	62,122,883	1.41%
40,001 ~ 50,000	1,174	54,349,232	1.23%
50,001 ~ 100,000	2,131	152,573,319	3.46%
100,001 ~ 200,000	1,019	141,994,391	3.22%
200,001 ~ 400,000	466	132,628,990	3.01%
400,001 ~ 600,000	178	87,514,821	1.99%
600,001 ~ 800,000	91	61,993,916	1.41%
800,001 ~ 1,000,000	44	39,045,147	0.89%
1,000,001 and over	387	3,038,593,339	68.94%
Total	177,073	4,407,146,625	100.00%

4.1.4 List of Major Shareholders

April 23, 2019

Shares Shareholder's name	Shares held	Percentage (%)
Silchester International Investors International Value Equity Trust	195,311,000	4.43%
Kinpo Electronics Inc.	151,628,692	3.44%
Silchester International Investors International Value Equity Group Trust	101,499,000	2.30%
Fidelity Puritan Trust: Fidelity Low-Priced Stock Fund	67,000,000	1.52%
Vanguard Emerging Markets Stock Index Fund, A Series of Vanguard International Equity Index Funds	66,273,410	1.50%
Silchester International Investors International Value Equity Taxable Trust	66,086,000	1.50%
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	65,563,212	1.49%
Fubon Life Insurance Co., Ltd.	64,200,991	1.46%

Cathay Life Insurance Company, Ltd.	58,181,000	1.32%
Dimensional Emerging Markets Value Fund	54,866,333	1.24%

4.1.5 Market Price, Net Worth, Earnings, and Dividends per Share

Measurement \ Year			2017	2018	Year-to-date March 31, 2019
Per-share market price	High		22.90	22.15	19.15
	Low		18.45	16.65	17.05
	Average		20.50	19.16	18.30
Per-share net worth (Note)	Before dividend		23.32	24.26	24.75
	After dividend		22.12	23.05	-
Earnings per share	Before adjustment	Weighted average outstanding shares	4,344,645,129	4,356,447,549	4,357,129,194
		Earnings per share	1.32	2.05	0.31
	After adjustment	Weighted average outstanding shares	4,344,645,129	4,356,447,549	-
		Earnings per share	1.32	2.05	-
Per-share dividend	Cash dividends		1.20	1.20	-
	Stock dividends	From earnings	-	-	-
		From capital reserves	-	-	-
	Cumulative unpaid dividends		-	-	-
Analysis of investment returns	P/E ratio		15.53	9.35	-
	Price to dividends ratio		17.08	15.97	-
	Cash dividend yield		5.85%	6.26%	-

Note: The 2018 distribution of earnings was resolved at the March 22, 2019 Board of Directors’ Meeting and will be submitted to the 2019 shareholders’ meeting for final approval.

4.1.6 Dividend Policy and Implementation Status

(1) Dividend Policy

When the Company makes a profit during the year, 10% of the annual net income after appropriating income tax expense, offsetting any prior deficit, is to be set aside as legal reserve and a special reserve is set aside or reserved in accordance with the pertinent laws and regulations. The balance of earnings available for distribution is composed of the remainder of the said profit and the retained earnings from previous years. The earnings appropriation, distribution of dividends, and bonuses shall be proposed by the Board of Directors and approved at a Shareholder’s Meeting. The rest of the unappropriated earning shall be reserved.

The Company is in a growth period of its life cycle. And as such, for the consideration of future capital needs and to meet cash flow needs of its shareholders, the Company’s distribution of cash dividends, after closing and distribution of earnings, shall be no less than 10% of the total cash and stock dividends.

Although a dividend ratio has not been specified in the Company’s articles of incorporation, the Company shall not appropriate less than 30% of its income after tax for dividends, after taking into account factors such as the Company’s capital needs, the capital budget, long term financial plans, domestic and international competition, and the interests of the shareholders. The board of directors shall propose the distribution of earnings and submit them to the shareholders' meeting for approval.

(2) Proposed Distribution of Dividends

- The proposed 2018 distribution of earnings of shareholders' dividends in the amount of NTD 4,407,146,625 will be discussed at the 2019 shareholders' meeting. The aforementioned amount is set to be distributed as an all cash dividend of NTD 1 per share and incurred capital surplus generated from the excess of the issuance price over the par value of the capital stock in the amount of NTD 881,429,325, or NTD 0.2 per share. The total cash distribution amounts to NTD 5,288,575,950.
- Should the Company decide to buy back/recover outstanding shares, transfer treasury stock to employees, reduce share capital or in any other way alter the number of outstanding shares sometime later, the Board of Directors shall be authorized to adjust the payment rate of cash dividends and cash capital surplus as deemed necessary at its discretion.

(3) When there is a significant change in the expected dividend policy, it should be stated: None.

4.1.7 Impact to 2019 Business Performance and EPS resulting from Stock Dividend Distribution:

Not Applicable (The Company did not disclose 2019 annual financial forecast)

4.1.8 Employees' and Directors' Compensation

(1) Employees' and directors' compensation policies as stated in the Articles of Incorporation

When the Company makes a profit in a fiscal year, the Company's pre-tax profits in such fiscal year, prior to the deduction of compensation to employees and directors, shall be distributed to employees as compensation in the amount of no less than two percent (2%) thereof and to directors as compensation in an amount of no 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 the accumulated losses.

The compensation to employees as mentioned above may be distributed in the form of stock or cash and employees entitled to receive said stock/cash may include the employees of the Company's subordinate companies pursuant to the Company Act.

(2) Basis for estimating employees 'and directors' compensation and stock dividends, and accounting treatments for any discrepancies between the amounts estimated and the amounts paid.

- Compensation to directors and employees, as denoted in the Articles of Incorporations, shall be estimated based on income before tax prior to the subtraction of directors and employees compensation during the current year and multiplied by the ratio as denoted in the Article of Incorporation (shall not be more than 2% or less than 2% of the remainder, respectively.)
- If the compensation approved for distribution to employees is to be in the form of common shares, the number of shares is determined by dividing the amount of the compensation by the closing price of the shares on the day preceding the Board of Directors' meeting.
- If the actual amounts differ from the amounts estimated, the differences are recorded as gains/losses in the subsequent year as a change in accounting estimate.

(3) 2018 employees compensation proposal passed by the board of directors

- Accrued employees compensation is NTD $930,857,503 and directors compensation is NTD $49,222,782.
- If the estimated distribution amount differs from the amounts estimated in accrued expenses, the variance, reason, and resolution should be disclosed: No variance.
- The proposed distribution of employee stock compensation, and the size of such an amount as a percentage of the sum of the after-tax net income stated in the individual financial reports for the current period and total employee compensation: Not applicable (no employee stock compensation).

(4) Actual distribution of 2017 employee and directors compensation:

- The employee compensation is NTD $624,296,016 and the directors compensation is NTD $33,012,128.
- The 2017 actual distribution of employee and directors compensation was approved at the 2017 shareholders' meeting and remained as proposed by the board of directors.

4.1.9 **Company Buyback of Own Shares:** None

4.2 **Bonds:** None

4.3 Preferred shares: None.

4.4 Global Depository Receipts

(1) Issuance

<table>
<tr><th colspan="3">Date of issue: / Details</th><th>November 9, 1999</th><th>May 21, 2001</th></tr>
<tr><td colspan="3">Issuance and trading location</td><td>Luxembourg</td><td>Luxembourg</td></tr>
<tr><td colspan="3">Total sum issued</td><td>USD 122,160,000</td><td>USD 174,816,000</td></tr>
<tr><td colspan="3">Issuance price per unit</td><td>USD 15.27</td><td>USD 6.07</td></tr>
<tr><td colspan="3">Number of units issued</td><td>8,000,000 units</td><td>28,800,000 units</td></tr>
<tr><td colspan="3">Source of represented securities</td><td>Participating shareholder(s):
Kinpo Electronics, Inc.</td><td>1. Participating shareholder(s): 44,000,000 shares contributed by
(1) Kinpo Electronics, Inc.
(2) Panpal Technology Corporation
(3) Gempal Technology Corporation
2. New cash issue of Compal shares: 1,000,000,000 shares</td></tr>
<tr><td colspan="3">Quantity of represented securities</td><td>40,000,000 ordinary shares of Compal Electronics</td><td>144,000,000 ordinary shares of Compal Electronics</td></tr>
<tr><td colspan="3">GDR holders' rights and obligations</td><td colspan="2">1. Voting rights:
According to the terms of the depository agreement and the laws of the Republic of China, the beneficiary certificate holder is entitled to the voting rights of shares represented under the beneficiary certificate.
2. Rights to dividend distribution, share subscription, and other rights:
Unless otherwise specified in the agreement, the GDR carries identical rights as do ordinary shares</td></tr>
<tr><td colspan="3">Trustee</td><td>N/A</td><td>N/A</td></tr>
<tr><td colspan="3">Depository bank</td><td>The Bank of New York</td><td>The Bank of New York</td></tr>
<tr><td colspan="3">Custodian</td><td>Mega International Commercial Bank</td><td>Mega International Commercial Bank</td></tr>
<tr><td colspan="3">Unredeemed balance</td><td colspan="2">106,272,719 units (May 13, 2019)</td></tr>
<tr><td colspan="3">Allocation of expenses incurred at issuance and over the duration</td><td>Borne by participating shareholder(s)</td><td>Allocated proportionally between the Company and participating shareholders</td></tr>
<tr><td colspan="3">Key terms of the depository and custodian agreements</td><td colspan="2">See descriptions below</td></tr>
<tr><td rowspan="6">Per Unit Market Price</td><td rowspan="3">2018</td><td>High</td><td colspan="2">USD $3.752</td></tr>
<tr><td>Low</td><td colspan="2">USD $2.7017</td></tr>
<tr><td>Average</td><td colspan="2">USD $3.18418</td></tr>
<tr><td rowspan="3">Year-to-date May 13, 2019</td><td>High</td><td colspan="2">USD $3.2367</td></tr>
<tr><td>Low</td><td colspan="2">USD $2.7686</td></tr>
<tr><td>Average</td><td colspan="2">USD $3.0305802</td></tr>
</table>

(2) Key terms of the depository and custodian agreement

1. Key terms of the depository agreement

■ Depository receipts

Each depository certificate represents 5 Compal ordinary shares.

■ Transfer/settlement

Ownership and transfer of depository receipts shall be certified through the book-entry settlement system of The Depositary Trust Company ("DTC"). Depository receipts shall be settled over DTC's book-entry system. Unless otherwise specified by law, ownership and transfer of depository receipts may only be completed over DTC's records. In Europe, depository receipts are still held under DTC, but transactions are settled through the book-entry system of Euroclear or Clearstream.

■ Deposit and redemption of Compal shares

Three months after issuance of depository receipts, holders may request to redeem and receive shares represented by the depository receipt after paying the relevant charges according to the terms of the depository contract, or request the depository institution to sell shares represented by the depository receipt (provided that Compal has placed an adequate quantity of ordinary shares for sale with the depository institution). Once the shares represented by the depository receipt have been sold, the depository institution shall deduct the relevant charges, taxes, and government levies from the sales proceeds, and convert the remainder into USD before paying the depository receipt holder who has requested redemption. Subsequent issues of depository receipts are subject to the procedures outlined by the Securities and Futures Institute of the Republic of China, the terms of the depository contract, and the consent of both Compal and the depository institution.

The depository receipts have been listed on the Luxembourg Stock Exchange and are traded through the PORTAL of National Association of Securities Dealers Inc.

■ Distribution of dividends, gains, and rights

For cash dividends on Compal shares, the depository institution is required to convert the amount of cash received into USD according to the laws of the Republic of China, deduct taxes and relevant charges, and distribute the remainder to depository receipt holders based on the percentage of shares represented in each depository receipt.

For stock dividends on Compal shares (including shares issued against capitalized earnings and reserves), the depository institution is required to adjust the number of shares represented in each depository receipt according to the laws of the Republic of China and terms of the depository contract. DTC will then produce additional depository receipts based on the size currently held and distribute them to the respective holders. Sale of stock dividends is subject to compliance with the terms of the depository contract and laws of the Republic of China.

■ Tax

(1) Any dividends (cash or stock) paid to the depository institution are subject to withholding tax at the prevailing tax rate when payment is made.
(2) Holders who request the redemption of depository receipts by having the depository institution sell the underlying shares through the Taiwan Stock Exchange Corporation (TWSE) will be charged securities transaction tax at the prevailing rate when the sale takes place.

(3) Capital gains tax on securities transactions is currently suspended according to the laws of the Republic of China. Practices may be adjusted to reflect changes in the laws of the Republic of China.

2. Key terms of the custodian agreement

■ Placing securities for the issuance of global depository receipts

Compal is required to place securities with the custodian and hand over all documents mentioned in the custodian contract, which provide the basis for the issuance of global depository receipts.

■ Notifying the depository institution for the issuance of depository receipts

Once the custodian has received Compal's ordinary shares, the custodian shall immediately notify the depository institution for the issuance of global depository receipts. As soon as the depository institution receives the above notice, it shall produce and issue global depository receipts representing the number of entitled securities to the parties mentioned in the custodian's notice above.

■ Delivery of securities upon redemption of depository receipt

If a holder requests the redemption of depository receipts, the depository institution shall immediately notify the custodian to transfer the number of securities represented to the party specified by the depository institution. The custodian may collect a sum sufficient to cover the taxes or expenses incurred from the party specified by the depository institution as a result.

■ Confirmation of share quantity on baseline date

The custodian is required to report to the depository institution the number of securities held in custody by the end of each baseline date.

4.5 Employee Warrants: None

4.6 Subscription of New Shares by Employees and Restricted Shares: None

4.7 Status of New Shares Issuance in Connection with Mergers and Acquisitions: None

4.8 Financing Plans and Implementation:

(1) Execution of the previous issue or private placement of securities that have not been completed: None

(2) The latest three-year issuance or private placement of securities has been completed and the project benefits have not yet been revealed: none

V. Operational Highlights

5.1 Business Activities

5.1.1 Business Scope

(1) Main areas of business operations

The development, design, manufacture and sales of Notebook PCs, Ultrabook PCs, 2-in-1 PCs, AIO PCs, Tablet PCs, Servers, AE, the Smart Home, LCD TVs, LCD Monitors, Public Displays, Smart Phones and Modules and other Smart Accessory and Wearable Devices.

The development and design of IoT Vertical Solutions, Electronic Medical Recording devices (EMR), and hospital management systems, Point of Care solutions, smart Sports, medical AI, and innovative medical devices。

(2) Revenue distribution

Unit: NTD thousands

Major Divisions	(%) of Total Sales in 2018
5C electronics	99.7%
Other products	0.3%
Total	100.0%

(3) New products development

The development and design of IoT Vertical Solutions, Electronic Medical Recording Devices (EMR), hospital management systems, Point of Care solutions, and smart Sports.

■ Notebooks

In 2018, Compal adopted the most efficient R&D methods for the launch of their latest notebook PC hardware. This includes products using Intel Core i3, i5 and i7 8th generation processors and AMD central processors. Graphics were incorporated in a single silicon chip in the development of the APU for the launch of these new laptops which are compatible with the Windows 10 operating system. Compal has special expertise in system integration, R&D and manufacturing to assist clients in the development and mass-production of new products with the latest specifications in a relatively short time. The Compal price-competitive, slim and stylish notebooks were launched at a time when the market favored more affordable and portable devices. They received most positive responses from consumers. The purchase signal in the high-end gaming laptop market has been relatively stable, making the gaming laptop market new ground for brand name companies to vie for growth. The injection of more money into this aspect of the notebook market has intensified competition in the global gaming notebook market. After years of operation as an ODM of gaming notebooks for our brand partners, Compal has accumulated profound experience in their design and development. In 2019, the Company will continue to keep up with the market trends by introducing high-end technical specifications, multi-dimensional graphics chips and Intel's 8th generation high-end H series central processors to launch a new brand of gaming computer. Together with our clients, we shall secure our share in the gaming laptop market. Compal has also been improving its ability to design customized models for customers in different countries and markets. Significant resources have been devoted to the development of commercial notebooks, given how resilient the demand has been to economic downturn. Overall, Compal aims to attain industry-leading R&D capabilities in both the consumer and commercial markets.

■ Ultrabooks

Innovative technology and extensive R&D capabilities have allowed Compal to maintain a leading position in the industry. Compal produces an ultra-thin notebook, the Ultrabook, that uses the latest generation of the Intel industry-leading 15 Watt standard voltage processor. Not only is it slim and light but it has most excellent performance and allows users to really be productive. More Windows 10 Ultrabooks equipped with standard voltage processors are scheduled for launch in 2019. In addition to compatibility with the Intel design specifications for their latest generation products, we will also be introducing slimmer products at a lower price to meet market demand. They will feature the stylish and elegant body that is typical of Compal products, yet offer computing power that can rival a high-performance PC. Compal will also continue to develop newer and more competitive technologies that consumers around the world will get to enjoy, but will also give our clients faster access to these markets.

■ 2-in-1 Notebooks

The 2-in-1 Notebook is a novel product that borrows the concept of "Transformers" – in addition to having a standard laptop keyboard for diverse functional operations, the product also features Tablet PC touch versatility. The touch-sensing display module coupled with the latest Microsoft Windows 10 OS attracts both the consumer base for standard laptops as well as that for tablet PCs. We have utilized our rich R&D experience to present a number of innovative concepts that incorporate exclusive technology as well as materials. The fan-less design of the in 2-in-1 Notebook with its different designs and form factors, has allowed the company to create new market demand and earn unanimous praise from clients and consumers alike.

■ All-in-one (AIO)

The AIO has been on the market for years. It is an elegant deign combination of screen and computer with a thin, special shape. The product has replaced the desktop in many households and corporations. Compal has also enhanced the design to allow the AIO to lie flat while also being portable (Portable AIO). Because Compal has the fundamental technical capabilities required for notebook PCs as featured in the AIOs, it can also commence production in a very short time. Our AIO product lines have been very well received by clients.

■ Tablets

Compal has long cultivated tablet PC technology for industrial, commercial and consumer use, as well as for eReader products. We will continue to develop a series of tablet PCs and LTE compatible products at affordable price points to satisfy the needs of our customers while also winning consumer recognition and respect.

■ Smart Wearable Devices

Compal began shipping wearable devices in 2016. The development of these devices was greatly enhanced by our very capable design and development departments and efficient mass production. We have made significant progress in terms of the shipping quantities of Google Wear OS smart watches. In addition to the development of even more compact and energy efficient smart watches we intend to expand our production lines to include other wearable products in the near future.

■ Smartphones and Modules

Compal continues to strengthen our R&D operational efficiency and communications core technologies as well as the development of innovative technologies to maintain an industry-leading position. In the near future, we will continue to develop mid- and high-end smart mobile devices with powerful multi-core chipsets, narrow borders, multi-camera imaging and special features cameras. We will also upgrade our TDD-LTE/ FDD-LTE carrier technology aggregation. In addition to continued strengthening of R&D competitiveness, we will also invest in the 5G communications technology and develop cost-effective, popular and stylish products to cope with the rapid growth of customer needs in the emerging markets.

■ Smart Home
Smart Home has been in development for many years, the rise of the Internet of Things (IoT) and AI technologies, has allowed the hub with smart voice assistant to become the focal point of competition in several relevant industries. We have already received client recognition for our development of the Smart Speaker and Smart Display using our own computing and mobile design and development capability. In the future, Compal will also use its core capabilities to gradually expand product coverage in many different applications and industries.

■ LCD TVs
As consumers change their TV watching habits, the interaction experience between users of Smart TVs, or smart phones for that matter, has also become redefined by seamless extension of content on these devices. This includes an embedded voice assistant to help consumers find content more easily. Furthermore we have also enhanced high resolution TV and high dynamics technologies to improve both user convenience and viewing quality to meet growing user expectation from such smart devices.

■ LCD Monitors
Develop an HDMI wireless casting dongle and integrate with a smart platform for 65-inch and above, as well as the development of interactive whiteboards for the B2B market.

■ AE
Car PCs consist of an in-car communication system (Telematics) and an in-car AV entertainment system (in-Vehicle-Infotainment). As telematics systems are governed by special regulations on safety and communications control, we have long been working with car manufacturers to ensure the relevant processes were in sync. Due to the similarity in system framework between in-car AV entertainment and PCs, the field became a natural starting point for a Compal foray into the car PC market. After years of hard work in the field, Compal products have been adopted by several major car manufacturers around the world.

■ IoT Vertical Solutions
Vertical solutions have been one of the key demands in the development of IoT with an extensive range of applications covering smart cities, Industry 4.0, smart buildings, smart retail and smart medical care. Such solutions feature integrated software and hardware and are designed specifically to accommodate client needs. Demands from B2B customers not only account for a higher portion of the existing IoT market but also bring Compal more immediate profit. As Artificial Intelligence (AI) applications have become more popular, Compal is now offering competitive products to address the primary needs of development in many different fields, not just as a hardware manufacturer, but also as a full Service Solution Provider.

■ Smart Medical and Healthcare
The aging population, China's new two-child policy, the flourishing health care industry, and the rise of sports fashion, especially the popular and convenient smart devices, have all contributed to smart healthcare becoming a focus of attention. It has also become a major matter of cross industry cooperation. Compal has responded to market demand and the rapid advent of the IoT era by active engagement in the healthcare market. The company has reached out to major hospitals and point of care (POC) centers such as those engaged in long term or post partum care, using our strengths in integration and extensive experience in product development. The designs, which include science, technology, and humanity, help caregivers to provide higher quality services and also give the hope of a better quality of life and personal dignity to those who need healthcare.

■ Servers
The Cloud application market is growing and a significant portion of data storage and computing analytics

have shifted to cloud servers in the back-end. To meet the demand from both Enterprises and Data Centers, Compal has mastered the R&D of High-density computing power and precision performance management, and has the capacity to design and manufacture servers with high C/P value.

5.1.2 Industry Overview

1. Current and future industry prospects

■ Notebooks

The growth of the notebook market over recent years has been driven by corporate equipment renewals and educational purchases. According to IDC, notebook shipments amounted to 164 million units worldwide in 2018, up 2% from 2017. Commercial replacement demand is expected to continue into 2019, and shipments should remain about the same as those in 2018. As the PC industry matures, brand manufacturers are shifting focus towards higher priced and more featured products, such as Ultrabooks, 2-in-1s and gaming notebooks, in search of more market opportunities, revenue and profit. This transformation requires more precise market segmentation, product positioning and innovative design. Compal, with its extensive industrial experience, fine craftsmanship and proprietary patents, is able to coordinate with suppliers and customers in creating market demand by developing innovative products that progress with time.

■ Ultrabooks

Slimness and lightweight continue to be two dominant design trends in the PC market today. As solid-state drives (SSD) become popular, ultrabooks no longer present a luxury that only high-end consumers can afford, but are gradually becoming accessible to mainstream consumers as more affordable models become available. According to IDC, the shipment of ultrabooks (<21mm thick) in 2018 was close to 68 million units worldwide, representing an annual growth rate of 28%. Ultrabooks are expected to account for 52% of the total notebook shipment worldwide by 2020 and will officially become the mainstream variant. However, Compal will continue exploring new lightweight materials, power-saving solutions and cooling technologies to help our clients provide the most competitive products, and earn market recognition.

■ 2-in-1 Notebooks

Owing to effort across the entire supply chain, the cost and selling price of 2-in-1s have dropped considerably, which has made them more available and acceptable by a wider group of consumers. There are two types of 2-in-1: flip-screen and detachable. Flip-screen notebooks can be physically converted for use under different scenarios, such as video sharing, multi-user sharing and tablet mode. In recent years, manufacturers have introduced notebooks with flip screens that are both lightweight and thin, making them even more appealing. Detachable notebooks are characterized by smaller screen size. This is a feature that appeals to both tablet and notebook users. The smaller form factor combined with detachable keyboard can better satisfy users who have higher need for portability. According to IDC, the shipment of 2-in-1devices totaled about 34.5 million units worldwide in 2018, and manufacturers are expected to introduce more diverse products in 2019. This has the potential to increase shipment by nearly 11% to more than 38 million units. These 2-in-1 Notebooks will inject new vitality into the notebook PC market.

■ All-in-one (AIO)

The AIO market is currently dominated by Lenovo, Apple, HP and DELL. Those top brands account for more than 80% of market share today. The AIO market is currently divided between two extremes. One end of the spectrum is characterized by the use of entry-level CPUs such as Intel Celeron and Pentium. Their main purpose being to replace desktop PCs as learning machines for children. On the other end of the spectrum there lies the mid-range and high-priced products. Their main advertised features include multimedia playback, a high-end desktop or notebook CPU, an advanced video processor, and a large touchscreen panel. These high-end specifications combined with aesthetic design have revolutionized the PC market and these products are starting to replace desktops. According to IDC, the 3-year decline of AIOs has ended and shipments should remain stable with 12.36 million units in 2019. In terms of design trend, the market should expect touch-based applications, graphical user interfaces or e-sport grade AIOs in the future. The potential for AIOs to replace desktop PCs in broader scenarios should further stimulate product growth.

■ Tablets

The continuous growth of smartphones with large displays has weakened the demand for tablets and the size of the tablet market fell by about 11.7% in 2018. Performance-to-price ratio and functionality remains the main consumer concern. Demand for tablets with voice has been relatively stable. Compal has been adjusting its tablet product line to quickly respond to the changing market, and continues to provide consumers with a competitive and diverse range of products.

■ Smart Wearable Devices

According to IDC, sales volume grew more than 3 fold in 2018. This dynamic growth is being led by strong sales of the Apple watch. In addition to light weight, slimness and energy efficiency, the critical factor that persuades a consumer to purchase a wearable device is the perceived value of the device. To satisfy consumer perceived value, Compal not only consults their upstream partners about customer needs, but also provides diverse designs and solutions based on the needs of the ultimate consumer.

■ Smartphones and Modules

According to IDC, smartphone shipments totaled 1.4 billion units worldwide in 2018, this represented a 4.1% annual decline. Restricted by a saturated market and few new innovative device features, the smartphone market has continued to decline in 2019. Compal will aggressively invest in communications modules in 5G development, and will offer solutions with embedded AI, smart assistant, and a more intuitive user interface. We will concentrate on enhanced AI development for smartphone applications to provide better and more attractive user experience.

■ Smart Home

Mobile devices have become an inseparable part of daily life. As wireless technology matures, an "Always Connected" environment is starting to take shape to cater for our work, living and leisure needs. Smart home applications have become a main stream development item for technology giants such as Amazon and Google. Smart voice assistance has been a breakthrough for progress in smart home applications. More and more players are joining this market. In the future, there will be more applications based on voice interaction, image recognition and interaction, as well as security. The implementation of AI technology will provide users with more convenient and intuitive experience.

■ Displays

According to a report by IHS, shipment of LCD TVs totaled 221 million units in 2018, representing a YoY growth of around 3%. Faced with this market reality we continue to strengthen our relationships with strategic partners and integrate products across different categories to expand industry exposure. By such means Compal has managed to maintain the strength and flexibility needed to respond to market changes.

■ Auto electronics (AE)

According to statistics published in the foreign media, sales in the Global light vehicle market totaled 95.6 million units in 2018. Most of this was contributed by the Asian markets. The Chinese market alone accounted for more than 25% of units sold, making it the largest in the world. This was followed by the USA

and Europe. The tighter emission and safety standards around the world has resulted in progress being made towards the development of electric vehicles and advanced driver-assistance systems (ADAS).
To satisfy the tightened safety requirements and prepare for ADAS, Compal has obtained certification for ISO 26262 - Road Vehicles - Functional Safety in 2017. This makes us the first ISO 26262-certified AE integrated system provider in Taiwan. This certification will provide Compal with the foundation needed to improve functional safety and provide auto electronics that will satisfy all the international automobile makers.

■ IoT Vertical Solutions

Industrial computers are playing a vital role in the development of IoT. In addition, Edge Computing demand is on the rise to satisfy the needs of AI applications. According to an IHS institute forecast the global demand for industrial computers will grow 4.9% and reach close to US$4 billion (excluding services) in 2019. There are many types of industrial computer, including boards, sub-systems and integrated solutions. These are commonly used in industrial, commercial and medical applications. Box PCs and Rugged Tablets are the most popular for IoT applications and have exhibited consistent growth. Many industries have expressed high interest in IoT, and Compal is currently working with other industry leaders in the development of AGV (Automated Guided Vehicle), which can help manufacturers improve production efficiency. Compal has also developed a smart AI camera aimed at retailers and home security. This presents Compal with a favorable entry into the IoT industry.

■ Smart Medical and Healthcare

Increasing shortages of medical staff over recent years has imposed a heavy burden on medical personnel. The result is that medical institutions are desperately searching for more efficient ways to manage personnel and resources. In the United States, hospitals have responded to this crisis with the full implementation of digital charts and modern hospital management systems. Compal is actively introducing promising solutions from abroad to help Taiwanese medical institutions provide better service for patients.
Furthermore, the aging population and shifting focus of medical technology towards convenience have resulted in a change in healthcare practice from always being hospital-based to some home-based and personalized solutions. In light of this, Compal has invested significant resources in the development of integrated products that make it possible for many healthcare services to be carried out at home or at other fixed locations.
Compal also develops smart sports solutions and smart assistive tools, and is collaborating with professional athlete training centers, both local and abroad, in the development of exclusive high-end products for professional athletes.

■ Servers

Server shipments have grown progressively at about 2.6% per year mainly due to increased demand for cloud services. According to IDC, shipment of x86 servers totaled 12 million units in 2018. This is expected to rise to nearly 12.3 million units in 2019. x86 servers accounted for 99% of total server shipments. Rack mounted servers represent a higher market share because they are both energy efficient and expandable.

2. Association between upstream, midstream, and downstream industry participants

■ Notebooks

The notebook industry is now mature and Taiwanese manufacturers have developed comprehensive partnerships with upstream, mid-stream and downstream suppliers. This fully-fledged supply system gives manufacturers the advantage of being able to quickly and flexibly adjust to market changes. It also enables Compal to keep up to date with the latest technology and pricing of key components such as CPUs, chipsets, LCD panels, hard disk drives (HDD), and solid-state drives (SSD). Compal and other Taiwanese ODMs/OEMs possess distinctive know-how on system integration, from design to manufacture, as well as operational management. Taiwan now accounts for more than 80% of the world's notebook ODM/OEM production. The downstream customers including brand manufacturers such as Dell, Lenovo, HP, Acer, Asus and Apple all have strong marketing strategies and comprehensive sales support systems to ensure success.

■ Ultrabooks

As an ultrabook supplier, access to metal for casings and lightweight carbon fiber materials is especially important. Compal has already developed a robust upstream, mid-stream and downstream supply system, and acquired the equipment and technology to produce the needed metal products to customer satisfaction. Compal will now shift focus gradually towards products in the mainstream price range, such as ultrabooks made with plastic materials. This will ensure quick launch of new customer products and growth in this particular market.

■ 2-in-1 Notebooks

The supply chain and manufacturers of 2-in-1s are generally identical to those of convention notebooks, with the addition of some tablet parts suppliers and manufacturers. Support of the existing supply system and its advantage of integration across suppliers, allows Compal to maintain full control of the development of key components. This speeds up research and innovation of new features because brand manufacturers and users of 2-in-1s continue to add new requirements. Despite the increasing complexity and challenges ahead, Compal remains confident and continues to make improvements as well as bringing new products and concepts to the market.

■ All-in-one (AIO)

The supply chain and manufacturers of AIOs are generally identical to those of conventional notebooks. The upstream supply structure is similar to that for general PCs, with the addition of suppliers of large touchscreen panels. The downstream is comprised entirely of brand manufacturers, with Lenovo, Apple, DELL and HP being the dominant players. DELL focuses mainly on commercial users while HP targets home multimedia, Lenovo places more emphasis on mid and low-end products.

■ Tablets

In addition to relying on the existing supplier chain and industry advantages, Compal also actively explores competitive suppliers to ensure that the price and quality of its products conform to both customer and market expectations.

■ Smart Wearable Devices

Compal works closely with suppliers of chips, sensors, wearable displays and touchscreen modules to secure parts for wearable devices. In addition to coordinating with upstream suppliers and developing new technologies for new customers, Compal also reaches out to suppliers that have new technologies to offer. This frequent exchange of information allows the Company to quickly adjust its supply chain and product development strategies to suit the prevailing market.

■ Smartphones and Modules

Compal actively explores competitive suppliers to ensure the quality of sourced material meets both customer and market needs. Furthermore, Compal is building up a 5G related component supplier chain, as well as new technology, to assist customers to remain competitive.

■ Smart Home

Compal provides diversified terminal devices such as smart speakers and smart displays for this application segment. Compal also coordinates across upstream, mid-stream and downstream partners, to provide all kinds of customized hardware devices, software support, and platform solutions on demand. This allows different system integration providers and our many industrial customers, to fulfill all kinds of smart home application.

■ Displays

Compal engages in a sustained and integrated strategic alliance with upstream, mid-stream and downstream partners that reduces overall material cost. The Company frequently adjusts overseas production sites to support localized customer sales with local production. This allows us to retain control over operating costs and shipment flexibility to accommodate changes in market demand.

■ Auto electronics (AE)

The mid-stream players in the supply of auto electronics are represented by tier 1 AE integrated system providers. This integrated system handles in-car information, communications and entertainment, and is also linked to other auto parts. These products are sold to downstream automobile makers, which places the Company between the mid-stream and upstream of the AE supply chain.

■ IoT Vertical Solutions

Taiwan already has a complete supply chain for Box PCs from a hardware perspective, including Rugged Tablets and Edge Computing. However, what makes these two products different from conventional PCs is that they are designed with particular specifications to operate under harsh environments. For this reason, product positioning and requirements differ depending on the location, country, customer or application involved. Compal has also begun development of integrated system services such as computer vision and AI applications that aim to satisfy both customer and market demand.

■ Smart Medical and Healthcare

(1) Management system:

- Digital charts and smart ward solutions

Compal has been introducing digital charts through an alliance with some foreign partners. Unlike the conventional management system adopted by existing medical institutions, this product offers the potential to provide both diagnostic aid to physicians and also to reduce the workload on nurses. It can also be integrated with many different data management systems currently used in hospitals. Digital transformation is already happening within the healthcare system. Compal is currently working with several hospitals to develop digital charts and smart ward solutions. Medical institutions will no longer have to operate in isolation, but will be able to coordinate their activities with each other towards the establishment of a uniform standard to reduce the wastage of medical resources.

- Point of care solutions

Compal aims to address the recent increase in demand, as well as the shortage of manpower, at nursing and postpartum centers. This is being done by the introduction of human-operated healthcare solutions, such as proprietary bedside systems that are compatible with the instruments and specifications of other manufacturers. However, flexibility and the ability to customize products to customer needs will still be maintained. The most important feature of this product is that it works with different types of Smart Home devices and medical instruments, and also supports multiple services. It is intended to provide home comfort at nursing and postpartum centers, while also allowing professional care facilities to be set up at home.

(2) Instruments, equipment and accessories:

- Smart sports

Compal has invested substantial resources into the development and integration of smart sports vital sign monitors. These can gather measurable data and are also useful for professional course design. Compal solutions can be further combined with the services of professional fitness training centers to provide users and trainers with physiological information in real-time. This information can be exchanged over the cloud to facilitate remote training and communication between athletes and trainers. This helps athletes undertake the most effective physical and technical training methods and also helps to avoid sports injuries.

- Smart assistance devices and healthcare-related products

Compal is actively investing in the digital transformation of medical equipment. By the incorporation of Internet connectivity, data from medical equipment can be exchanged and calculations can be made in real-time over the cloud. This can make various user services available, including such as auto record-keeping, reminders, behavior prediction and so on. These devices can even be connected to advanced and back-end medical service providers for professional medical consultation, to accomplish the Compal vision of a mobile and real-time medical service.

- Innovative medical devices

Compal has been working with partners in both industry and the medical segment for several years and has invested in the development of some rather innovative medical devices. These include: CGM (Continuous Glucose Monitoring), 24 hour BPM (24 hour blood pressure monitoring), handheld smart ultrasound, i-AED and others. We expect to provide users and physicians with many more options to help develop a smart medical industry and improve the quality of healthcare.

(3) Medical AI

- Cardiovascular disease prediction

In an effort to reduce the problem of a lack of medical manpower, Compal has been working with the Chi-Mei Hospital and medical center on the development of AI in medicine. Using the existing abundant medical resources of the hospital, Comal is helping to build up a Cardiovascular disease prediction AI system which can be used in hospitals and medical centers. The product will include long term tracking and users may be able to predict the timing and probability of cardiovascular complication. This will allow preventative action to be taken and reduce the risk of such events as stroke, Myocardial infarction, etc. Compal also expects to help with the medical technology upgrade after the integration of the product in the professional medical establishments in Taiwan.

■ Servers

Server technology is a highly mature industry and one in which Taiwanese manufacturers have developed a comprehensive supply system of upstream, mid-stream and downstream partners. Main parts such as CPUs, memory and storage drives are easy to secure and downstream customers such as HPE, DELL and Lenovo all have long-term notebook manufacturing relationships with Compal. Compal has now developed extensive experience and a reputation in the design and manufacture of server products.

3. Product trends and competition

■ Notebooks

- The Notebook has matured to a point where brand manufacturers are shifting focus towards higher priced and more fully featured products, such as ultrabooks, 2-in-1s and gaming notebooks in a search for greater market opportunities, revenue and profit.
- The Intel 8^{th} generation CPUs, the Core i3, i5 and i7, were the mainstream processors used in 2018. The new 9^{th} generation Intel 10nm CPUs will become available on the market in 2H-2019 and will provide additional performance enhancements.
- The increasing popularity of mobile devices and online applications have called for more robust and diverse security functions, from fingerprint, to facial, to voice recognition. All of which are intended to

enhance information flow and convenience without compromising security.

■ Ultrabooks

- Light weight, slimness, and high-quality design will become the main decision factors for consumers.
- The use of standard performance CPUs will provide consumers with adequate power for multi-tasking and the handling of day-to-day computing tasks.
- Long-lasting batteries will free users from the need for frequent recharging when traveling.
- Metallic casing material allows thinner, lighter and higher value products.

■ 2-in-1 Notebooks

- Consumers nowadays expect more from 2-in-1s than light weight and portability. Multi-tasking processors, long-lasting batteries and the capacitive stylus have become the new mainstream features.

■ All-in-one (AIO)

- High-end home entertainment AIOs and new flat, portable AIOs present new opportunities.
- There is room for improvement in touch-based applications and graphical user interfaces.
- The product exterior can be designed to match interior decoration and furniture.
- Portable products can be designed with screens that can move in several directions.

The AIO target market is no longer confined to first-time PC users, or as replacement for conventional office desktops. More advanced components are becoming available and these devices will benefit from broadened applications to achieve higher market acceptance.

■ Tablets

- Extend R&D technology to 4G data communications.
- Focus on higher cost/performance ratio and better quality design.
- Explore collaborative opportunities with content providers or telecommunications service providers.
- Explore opportunities in education, for kids, industrial, and medical applications.
- Develop tablets for the Smart Home and IoT and use them as control centers or as multi-functional platforms.

The Tablet is a mature product, what manufacturers should focus on for the next step is the exploration of new use cases and more convenient user operation and support for more diversified applications. Education, kids, e-commerce, smart home hub and IoT applications are all possibilities that Compal is actively exploring.

■ Smart Wearable Devices

- More and more smart, fashionable and compact watches for sports and health are following Apple to the market.
- Customers who use smart wearable devices for sports also want high accuracy GPS, steps counts, heart rate and various other measurements. However, power efficiency remains a key requirement common to all users.
- Customers who use smart wearable devices for health reasons need accurate algorithms and convenient user operation. This remains a mainstream market.

To satisfy customer need, Compal not only continues to make more power-efficient and compact designs, but is also enhancing the flexibility of its production processes.

■ Smartphones and Modules

4G is an established and popular subscriber service today, and carrier aggregation (CA), based on 4G technology to provide wide bandwidth and high transmission speed, has been developed to satisfy the increasing consumer demand for audio, video and application services.

- Develop multi-core infrastructure and new-generation LTE CA products to satisfy both the work and entertainment needs of the consumer.
- Develop large screens, high resolution and borderless smartphones.
- Implement more sensors and advanced camera technology to provide more convenient use.
- Explore high 5G transmission speed and support new AI applications to drive video streaming services.

The differences between smartphone brands, in terms of hardware structure, have become negligible. This is why Compal has moved focus towards the design of new imaging technologies and software services to create better differential value. At the same time Compal is exploring new opportunities for communications products in industrial and IoT applications.

■ The Smart Home

- The voice input and interaction provided by the smart speaker and smart display is a trend of the future and will connect the more intuitive and convenient smart home products.
- Software services working on cloud computing, data analysis and user behavior learning will define the key competitiveness of smart home products.

■ Displays

The emergence of Chinese brands and OEMs presents intense competition. In response, the Company is working with its US and Japanese partners to develop mid-range and high-end models and introduce new applications such as AI and voice assistance. Compal sparks creativity through constant accumulation of the latest technologies and experience. This enables us to integrate R&D resources across different fields such as smartphones, wearable devices, the Smart Home and IoT to bring new prospects to the industry. We constantly improve user experience, secure long-term competitiveness and maintain a technological advantage over our peers.

■ Auto electronics (AE)

Telematics and in-vehicle-infotainment.

■ IoT vertical solutions

- Driven by a rapid increase in the demand for the smart city, application of the Box PCs has expanded to cover infrastructure, Industry 4.0 and smart architecture, while flexible designs and customization have enabled many possibilities for integrated systems.
- Rugged tablets will be more widely used in industry, logistics and medical applications.
- The growing popularity of online shopping will make it necessary for physical merchants to explore new solutions to connect with consumers. Smart retail presents such a solution, as it aims to learn consumer behavior to determine the optimal sales strategy to be offered.
- Home security is becoming a very important part of daily life. Unlike ordinary IP cameras, with computer visual AI, smart cameras can provide better security in a home application than conventional cameras.
- AGV has been part of automated industry for decades. Compal has added many cutting edge technologies to AGV, such as LiDAR (Light Detection and Ranging), as well as precise computer vision analysis to help manufacturers enhance the flexibility of production.
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■ Smart Medical and Healthcare

(1) Management system:

- Digital charts and smart ward solutions

The United States currently has the most popular (Level 7) digital chart and hospital management system, and other countries around the world are following closely behind. The purpose of this product is to deliver functions that will be of assistance to physicians and nurses while still being easy to operate. Alliances with world industry leaders has made it possible for Compal to introduce the solution to medicine in Taiwan, where its success will be replicated in our medical systems and it will also be moved to other countries in Asia.

- Point of care solutions

An aging society, combined with a need for differentiated medical services, make nursing centers and postpartum care centers especially popular in Taiwan. This management system provides them with a comprehensive solution, and makes it possible for communications to be established between several different medical devices while patient privacy remains protected. Compal has invested in the development of related hardware and software, and is working with existing medical instrument suppliers on the growth of this market.

(2) Instruments, equipment and accessories:

- Smart sports

There is already a strong and growing demand from professional athletes for assistive technologies and devices. Compal has invested significant R&D effort in collaboration with top world sports experts for the development of products that are more suitable for professional athletes. Compal is also working with fitness centers on the creation of customized, exclusive packages that deliver the most effective sports solutions and communications to users and businesses.

- Medical equipment and healthcare-related products

Medical equipment with Internet connectivity is a trend of the future. Devices that have functionality that allows access to information from a health management platform will be easier to operate and also more competitive in the market. Compal will continue investing in the development of medical instruments and equipment with such connectivity and will bring better quality services to customers with the help of a management platform and cloud service.

- Innovative medical devices

As the new biosensors and related hardware such as MCU/firmware/bio materials and software have matured over recent years, development of the innovative medical devices industry has also moved to another stage. Continuous investment and development by Compal has led to more and more customers gaining trust in our design and development capacity, and the market trend is now moving towards alternative device generation.

(3) Medical AI:

- Cardiovascular disease prediction

Medical AI has become one of hot topics in medical technology development. Many heavy players like IBM, Apple, GOOGLE and Amazon have become aggressively involved in this segment. Compal has also been investing in some major medical topics and is working in cooperation with several national and overseas medical centers on medical AI research and development.

■ Servers

The rack-mounted server is still the mainstream product today because it can be easily maintained and also expanded as business grows. Tower servers are still favored among SMEs for their low cost, but the market share has been steadily declining. Blade servers are relatively expensive to set up, and may gradually be replaced by more simplified High Density servers.

- The number of servers required for Data Centers has increased continuously year after year. Although the demand for conventional enterprise-grade servers has gone down a little, demand for both types of server will ultimately reach equilibrium.
- In addition to cost-performance, design flexibility and quick response to customer need are the two most decisive factors for product success.

5.1.3 Research and Development

1. Research and Development Expenses over the past year:

Unit: NTD thousands; %

Year	R&D expenses	Operating revenue	R&D expenses as a percentage of operating revenue
2018	12,780,935	967,706,411	1.4
2019 first quarter	3,241,734	210,600,553	1.5

2. New products developed

■ Notebooks

- High-end products: These are high-performance models combined with an ultra-high definition display and a powerful GPU that target users who seek ultimate multimedia and gaming experience.
- Mainstream products: 15.6-inch and 14-inch products with slim bezel design that are powered by Intel 8th generation Core i3, i5 or i7, or AMD CPUs, are distinguished by integrated or discrete GPU models.
- Business products: Business notebooks designed specifically for corporate users. These products feature enhanced structural design and security, and are offered to large corporations, SME, and the education sector. Security mechanisms such as fingerprint, facial or voice recognition are incorporated to satisfy user need for security and data confidentiality.
- Special products: Compal has directed resources into developing notebooks of extreme slimness, and will lead the industry in technological innovation in this area.

■ Ultrabooks

- Compal has successfully mass-produced and launched many ultrabooks, and its designs have been recognized by several international awards.
- New ultrabooks will feature thin-frame displays for a more fashionable and cleaner appearance; the display quality will also be improved.

■ 2-in-1 Notebooks

- Compal has successfully designed, mass-produced devices and launched a new 2-in-1.
- An innovative hinge design is being developed to provide a more secure and precise connection while allowing easier detachment, this allows better user convenience when 2-in-1s are used in different scenarios.

■ All-in-one (AIO)

- Compal has successfully designed, mass-produced and launched AIOs for mainstream users.
- Compal has successfully designed, mass-produced and launched a new flat-type of AIO.
- Compal has developed, mass-produced and launched AIOs that are targeted at e-sports.
- Compal plans to acquire touch control technologies with pen support and introduce AIOs in sizes ranging from 19" to 27".
- Compal has successfully designed AIOs with a wireless charging dock.

■ Tablets

- Compal has successfully developed and mass-produced WiFi tablets of high performance-to-cost ratio for video streaming and entertainment.
- Compal has successfully developed and mass-produced a new-generation of e-book.

■ Smart Wearable Devices

- More than 20 smart watches were launched in 2018.
- A new generation of lighter, smaller, more power efficient, multi-purpose smart watches with diverse designs will be introduced in the future.
- Other wearable devices have also been scheduled for mass production.

■ Smartphones and Modules

- Compal has successfully developed and mass-produced smartphones with 3CA (carrier aggregation) technology that work on 4G LTE (TDD-LTE/FDD-LTE).
- Compal has successfully developed smartphones that feature dual main cameras and a dual selfie camera.
- Compal has successfully developed a smartphone that features a thermal imaging camera, a high-resolution screen with enhanced sunlight readable mode, laser distance detection, air quality detection, and is water resistant to 5 meters.

- Compal has successfully developed the smallest LTE smartphone (credit card size) in the world that features an e-ink display and a power-saving 5-days standby.

■ The Smart Home

- Compal has successfully launched a smart display that has received consumer recognition in the North American market.
- Compal has successfully developed several smart speakers that will be launched in the near future.

■ LCD TVs

- Compal has successfully developed mainstream UHD Dolby Vision HDR smart TVs with AI Voice Assistant in sizes of 43-inch and above for North America.

■ LCD TV BM

- Compal has successfully developed a 96 zone local backlight dimming module, this will enhance the perceived quality and profit margin of products on the market.

■ Auto Electronics (AE)

- Compal has mass-produced various systems and modularized several products that it has designed and developed.

■ The IoT Vertical Solution

- Compal has successfully developed and mass-produced Box PCs, and is shipping them to local telecom carriers and industrial control solution providers.
- Compal has successfully developed and mass-produced Rugged Tablets, and plans to ship products to System Integrators in 2019.
- Compal has completed the development of voice and vision AI products, and has started shipping them to customers.
- Compal has completed the development of AGVs, both lifting and towing types, and is using them in the Compal factory. Compal has also started promoting them to System Integrators of automated industries worldwide.

■ Smart Medical and Healthcare

- Digital charts and a smart ward solution
  Compal is promoting business opportunities in this respect. Several hospitals have begun adopting and exploring our smart ward solution this year.
- Point of care solutions
  More than 10 point-of-care centers in Taiwan have begun trials and official use of this solution. In addition to this, several prominent nursing centers in China have also shown interest and commenced collaborating in the use of this solution.
- Smart sports
  Smart sports solutions have been introduced at several places in Taiwan and promotion in the Taiwan and China market is ongoing. A case has also been built up in Kaohsiung.
- Innovative medical devices
  Many innovative medical device cases have been executed, and plans for the achievement of FDA/ NMPA/CE certification have been established. Launch is expected by the end of 2019 and 2020.
- Cardiovascular disease prediction
  This AI project will be introduced at the Chi-Mei medical center by mid 2019, and will also be introduced at other medical centers and clinics after this.

■ Servers

- General Purpose Rack-mounted Servers
  The launch of 1U and 2U general purpose rack-mounted servers is undemanding and the factory can quickly fulfill customer requirements by a simple BOM Option change.
- Edge Computing Servers
  The system has been designed for 5G telecommunication facilities in collaboration with China telecom service providers,. This system provides tremendous and responsive acceleration for all aspects of edge computing.
- High Capacity Storage Servers
  The 4U server includes 36 3.5inch hard drives and dual Intel Xeon processors, to provide cloud service providers with massive computing performance and huge capacity to fulfill any user scenario.

5.1.4 Long-term and Short-term Development

(1) Short-term Development

- We will adapt to market changes, follow current trends, strengthen new design concepts, maintain the focus on product difference, and launch ahead of our competitors.
- We will enhance operation efficiency, to further increase our product competitiveness and push the sales growth rate higher than the market average.
- We will improve logistics management and flexibility to shorten delivery time.
- We will elaborate different market strategies for different product markets. Main stream products will be bundled with new technology and modular features to boost the added value and diversity of products. For featured products, we will adopt a prospective standpoint in our design concept for new products to become the focal point of the product market. User functionality should be taken into consideration as well as competitive pricing for lower priced products.
- Production bases will be diversified to spread the risk of single production, reduce the cost of manufacturing and improve product competitiveness.
- We will pay closer attention to market trends and evolution in smart devices and develop product concepts suitable for OEM customers and the market. We will help customers create differentiated products of feasible design.
- Product development times will be further shortened to optimize supply chain management, maintain persistent high quality, and provide customers with more competitive products.
- More effort will be made to maintain existing customer relations. Apart from maintaining a high degree of customer satisfaction, we will work towards increasing the volume of product cooperation. We will also seek other opportunities for cooperation with new customers to achieve a growth rate that is better than the market average for smart device products.
- We will improve product profitability to achieve the maximum utilization of capacity and enhance overall operational efficiency and profitability.
- We will tap our accumulated communications industry R&D energy resources to quickly and efficiently cut into the high-growth networking market.
- A number of different industry alliance strategies will be used for the rapid development of a diversified product line that will strengthen customer relationships in the shortest possible time.

(2) Long-term Development

- A spirit of innovation will strengthen value-added Company products and improve long-term core competitiveness.
- Cooperation with our customers will be improved to allow better product planning, development and manufacture as well as comprehensive after-sales service.
- Horizontal and vertical integration of all parts and products of the Group’s affiliates will be strengthened strategically and aligned with customer need, to give them more convenient and complete services.
- Optimization of the quality of sophisticated products will be enhanced by new development and cost structures and strategic alliances with main parts providers to give customers better and more competitive products and services.
- Closer horizontal and vertical integration will be made with affiliates in the Group to create and improve the loyalty of long-term customers.
- Our ability to innovate will be further cultivated, aimed at more accurate prediction of market trends, before the clients do, and provide them with products and services and high value-added solutions to improve long-term core competitiveness.
- The Company has established a service-oriented business model and new revenue sources through careful long-term upstream and downstream integration and cooperation.
- We are strengthening the breadth of learning of our team in preparation for future new business and product development through cross-industry alliances.
- We are cultivating the ability to control key technology, strategize high-end product lines, and gain cooperation opportunities with big manufacturers around the world.
- In addition, we will continue to strengthen our core R&D capability and capacity for technical services for smart devices

5.2 Market and Sales Overview

5.2.1 Market Analysis

1. 2018 Sales (Service) by Regions

Area	Percentage
Americas	42.2%
Europe	30.1%
Asia (Including Taiwan)	24.8%
Other Area	2.9%
Total	100.0%

2. Market Share

■ Notebook

According to IDC statistics, the total number of notebook PCs sold around the world in 2018 came to approximately 160 million units. In terms of total shipping quantity, Compal's notebook PCs have approximately 25% of the global market share and the Company remains a World leading manufacturer of this product. As the market for notebook PCs is entering the era of vertical integration, Compal will continue to improve upon its technological capabilities, broaden the scope of its influence, and expand the market scale while challenging the limits and striving for continual improvement to maintain our lead over the competition.

■ Smart Wearable Devices

Compal is the biggest ODM supplier of the more than 40 models of the Google Wear OS Smartwatch. We expect the smart watch market to maintain its high growth for the next three years. Compal will continue to fight for more world class brand orders. We will study market demand and adjust the direction of product development to satisfy the latest market dynamics.

■ Smartphones & Modules

The Smartphone market has become quite saturated. However, Compal will continue promotion to international customers and regional carriers, to provide diversified and customized product as well as ODM/EMS services. We understand the market and continue to explore many different innovative applications to satisfy dynamic market demand.

■ Displays

According to IHS, the prospects for shipments of LCD TVs in 2018 will be flat. The development of new LCD TV products will shift towards high end specifications such as ultra-high-resolution, local dimming, a built-in voice assistant and so on, with dimensions reaching 65" and more. These features, coupled with high dynamic contrast and a wide color gamut, will enable the next generation of TV products to render even more realistic images and deliver superior audio-visual enjoyment for consumers.

3. Future Supply and Demand Situation and Growth of the Market

■ Notebooks

According to IDC statistics, the global shipping quantity for notebook PCs in 2018 grew by 2%. Looking towards 2019, and the demand for replacement in the Windows 10 market, we expect the global shipping quantity for notebook PCs in 2019 to be the same as that in 2018.

■ Ultrabooks

The ultrabook PC has been well-received and is not limited to the high-end market. More and more mid-line models have also shifted towards more compact design. IDC statistics show the global shipping quantity for ultrabook PCs (no thicker than 21mm) in 2018 was approximately 68 million units. An annual growth rate of 12% is expected for 2019 with a total shipping quantity exceeding 76 million units.

■ 2-in-1 Notebooks

Much effort and hard work from the industrial chain, has resulted in the costs and prices for 2-in-1 Notebooks to become substantially lower as consumers have gradually become more receptive and familiar with the product. IDC statistics show the global shipping quantity for 2-in-1 Notebooks in 2018 was approximately 34.5 million units. It is expected by that 2019, different manufacturers will offer more diversified products to contribute to an annual growth rate of close to 11%, with a global shipping quantity exceeding 38 million units. 2-in-1 Notebooks will inject new vitality into the notebook PC market.

■ All-in-one (AIO)

IDC statistics show the global shipping quantity for AIO PCs in 2018 was 12.38 million units and the number is expected to remain about the same at 12.36 million units in 2019. Compal will continue to cultivate the market.

■ Tablets

Forecasts predict a continued decline in terms of shipping quantity for tablets in 2019. However, Compal still anticipates some gradual growth in demand. This will be the result of increased network coverage and telecommunication facilities, as well as active promotion of 4G connectivity by the service providers in emerging regions. Compal will direct its experience in smartphone design towards the development of tablets with carrier access and also design entry-level tablets, also with carrier access, to accommodate the growing demand.

■ Smart Wearable Devices

Estimates from IDC predict that the total shipping quantity for smart watches will continue high growth until 2022. CAGR is expected to reach 23% with a total shipping volume at 115 million units. In view of the substantial growth in the use of smart wearable devices, Compal will develop more suitable sensor chipsets to satisfy user needs and also incorporate 4G LTE and other telecommunication technologies for more diverse application. Voice control and the integration of AI will also be investigated and serve as a potential source of momentum that could keep the market growing. Compal will continue to accumulate the relevant technologies to extend its reach into more diversified wearable device product lines.

■ Smartphones and Modules

According to IDC, the smartphone market is expected to decline 0.8% in 2018. The global shipping quantity for the year will continue to benefit from high growth in emerging markets. Compal will continue to focus on communication products with high cost-performance ratio and models with special features while seeking collaboration with new customers to ensure steady momentum in terms of sales.

■ Smart Home

According to a forecast by Strategy Analytics, Smart Home sales will continue to grow and will reach 1.6 billion units shipped in 2023. Compal will inject the necessary resources and actively establish its presence in the market.

■ LCD TVs

According to an IHS forecast, the shipment of LCD TVs will remain flat in 2019. The development of new LCD TV products will shift towards high end specifications such as ultra high-resolution in 8K, local dimming, a built-in voice assistant and so on, with dimensions reaching 65” and above. These features, coupled with high dynamic contrast and a wide color gamut, will enable the next generation of TV products to render even more realistic images and deliver superior audio-visual enjoyment to the consumer.

■ LCD Monitors

LCD monitors have become a mature product and the Company will focus on professional graphic design, commercial, educational and special applications for product development.

■ AE

According to statistical data from Focus2move (an internationally renowned survey organization) sales in the global light vehicles market in 2018 were 95.6 million units. The two big markets being China (28.08

million cars at 30%) and America (17.20 million cars at 19%). It is estimated that the 2019 market will be similar to that of 2018. The rapid growth in electric vehicles, ADAS and the autonomous driving market, has already drawn many high tech industries into the automobile industry.

■ IoT Vertical Solutions

A Gartner prediction, shows that the IoT Vertical Industry market has grown close to USD 82.7 billion in value. Government, manufacturing, transportation and logistics, and retail account for approximately 40% of the Smart Applications market. Compal will inject resources into the development of smart application products for specific domains.

■ Smart Medical and Healthcare

(1) Management Systems:

Electronic Medical Records (EMR) and Smart Ward Solutions: According to estimates by FMI, the global market for Electronic Medical Records (EMR) and management systems is expected to grow from USD 11.4 billion in 2015 to USD19.7 billion by 2025, with an annual growth rate of 5.6%.

Point of Care Solutions: A report published by Markets and Markets, shows that factors such as the aging populations and digital medical services, will cause the global market for patient and point of care solution related management systems to reach USD 16 billion by 2020 with an annual growth rate of 19.7%.

(2) Instruments, Equipment and Accessories:

Smart Sports: According to a forecast in Market Reports Hub, the market for smart sports related products is poised to reach USD 15 billion in 2021, with professional athletes/professional teams/ amateurs and enthusiasts with high commitment being the main consumer demographic.

(3) Medical Equipment and Healthcare Related Products:

According to an estimate by Research and Markets, the global market for medical devices was worth approximately USD 370 billion in 2018 and the figure is expected to exceed USD 400 billion in 2019 at an annual growth rate of 4.5%.

(4) Innovative Medical Devices:

Innovative medical devices such as CGMs achieved USD 1.8 billion and USD 2.5 Billion is predicted for 2026, with a CAGR of 33%.

(5) Cardiovascular Disease Prediction AI:

As forecast by Global Markets Insights, the Global medical AI market will reach USD 13 Billion, with a CAGR of 40%.

■ Servers

According to IDC statistics, the demand for x86 servers reached 12 million units in 2018 and will approach 12.3 million units in 2019. The market for servers is expected to grow in the next few years, with the main driving force coming from a demand for cloud applications. The bulk of servers shipped were x86 units, which account for approximately 99% of all servers shipped. Rack servers have the greatest market share and Compal will seize the opportunity to move more firmly into the server market.

4. Competitive advantage:

Compal is a long-time player in the IT industry and has committed to its role as an ODM. The following is a description of our competitive advantages in terms of R&D and mass production capacity:

■ Notebooks

The Company has been manufacturing notebooks since 1989 and is one of the most experienced notebook manufacturers in Taiwan. Products designed by the Company have won many Editor's Choice awards from renowned magazines worldwide as well as awards from the Taiwan External Trade Development Council.

Furthermore, our design team has great sensitivity and responds to market changes with new commercialized products. To enhance product competitiveness, Compal has assembled an R&D team that specializes in the research of new materials and technologies as well as to adding more value to products. The Company also has an intellectual property rights system in place to protect new technologies developed by the R&D team.

The demand for notebooks by general consumers has dwindled consistently due to the rise of handheld devices. This has forced manufacturers to switch competitive strategy towards faster response and more ergonomic design. The Company has always been sensitive to changes in the market and product trends. The next generation of products is planned well in advance to capture market opportunities and generate revenue.

■ Ultrabooks

Compal continues to stay ahead of its competitors in terms of technology advancement and R&D, and strives to bring innovation to its designs. The Company expects to maintain this advantage in 2019 and will actively assist customers in the development of more competitive ultrabooks.

■ 2-in-1 Notebooks

Compal has extensive experience in the development and manufacture of both notebooks and tablets. By adding a bit of innovation, Compal is confident of their ability to create new demand for this product.

■ All-in-one (AIO)

Compal possesses the advantage and ability to commercialize products quickly in this respect. To further emphasize product differentiation, a dedicated software development team has been assembled to carry out software development and man-machine interface integration, to make the products more suitable for consumer need.

■ Tablets

Compal remains somewhat optimistic about the future of the tablet market. We will continue to introduce differentiated and competitively priced products to consumers. The Company will also explore the possibility of introducing products that support 4G/LTE CA, using the experience and knowledge accumulated in smartphone manufacture, to meet rising demand..

■ Smart Wearable Devices

The Company has developed many different types of wearable device ahead of international peers, and engages companies such as Google and Qualcomm in strategic long-term partnerships for development of innovative technology. Compal currently offers an extensive range of products, and leads the industry in many advanced technologies that include video, audio, wireless and wearable materials.

■ Smartphones and Modules

Compal has accumulated many years of experience in smartphones. The ability to develop proprietary software and hardware and incorporate research outcome and technologies into products has earned us the recognition of customers all over the world. Furthermore, the advantage of producing at scaled economy provides exceptional bargaining power with respect to the pricing and timing of material supply. This allows much more flexibility and control over raw material purchases.

- Development of 5G communication technology and keeping pace with emerging technologies.
- The introduction of AI, the virtual personal assistant and a more intuitive user interface.
- The enhanced application of biometric technologies.
- The acquisition of know-how on LTE and CA and the use an adjustable, coupled-fed antenna to minimize phone size.

■ The Smart Home

Compal will leverage its existing R&D and firmware design abilities in PCs and communications for the development of a cloud computing software/platform. This will complement the hardware to bring customers more complete solutions and customizable applications, as well as fine tuned products that meet market expectation.

■ Displays

Compal will continue strengthening its strategic partnership with customers and suppliers to develop applications such as AI and the voice assistant. By integrating resources across different fields of expertise, Compal aims to expand its influence on participants from other industries and engage them in mutually beneficial business arrangements in ways that improve competitiveness and increase market share.

■ Auto electronics (AE)

Based on observations of the available technologies and design trends, the latest innovations in auto electronics have been focused toward in-car video entertainment and communication. The helps to establish a closer connection between the consumers living and working activities and their vehicles. Compal has the advantage of being able to integrate key IT industry technologies and know-how to provide solutions for in-car entertainment and communication, as well as the ability to work alongside customers to realize business opportunities.

■ IoT Vertical Solution

Compal aims to expand its notebook design capabilities to that of industrial computers with different capability and specifications to provide customers with the most comprehensive solutions. Furthermore, Compal will be re-designing its factory production lines to conform with special specifications and test requirements for new product applications for medial and vertical industries. AI will be incorporated in vertical solutions as needed to complement the overall service package and to ensure greater reliability of the products offered.

■ Smart medical and healthcare

Compal will leverage its existing ITC capabilities and cloud platform to explore cross-industry alliances and opportunities to satisfy customer need with diverse products and services.

■ Servers

Compal has many years of experience in the design and manufacture of computers, this had helped with our entry into the server industry. Compal's existing business relationships with world leading server manufacturers also works in our favor.

5. Future opportunities, threats, and responsive strategies

■ Opportunities

- New product concepts such as the 2-in-1, ultrabook and e-sports will continue stimulating market demand.
- Renewal demands for corporate notebooks remain consistent following new products introduced by Intel and Microsoft.
- Innovation from world leading brands puts the Company in a position to dictate new products and markets.
- Expansion of software development, aesthetic design and man-machine interface talent has greatly improved the ergonomics of products manufactured by Compal, which adds both value and appeal to customers.
- Compal's strong R&D, manufacturing and operational management experience has earned the trust of world-renowned brands.
- Compal has rigorous processes in place to monitor cost from initial R&D to manufacture, and is therefore able to maintain a product competitive edge.
- A rational pricing strategy supported by an alliance with parts suppliers helps secure market growth.
- Connectivity not only brings convenience, but also adds value and competitiveness to the products offered.
- Compal actively forms alliances with participants in different industries. This helps the Company to increase product and customer diversity.
- Compal remains active in developing innovative technologies and exploring new product concepts. The Company works alongside customers in developing new product lines, and in so doing secures access to new products and technologies.
- The growing scale of 4G LTE infrastructures in emerging markets provides users with the incentive to renew mobile devices, and supports the growth of smartphone demand.
- Demand for entry-level tablets and tablets with voice features continue to rise. The Company offers some of the most competitive products in the industry to meet this demand.
- Compal has the technical capabilities to make smartphones and tablets in ways that support new IoT

applications such as smart speakers, smart voice assistance etc… as well as the ability to explore new opportunities across the industries.
- Driven by growing demand for wearable devices, Compal continues to mass-produce products and develop new proposals and innovations with major customers, continuing to maintain the Company's position as the leading producer of wearable devices.
- Compal is aggressively investing in 5G development and puts much innovative energy into 5G and product development to provide the 5G applications requested by their customers.

■ Threats
- CPU shortage and weak consumer demand continued to affect the shipment of notebooks in the first half of 2019.
- New Chinese manufacturers have joined the race with competitively priced mid-range and high-end notebooks. This has intensified price competition in this product category.
- The industry now competes in terms of vertical integration as opposed to specialization, which involves more costly investment, higher market complexity and more challenging business management. Faced with the rise of the Chinese supply chain, Taiwanese notebook manufacturers need to coordinate operations to be able to match the integrated design, development and assembly capacity from China.
- The Notebook is a highly matured product and requires more diverse, value-adding and innovative features for differentiation from other market participants.
- Products with Internet connectivity tend to involve many different communication protocols at the same time, this poses a challenge in product development and can make products unacceptable to some consumers.
- Too many competitors in the IoT market can give rise to inconsistent quality, and make competition in the industry more difficult.
- Ongoing price competition among smartphones has significant impact on large-brand customers.
- Overall demand for tablets has declined, which adds to the competitive pressure.
- Wearable devices are still in the early stages of development, and require sustained periods of expansion to reach an economy of scale.
- Big carriers are still hesitating to invest in 5G infrastructure. This may have an impact on the 5G market take-off schedule.

■ Strategies
- The Company will adopt strategies that focus primarily on innovation, product added value and service.
- Quality and production efficiency will be improved to reduce manufacturing costs.
- The use of land and human resources in emerging countries throughout the world will be optimized to reduce the cost of production and basic R&D.
- We will enhance product design review and develop a comprehensive database of documents to improve design efficiency and quality while reducing costs.
- New customers and new product lines will be explored in emerging markets.
- The change of the Microsoft operating system will prompt corporate users to renew existing equipment. Compal and its customers will address this by introducing lightweight notebooks with balanced performance and portability. Entry-level products can also be introduced to emerging markets and the education sector that are more price-sensitive.
- The gaming market has grown in diversity with new technologies constantly being introduced to entice consumers into replacing old products. Compal is in the position to offer gaming notebooks at various price levels to meet consumer demand.
- Offer complete solutions and form alliances across industries to quickly tap into market demand while retaining the flexibility to satisfy customer needs.
- Progressively nurture innovative talent within the organization, enhance the development capacity for high-end medical equipment and engage world-renowned medical equipment suppliers in strategic, long-term and mutually beneficial cooperation.

- Continue to strengthen working relationships with platform operators by providing hardware and software solutions.
- Continue strengthen innovative development and enhance the collaboration with carrier partners. Build up the threshold on 5G technology and provide the most advanced total solution.

5.2.2 Major Products and Their Main Uses

1. Main product applications

■ Notebooks

An analog-digital application hardware platform combined with dedicated software to enable a variety of applications such as data editing/processing, word processing, layout, graphics applications, web browsing, communications, digital multimedia entertainment, gaming and others.

■ Ultrabooks

A laptop that emphasizes thinness and light-weight and takes into account computing as well as battery performance to meet the consumer need for both portability and productivity.

■ 2-in-1 Notebooks

These devices use the Windows 10 operating system, have an optional stylus, and satisfy the growing consumer demand for mobile computing. In addition to multiple operating modes, the device has a touch screen that enables it to be used as a tablet.

■ All-in-one (AIO)

Beautiful aesthetics suited for home, commercial, and design use, with emphasis on a touch screen input interface, a range of software applications and high computing power.

■ Smart Home

Smart appliances, controls and sensors that provide users with diversified services for a smart lifestyle.

■ Servers

Designed for high power computing, capable of storing massive amounts of data and compatible with different processing programs for data analysis. Built to accommodate different applications required by enterprises, data centers and cloud platforms.

■ Tablets

Portable touch screen multimedia, mobile viewing and online information applications.

■ Displays

Graphics displays with audio output.

■ Smartphones and Modules

Personal communication and internet access.

■ AE

- Touch screen Car multimedia players
- Vehicle communication (3G/4G) system.
- Voice controlled natural sound navigation.
- Android Auto/Carplay connection. Smartphone Connection.
- Accident alarm.
- Integrated peripheral safety warning systems such as wireless tire pressure and collision avoidance radar.

■ IoT Vertical Solutions

Flexible hardware designs allow a range of customized software applications along with the cloud and big data analysis for horizontal alliance. We offer clients complete solutions and services by the creation of novel applications. Unlikely conventional IT products, such as AGV and AI products, most of them need customization for various needs, but they elicit greater brand loyalty.

■ Smart Medicine and Healthcare

Penetration into households and point-of-care areas using technology, including that of the IoT, and gradual integration with our own peripheral software products allows the provision of comprehensive solutions.

These can give convenient and instant smart health care that will enhance dependence on the products as well as engender user brand loyalty.

■ Servers

These are designed for high computing power, capable of storing massive amounts of data and compatible with different processing programs for data analysis. They are built to accommodate the many different applications required by enterprises, data centers and cloud platforms.

2. Production processes of main products

■ Notebook PCs

Casing of logic board	Preparation of LCD display	Assembly	Preparation of main board	Preparation of keyboard
Fasten LED board	Inspect LCD panel	Input inspection	Input inspection	Prepare plunger + frame
Fasten power switch board	Fasten interface board to lower casing	Fasten motherboard to frame	Parts processing	Install frame onto metal board
Produce LED frame	Fix LCD panel to lower casing	Prepare battery spring	SMT (surface mount technology)	Apply double-sided tape
	Apply hook to casing	Prepare battery wire	Insert add-ons	Insert keys
	Combine upper & lower casing	Prepare disk drives	Visual inspection	Press keys and check
	Assemble LCD casing & logic board upper casing	Fasten disk drives+motherboard to bottom casing	Soldering furnace	
	Production process inspection	Fasten power board to motherboard	Remove board	Install PCB to lower casing
		Production process inspection	Trip conductor	Install wires to lower casing & fasten
		Fasten LCD casing & bottom casing	Machine wash	Assemble upper casing
		Battery assembly	Apply heat sink	Prepare name plate
		Keyboard installation	Secondary soldering	Process quality inspection
		Function test	Brush clean	
		Accelerated aging test	Visual observation	
		Function test	Repair	
		Prepare name plate & paste onto unit	Process quality inspection	
		Wipe down unit	Automated machine testing	
		Exterior inspection	Accelerated aging test	
		Unit packaging	Automated machine testing	
		QA testing		
		Shipping of finished goods		

■ LCD TV & monitor

Display panel

↓
○ Parts processing
↓
○ SMT
↓
○ SMT visual inspection
↓
○ Manually insert add-ons
↓
□ Visual inspection
↓
○ Auto soldering
↓
○ Manual soldering
↓
○ Apply heat sink
↓
○ Apply glue
↓
□ Substrate test
↓
□ QA random inspection

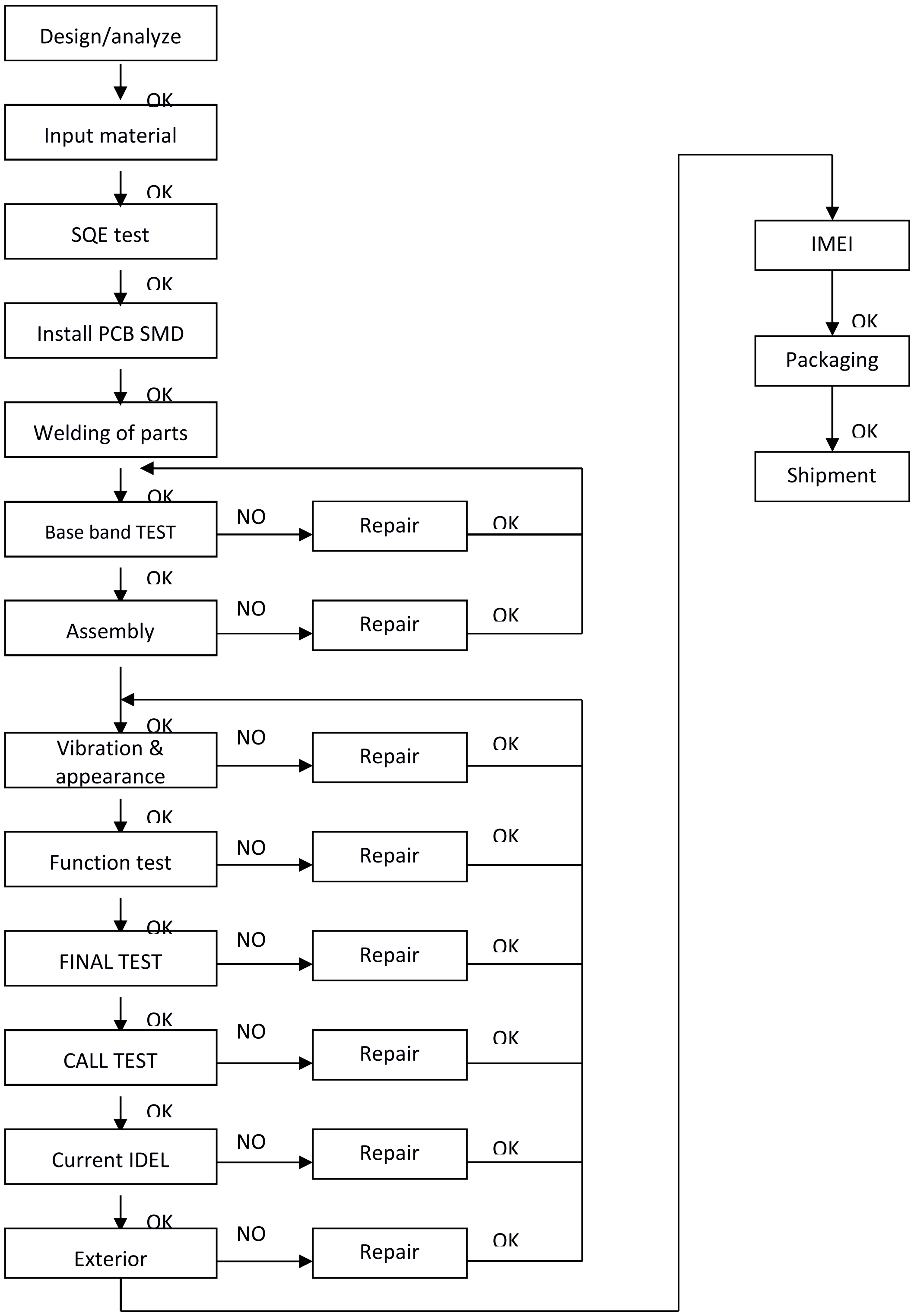
Power panel

↓
○ Parts processing
↓
○ SMT
↓
○ SMT visual inspection
↓
○ Manually insert add-ons
↓
□ Visual inspection
↓
○ Auto soldering
↓
○ Manual soldering
↓
○ Apply glue

Assembly of LCD TV & monitor

↓
○ Prepare parts
↓
○ Assemble LCD panel
↓
○ Fasten metal parts
↓
○ Assemble display panel
↓
○ Assemble power panel
↓
○ Install connecting wires
↓
○ Assemble back casing
↓
□ Structural inspection
↓
□ Functional test
↓
□ Accelerated aging test
↓
○ Screen adjustment
↓
□ Pressure test
↓
□ Electrical test
↓
○ Wipe down exterior
↓
□ Exterior inspection
↓
○ Paste front and back name plates
↓
□ QA testing
↓
○ Packaging
↓
○ Box and package
↓
□ Final product inspection

■ Smartphones and tablet PCs



5.2.3 Supply Status of Main Materials

■ CPU/Chipset

- Notebook

The Intel 10nm process production yield was lower than expected in 2018, this delayed the mass production schedule of Ice Lake until the third quarter of 2019. Transferred 14nm production capacity and server demand growth was higher than the estimate and this resulted in a 25% shortage gap in CPU availability in the third quarter of 2018. This was more serious in the lower-end CPU Gemini Lake. To solve the shortage problem Intel put 1 billion US dollars into the 14nm production bases in Oregon, Arizona, Ireland and Israel to increase production. Mass production will begin in the third quarter of 2019, which will increase capacity by 25%.

The shortage of Intel CPUs caused HP, Lenovo and Dell to increase AMD shipments and they started using AMD Stony Ridge CPU in the Chromebook. It is expected that AMD penetration will increase to 18%. Intel estimates that the CPU shortage will ease in Q3 2019.

The Intel new product roadmap shows a high-end level launch of the first 8 core 14nm Coffee Lake-Refresh in Q2 2019. It has a performance 10% higher than the previous generation of Coffee Lake. The mid-level product, Comet Lake, will launch in Q3 2019 to replace the 14nm Whiskey Lake, with a 10% improvement in performance. The 10nm Ice Lake-U is expected to be launched in Q3 2019. The next generation of 10nm Tiger Lake will be launched in Q2 2020. It will still be dominated by Gemini Lake for low-end products in power-saving Chromebooks and small notebooks. The Gemini Lake Refresh, which is expected to be revised in the first quarter of 2020, will remain at 14nm. Overall, Intel shipping strategy will remain focused on 14nm from 2019 to 2020.

- Smartphones and Modules

The growth of the smart phone chip market is gradually slowing down, the performance and user experience claimed for 5G has resulted in a postponement.

The process of conversion is obvious, 28nm is still the mainstream, but the proportion will be significantly revised downwards in 2019. There is some chance for improvement in the cost structure for entry-level products and expanded shipments in emerging markets. The AP would be moving to higher-end processors and the key factor will be the 7nm and 12nm production capacity which will affect the shipment of medium and high-end models.

In the first half of 2018, 5G solutions are still in the form of AP and 5G Modem chips. Many AP companies have announced the launch of stand-alone 5G data chips. The SOC solution will ship in early 2020.

■ HDD

The popularity of the cloud and the efficiency of SSD storage technology has resulted in the traditional hard drive no longer being an essential PC device. HDD shipments in 2019 are expected to have negative growth of 15%.

In terms of capacity, 500 GB, 1 TB, 2 TB, and 1 TB (SMR) hard drives are mainstream products. It is anticipated that much high capacity storage will go to the cloud and the tendency to increase storage beyond 2 TB is less urgent.

In terms of rotation speed, 5400rpm is still the mainstream. Although access speed is faster at 7200rpm, consumers are not particularly impressed by the difference. In terms of thickness, 7mm remains the mainstream, and no reductions are expected, the development of higher capacity will be the main target. The estimate for HDD shipments in 2019 shows a decline

However, some manufacturers will make use of HAMR and MAMR technology to increase the storage capacity of HDDs and 3.5 inch hard drives used in data centers may have a capacity of 16 TB by 2020.

The 3D NAND Flash yield rate has improved and SSD prices have gone down regularly in 2019. The HDD share in NB will be lower than 40%, and it is expected that the unit cost per GB will continue to go down in 2019 and HDD market share will be lower than 30% in NB.

■ Memory

- DRAM

The main use of DRAM is in Mobiles (41%), Servers (26%), Consumers (15%), PCs (14%), and Graphics (5%). From an economic perspective, the US-China trade war and continuous threat of more tariffs has caused import and export trade uncertainty. There has been no significant increase or decrease in shipments in the 2019 due to the lack of breakthroughs in 3C products, and the slowdown in market demand for Smartphones, Servers and PCs continues. However, the increase in average carrying capacity is still driving demand growth. Shipments of Servers have been growing by 3% annually, and the size of GB/sys has increased from 268GB to 322GB and above. Shipment of Smartphones has been declining at 1% annually, with the size of GB/sys increased from 3.3GB to 3.8GB. Shipments for PC have also been declining at 1.7% annually, but the size of GB/sys has increased from 6.7GB to 7.1GB.

In terms of DRAM supply, the DRAM market has finished capacity expansion and Samsung, SK Hynix and Micron started mass production in the second half of 2018. These companies had all fully embraced 1xnm by 2019, and Samsung has already started with the higher level 1ynm generation. The market tensions caused by the shortage of DRAM products are over and there might even be an oversupply. The result is no new development in technology, or new platform such as DDR5, is being developed by the manufacturers.

In 2018, the Bitcoin mining demand collapse caused by the banning of Bitcoin trading in China, has left a large stock of GDDR5 to be digested in the market. The existing e-sports demand cannot cope with these mountainous stocks, the result has been a continuous decline in VRAM price. However, this VRAM inventory may be consumed in the second and third quarters of 2019, because Nvidia is to launch the new Turing-based GTX series and will be using GDDR5 again. There is a chance for the VRAM price to recover in the third quarter of 2019.

The lowest point reached during the two periods of price decline in PC DRAM over the past 10 years was in 2012. There will probably be another low point at the end of 2019.

The DRAM market is affected by the global economy, the decline in smartphone sales volume, as well as the unsteadiness of American and Chinese trade. The demand has been weak, transactions have remained slack and there has been no upturn. The main demand for DRAM is from mobiles, especially those with multiple cameras and lens systems and the new 5G models. The amount of DRAM used increases with each new model. The half year decline might not restrain demand and the stock could be consumed by the end of Q2. The supply during the first half of the year has been in excess, above that predicted. However, there may be convergence in Q3 ~ Q4.

- NAND flash

  The overall demand for NAND Flash fell by nearly 20% in the Q1 2019. This was caused by the traditional off-season, coupled with weak server demand, the extended replacement cycle of mobile phones, and unexpected sales of the Apple iPhone.

  The NAND Flash capacity of mainstream mobile models has been expanded from 128GB to 256GB and high-end models even had 1TB in 2018. Furthermore, the size of the SSDs installed in NBs has also doubled to 512GB and more than 60% of them are expected to be equipped with SSD. This means the growth momentum will come from the raised average capacity and SSD carrying rate in a situation where server and mobile demand is weak.

  Although the price of NAND Flash has fallen by more than 50% in 2019 compared with the same period last year, manufacturers continue to put improved production and process technology into operation. The mainstream SSD will be 64-layer 3D TLC in the first half of this year. However, Samsung, Toshiba and Micron will be launching 96-layer 3D TLC, and Hynix will offer 72-layer 3D TLC in the second half of the year. In addition, the QLC SSD is being supplied by the manufacturers, which will increase the overall supply. There is still room for price reduction in the medium and high-capacity SSD segment. What will be of concern is the prospect of other manufacturers following up with QLC SSD in the second half of the year.

  According to current preliminary plans, the overall NAND Flash capacity of the manufacturers in the fourth quarter of 2019 will be more than that of last year. Mass production of 3D NAND has been the main operation and the Samsung production capacity is about 85%, Toshiba and WD about 75%, Micron about 90%, and SK Hynix about 60%. It is estimated that the portion of 3D NAND capacity in the fourth quarter of 2019 will increase by 20% over that of the same period in 2018 and the NAND Flash technology process has been upgraded. Even if the manufacturers slow down production of 96-layer Flash, as well as the expansion of capacity, supply and demand will remain the determining factor in the second half of 2019.

■ ODD

Although NBs have become commonplace, we do not anticipate the inclusion of CD drives in models shipped in 2020. There were ODD devices in 29% of NBs shipped in 2018 and we expect this to go down to 23% by the end of 2019. The main specification was a DVD-RW (super-multi) with a tray height of 9.0mm. CD drives will not have new specifications in the future. The main ODD main suppliers are HLDS and PLDS. The number of NBs with ODD has fallen and these two suppliers have already start developing other applications. These include disks that are less easily damaged. The use of these disks will be mainly for archiving and data storage and this will result in a lower overall utilization rate.

■ Batteries

The rapid development of dedicated electrical vehicles by automobile manufacturers and the continued growth of this market, has increased the demand for cylindrical automotive batteries (EV, E-Bike). This has strengthened and is expected to be grow fast in 2019 and in the future. The saturated NB market has caused many battery manufacturers to transferred cylindrical productivity to automobile batteries. They are gradually withdrawing from the NB market, this is especially so for the Japanese manufacturer (Panasonic). The Korean manufacturers (LGC, SDI) have chosen to keep capacity open and accept orders selectively. However, they are also expected to follow the Japanese manufacturers and withdraw from the NB market in the future. The supply of Polymer will become very important. It is light, thin, and has large capacity. Polymers can be customized to meet the requirements of Industrial design (ID). Chinese manufacturers such as Coslight, ATL, and BYD are now taking over the NB battery market share and have a significant price advantage.

The market has become much more aware of battery safety in recent years. In the future, manufacturers will switch their targets from developing high ED (Energy Density) to achieving safer design not only because of obstacles in ED development related to cost and application range, but specifically with respect to safe design. Moreover, the application range of ceramic lithium batteries is increasing as a result of the rapid development, high energy density and the excellent safety of a solid electrolyte.

As the raw material prices of batteries (lithium, cobalt, and nickel) continue to fluctuate, it is unlikely that the price of batteries will go down significantly in the short term.

■ LCD panels

In 2018 TV panels benefitted from an upgrade when production of 10.5 and 8.6 generation panels started in the China factory. Special offers were made and monitor panel shipments increased under the influence of the full display productivity upgrade and demand from the gaming sector. However, a shortage of driver ICs and other components for NBs meant that supplies needed to be accumulated in advance. Demand for all applications grew, except that for PAD panels, which underwent a market recession.

The shipments of both full display and narrow bezel NBs were outstanding in 2018. The penetration rate of the full display panel exceeded 30% for the first time, to reach 31%. The panel factory has continued to increase production capacity and the continuous promotion of full display products means that penetration is expected to reach rate of 45% in 2019.

In the face of new productivity by panel makers in China, the Taiwan/Korea panel factory market strategy has become the development of high-technology panels to increase product value. Panel makers in Taiwan were the first to develop the Mini LED and look forward to the high-end market for high-definition panels. The Korean OLED panel technology is leading the world and the factory has stopped 8.5-generation LCD production, has switched to OLED, and is promoting this and other related products.

Major production of non OLED devices in the future could well be Mini LED panels. The Mini LED has high brightness, high contrast and gives excellent quality that actually competes with that of OLED displays. Current development has reached a stage that includes movie theaters and home cinema, where high quality visual effects as needed. There are now also more opportunities for breaking into the consumer display market. New applications will cover mobile phones, pads, desktop displays, car displays and TV backlights and the Mini LED will enter the development stage between 2019 and 2020.

The OLED camp is becoming mature with respect to POLED (flexible plastic panel) technology. It is expected that after 2019, some brands will launch products that feature folding screens. However, the yield rate and durability of the product will be the main obstacle to subsequent market development of these products.

■ Touch control modules

In 2018, overall consideration of cost and application in the NB main touch solution was based on one glass (OGS). However, the demand for touch control in NBs has not improved very much, and the direction of product design is still towards the integration of panel and touch technology. At present, the design of touch control in the NB entails only about 5% of the production effort. After touch technology was combined with the panel for mobile phones it became a mainstream interface. Smart phones account for 82% of the proportion of touch panel shipments. At present, the market tends to be mature and saturated, which also leads to some stagnation in the touch market.

The demand for NBs with stylus pens was about 18% in 2018. The major applications were in 2 in 1 production. In addition to Microsoft, Google has also become active in the promotion of the Chrome Book 2 in 1 application. Google hopes that collocation of the stylus with the NB will allow students to have a smooth transition from writing with a pen to the use of a stylus.

At present, there are several different protocols for stylus use: USI – Universal Stylus Initiative used by Dell, Lenovo, HP, Intel and Google; MPP – Microsoft Pen Protocol used by Microsoft; and AES – Active static electricity led by Wacom. It is clearly necessary to devise a means to make communications for touch products that use a stylus compatible across different devices. The first means for this was proposed by the USI camp, where two-way communications is established between the stylus and the device. The device is controlled by the stylus, and this is expected to become the mainstream design of the future.

5.2.4 Major Suppliers and Clients

(1) Major Suppliers in the Last Two Calendar Years

Unit: NTD thousand

Party	2017				2018				2019 first quarter			
	Name	Amount	As a percentage to 2017 net purchases (%)	Relationship with the issuer	Name	Amount	As a percentage to 2018 net purchases (%)	Relationship with the issuer	Name	Amount	As a percentage to 2019 first quarter net purchases (%)	Relationship with the issuer
1	Company E	278,237,309	33.72	N/A	Company E	328,103,409	35.77	N/A	Company E	75,418,270	36.03	N/A
2	Company B	107,522,344	13.03	N/A	Company B	113,241,981	12.35	N/A	Company B	21,037,016	10.05	N/A
	Others	439,304,387	53.25		Others	475,877,885	51.88		Others	112,891,744	53.92	
	Net Purchase	825,064,040	100.00		Net Purchase	917,223,275	100.00		Net Purchase	209,347,030	100.00	

(2) Major Clients in the Last Two Calendar Years

Unit: NTD thousand

Party	2017				2018				2019 first quarter			
	Name	Amount	As a percentage to 2017 net sales (%)	Relationship with the issuer	Name	Amount	As a percentage to 2018 net sales (%)	Relationship with the issuer	Name	Amount	As a percentage to 2019 first quarter net sales (%)	Relationship with the issuer
1	Company a	126,400,242	14.24	N/A	Company a	128,790,649	13.31	N/A	Company a	23,024,220	10.93	N/A
2	Company d	353,750,583	39.85	N/A	Company d	414,474,616	42.83	N/A	Company d	95,899,762	45.54	N/A
3	Company e	97,284,723	10.96	N/A	Company e	66,783,151	6.90	N/A	Company e	18,785,644	8.92	N/A
4	Company f	154,122,521	17.36	N/A	Company f	187,925,666	19.42	N/A	Company f	32,167,065	15.27	N/A
	Others	156,098,890	17.59		Others	169,732,329	17.54		Others	40,723,862	19.34	
	Net sales	887,656,959	100.00		Net sales	967,706,411	100.00		Net sales	210,600,553	100.00	

5.2.5 Production in the Last Two Years

Unit: thousand devices; NTD thousands

Year / Production volume/value / Main products	2017			2018		
	Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
5C electronics	118,701	99,257	881,078,686	122,631	106,027	934,122,749

5.2.6 Shipments and Sales in the Last Two Years

Unit: devices; NTD thousands

Year / Sales volume / Main products	2017				2018			
	Domestic sales		Export sales		Domestic sales		Export sales	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
5C electronics	450	2,211,434	97,512	885,445,525	398	1,818,019	102,797	965,888,392

5.3 Human Resources

Year		December 31, 2017	December 31, 2018	March 31, 2019
Number of employees		75,392	82,374	81,339
Average age		27.53	27.69	28.51
Average years of service		1.97	2.06	1.95
Academic qualifications	Doctoral Degree	0.06%	0.05%	0.05%
	Master Degree	3.78%	3,64%	3.67%
	University	18.83%	18.83%	18.45%
	High school / Below/ others	77.33%	77.48%	77.83%

5.4 Environmental Protection Expenditure

(1) Compal is an assembler of electronic products and produces no significant pollution:

To protect the environment and fulfill our social responsibility as well as reduce carbon emission and the impact on global warming, the Taiwan and Mainland China plants together incurred expenses of NT$10,731 thousand (excluding regular maintenance and green R&D) in 2018. We are keeping the promises we made as an earth citizen and hope to make substantial contribution to the protection of the global environment. We will continue our commitment to efforts in this respect.

(2) Compliance with EU RoHS directives:

All Compal products are 100% compliant with EU RoHS Directives. There have been no cases of returns for non-compliance. Compal requires suppliers to adjust the revised exclusion clause, and the relevant specifications for the use of plasticizers DEHP, BBP, DBP and DIBP, which came into effect in 2019, and have been effective since 2018/07/02.

To manufacture environmentally friendly green products and meet the requirements of both international environmental laws and client demand, the Company has implemented “Management Standards for the Control of Environment-Related Substances in Parts and Materials” that covers all hazardous substances currently prohibited by law and banned by customers. We have implemented efficient and effective methods of inspection for hazardous substances using recognized component classification and risk control to establish a plant monitoring mechanism for oversight and verification. All the products manufactured by Compal comply with the validation IECQ QC 080000 Electrical and requirements of the Electronic Components and Products Hazardous Substance Process Management System.

(3) Responsive strategies and possible expenses:

In the future, the Company will continue to implement its environmental responsibilities including the boosting of staff knowledge of environmental matters, the advocation of updated green living knowledge, Company response to government policy with respect to green consumption, and the regular priority assessment of green product content in procurement as well as continuous improvement in the energy efficiency of our plants. This includes scrutiny for all kinds of possible violations of environmental regulations in the operations management system, and the mandate to make timely response to all environmental laws.

5.5 Labor Relations

(1) Availability and execution of employee welfare, education, training and retirement policies. Elaboration of the agreements between employers and employees, and protection of employee rights.

■ Employee welfare:

In addition to all their statutory labor rights and to help employees find a balance between work and personal life, both physical and mental, and to improve their vitality in the workplace, the Company has established an Employee Benefits Committee, a Life Committee, and other groups responsible for promoting worker welfare. The employee health benefits and activities include a fitness center, a medical facility, periodic health checks, recreational team competitions, family activities, travel, the arts, and leisure and all kinds. Group Life Insurance is covered by the Company that includes accident, medical, and cancer. Employee dependants may also join the scheme at a discounted rate, but at their own expense. We also have benefits such as scholarships for employees and their children.

The Company actively supports the government in resolving the low birth rate crisis and childcare policy in Taiwan. Since 2011, we have provided generous maternity grants for employees and their spouses and children. By the end of 2018, the Company had provided NT$150.67 million in maternity allowances and bonuses. There were 28 counts of employees who took parenting leave, with the right to return, in 2018.

■ Education and training:

The Company set training credits and outlined the credit system according to the needs of each level. The Company also integrates all training records in an online learning platform to further assist the competent staff in keeping abreast of learning progress.

In 2018, a total of 2,640 training sessions (both internal and external) were organized; these courses delivered 127,126.77 hours of training and 38,718 persons enrolled. The total training expenses were NT$16,329 thousand. The training courses included:

Orientation: New hire seminars and corporate culture experience camps were organized to help new hires better understand Company culture, the current status of the industry, and Company strategy and vision.

Language training: Basic to advanced English and Japanese courses that train employees to respond to customers and gives them a global vision through workspace situational training.

Managerial skills Training: To establish a comprehensive blueprint of development level, strengthen core competency at all levels in such aspects as teamwork, problem analysis, innovative thinking... and soon, to conduct planning for Company talent training at various stages.

Professional training: Categorized new professional knowledge lectures, courses, and experience heritage job training to enhance employee expertise and technology and also to enhance Company core competitiveness through systematic management.

E-learning: Offers related courses in new hire requisites, IT, 6 sigma, language, management, CSR and occupational safety. The Company uses Internet learning and resource sharing to offer real-time learning, the effect is maximized with a complete learning and training mechanism that utilizes a comprehensive knowledge management system.

■ Retirement system

The Company has developed its retirement system in accordance with the Labor Standards and the Labor Pension Acts. For employees who are transferred to affiliated companies, benefits are paid from the pension fund account according to the years of service by the employee in the respective departments, in proportion to the amount each department had contributed over the course of their service.

■ Employer-employee communications and the enforcement of worker rights.

The Company has always valued employer-employee relations, and has communication channels available to facilitate two-way communication that allows the Company to respond to the thoughts and opinions of employees in a prompt manner. The Company not only has policies in place to protect employee rights, but also makes decisions in the best interests of its employees.

(2) Personnel management

The Company has clear policies in place to manage human resources and to guide employee behavior. There are specific levels of approval authority and detailed rules to guide decisions concerning employee recruitment, promotion, appraisal, assignment, leave of absence, resignation, confidentiality agreements, reward and discipline. These policies and rules exist to eliminate subjective judgment and to create a fair, open, and systematic corporate culture.

(3) Work environment

- Buildings are subjected to annual fire safety inspections and reports.
- Buildings, plants and equipment are inspected daily and maintained on a regular basis.

- The Company hires regular cleaning services to ensure the cleanliness of its work environment.

(4) Employee safety

- Personnel entry and exit is controlled by a security system.
- Security personnel are stationed 24 hours a day to patrol plant premises and monitor the surveillance system.
- Lectures and rehearsals are organized annually to demonstrate proper responses to cases of emergency.

(5) Actual or estimated losses arising as a result of employment disputes in the recent year up to the publication date of this annual report, and any responsive measures taken:

- The Company did not suffer any losses due to employment dispute in the recent year, nor does it expect any occurrence in the coming year.

- Responsive strategies and possible expenses: none.

5.6 Important Contracts

Agreement	Counterparty	Period	Major Contents	Restrictions
Patent licensing agreement	Phoenix Technologies Co	From 2010.1.1 Auto-renewed upon expiry	1. Tool Licenses 2. Source Code licenses 3. Maintenance	N/A
Trading and manufacturing agreement	Dell Products L.P.	From 1997.06.26 Auto-renewed upon expiry	Under this agreement, the buyer will procure computer products developed and manufactured by the seller, while the seller will grant the buyer proper licenses to use the products and provide after-sales technical services.	N/A
Trading and manufacturing agreement	Acer Inc.	From 2001.10.01 Yearly Auto-renewed upon expiry	Under this agreement, the buyer will procure computer products developed and manufactured by the seller, along with after-sales technical services provided by the seller.	N/A

VI. Financial Information

6.1 Five-Year Financial Summary

1. Condensed Balance Sheet and Statement of Comprehensive Income

■ Consolidated Condensed Balance Sheet – Based on IFRS

Unit: NT$ thousands

Analysis \ Year		Financial Summary for The Last Five Years (Note 1)					As of March 31, 2019
		2014	2015	2016	2017	2018	
Current assets		324,845,249	277,783,476	300,469,007	321,782,654	362,745,250	350,597,181
Property, plant, and equipment		24,472,732	24,308,631	20,952,677	18,179,367	20,418,228	20,405,435
Intangible assets		1,035,162	1,194,193	1,291,281	1,284,660	1,516,253	1,695,903
Other assets		28,397,575	24,639,275	24,303,146	22,109,740	15,115,092	17,571,259
Total assets		378,750,718	327,925,575	347,016,111	363,356,421	399,794,823	390,269,778
Current liabilities	Prior to distribution	250,264,267	202,757,075	209,232,199	231,955,732	274,207,898	259,764,905
	After distribution	256,832,412	208,009,032	214,478,756	237,184,287	(Note 2)	-
Non-current assets		22,266,514	15,570,384	25,500,097	22,752,717	12,425,077	14,911,307
Total liabilities	Prior to distribution	272,530,781	218,327,459	234,732,296	254,708,449	286,632,975	274,676,212
	After distribution	279,098,926	223,579,416	239,978,853	259,937,004	(Note 2)	-
Equity attributable to parent company shareholders		101,386,923	103,775,795	105,804,389	101,895,584	105,723,646	107,819,999
Ordinary shares		44,232,366	44,711,266	44,241,606	44,191,916	44,071,466	44,071,466
Capital reserves		14,296,445	12,838,638	11,779,274	10,938,773	9,932,434	9,933,014
Retained earnings	Prior to distribution	47,721,872	51,877,511	55,289,409	56,557,146	60,060,381	61,396,881
	After distribution	43,293,091	47,450,840	50,867,256	52,149,999	(Note 2)	-
Other equity interests		(3,139,021)	(3,926,881)	(4,624,653)	(8,911,004)	(7,459,388)	(6,700,115)
Treasury stock		(1,724,739)	(1,724,739)	(881,247)	(881,247)	(881,247)	(881,247)
Non-controlling interests		4,833,014	5,822,321	6,479,426	6,752,388	7,438,202	7,773,567
Total equity	Prior to distribution	106,219,937	109,598,116	112,283,815	108,647,972	113,161,848	115,593,566
	After distribution	99,651,792	104,346,159	107,037,258	103,419,417	(Note 2)	-

Note: 1. The financial information is audited and certified by the CPA every year. The financial information as of March 31, 2019, has not yet been audited by the CPA.

2. The 2018 annual financial statements have not been approved at a shareholders' meeting. Therefore, the amount after allocation is not listed.

3. The Company has retroactively adjusted previous amounts in the financial statements effective January 1, 2015, due to the adoption of the 2013 International Accounting Standards endorsed by the Financial Supervisory Commission of the ROC as of January 1, 2014.

Parent-Company-Only Condensed Balance Sheet – Based on IFRS

Unit: NT$ thousands

Year / Analysis		Financial Summary for The Last Five Years (Note 1)					As of March 31, 2019
		2014	2015	2016	2017	2018	
Current assets		255,609,554	207,496,808	237,412,415	240,677,588	265,372,906	N/A
Property, plant, and equipment		2,230,023	2,181,737	2,132,114	2,092,272	2,128,181	
Intangible assets		412,185	378,454	268,316	146,813	378,745	
Other assets		85,179,353	86,182,040	88,808,075	85,179,393	87,932,981	
Total assets		343,431,115	296,239,039	328,620,920	328,096,066	355,812,813	
Current liabilities	Prior to distribution	220,791,532	177,664,877	197,566,162	203,492,102	237,882,742	
	After distribution	227,434,703	182,976,882	202,872,746	208,780,678	(Note 2)	
Non-current assets		21,252,660	14,798,367	25,250,369	22,708,380	12,206,425	
Total liabilities	Prior to distribution	242,044,192	192,463,244	222,816,531	226,200,482	250,089,167	
	After distribution	248,687,363	197,775,249	228,123,115	231,489,058	(Note 2)	
Equity attributable to parent company shareholders		-	-	-	-	-	
Ordinary shares		44,232,366	44,711,266	44,241,606	44,191,916	44,071,466	
Capital reserves		14,296,445	12,838,638	11,779,274	10,938,773	9,932,434	
Retained earnings	Prior to distribution	47,721,872	51,877,511	55,289,409	56,557,146	60,060,381	
	After distribution	43,293,091	47,450,840	50,867,256	52,149,999	(Note 2)	
Other equity interests		(3,139,021)	(3,926,881)	(4,624,653)	(8,911,004)	(7,459,388)	
Treasury stock		(1,724,739)	(1,724,739)	(881,247)	(881,247)	(881,247)	
Non-controlling interests		-	-	-	-	-	
Total equity	Prior to distribution	101,386,923	103,775,795	105,804,389	101,895,584	105,723,646	
	After distribution	94,818,778	98,523,838	100,557,832	96,667,029	(Note 2)	

Note: 1.The financial information is audited and reviewed by the CPA every year.

2. The 2018 annual financial statements have not been approved at a shareholders' meeting. Therefore, the amount after allocation is not listed.
3. The Company retroactively adjusted previous amounts in the financial statements effective January 1, 2015, due to the adoption of the 2013 International Accounting Standards endorsed by the Financial Supervisory Commission of the ROC as of January 1, 2014.

Consolidated Condensed Statement of Comprehensive Income – Based on IFRS

Unit: NT$ thousands

Year / Analysis	Financial Summary for The Last Five Years (Note 1)					As of March 31, 2019
	2014	2015	2016	2017	2018	
Net sales revenue	845,700,752	847,305,698	766,810,035	887,656,959	967,706,411	210,600,553
Gross profit	32,364,662	33,378,357	32,836,970	31,964,569	30,567,091	7,662,179
Net operating income	11,664,922	11,312,452	11,063,645	9,208,429	9,261,746	2,421,498
Non-operating income and expense	(1,937,570)	479,641	749,700	(1,094,152)	2,527,839	(311,698)
Net income before tax	9,727,352	11,792,093	11,813,345	8,114,277	11,789,585	2,109,800
Net income from continuing operations	7,545,381	9,007,147	8,968,006	6,158,037	9,589,301	1,659,701
Net loss from discounting operations	-	-	-	-	-	-
Net income (loss)	7,545,381	9,007,147	8,968,006	6,158,037	9,589,301	1,659,701
Income (Loss) from Other comprehensive income (loss) (net after tax)	4,555,499	(101,970)	(1,265,546)	(4,604,412)	387,887	746,547
Comprehensive income	12,100,880	8,905,177	7,702,460	1,553,625	9,977,188	2,406,248
Net income attributes to shareholders of the Parent	7,024,461	8,684,610	8,130,890	5,749,525	8,913,365	1,350,258
Net income attributes to non-controlling interests	520,920	322,537	837,116	408,512	675,936	309,443
Comprehensive income attributed to owners of parent	11,548,480	8,552,926	6,916,562	1,189,818	9,278,187	2,095,773
Comprehensive income attributed to non-controlling interests	552,400	352,251	785,898	363,807	699,001	310,475
Earnings per share (unit: dollar)	1.63	2.01	1.88	1.32	2.05	0.31

Note: 1. The financial information is audited and certified by the CPA every year. The financial information as of March 31, 2019 has not yet been audited by the CPA.

2. The 2018 annual financial statement for the current year has not yet been approved at a shareholders' meeting.

3. The Company has retroactively adjusted previous amounts in the financial statements effective January 1, 2015, due to the adoption of the 2013 International Accounting Standards endorsed by the Financial Supervisory Commission of the ROC as of January 1, 2014.

■ Parent-Company-Only Condensed Statement of Comprehensive Income – Based on IFRS

Unit: NT$ thousands

Year / Analysis	Financial Summary for The Last Five Years (Note 1)					As of March 31, 2019
	2014	2015	2016	2017	2018	
Net sales revenue	803,504,061	802,994,930	725,653,095	841,309,602	911,050,122	N/A
Gross profit	21,288,913	22,737,590	21,281,171	21,544,440	21,880,841	
Net operating income	7,291,756	7,305,278	5,972,854	5,170,549	6,936,706	
Non-operating income and expense	286,853	2,857,612	3,398,892	1,508,171	3,021,610	
Net income before tax	7,578,609	10,162,890	9,371,746	6,678,720	9,958,316	
Net income from continuing operations	7,024,461	8,684,610	8,130,890	5,749,525	8,913,365	
Net loss from discounting operations	-	-	-	-	-	
Net income (loss)	7,024,461	8,684,610	8,130,890	5,749,525	8,913,365	
Income (loss) from other comprehensive income (net after tax)	4,524,019	(131,684)	(1,214,328)	(4,559,707)	364,822	
Comprehensive income	11,548,480	8,552,926	6,916,562	1,189,818	9,278,187	
Net income attributes to shareholders of the Parent	-	-	-	-	-	
Net income attributes to non-controlling interests	-	-	-	-	-	
Comprehensive income attributed to owners of parent	-	-	-	-	-	
Comprehensive income attributed to non-controlling interests	-	-	-	-	-	
Earnings per share(unit: dollar)	1.63	2.01	1.88	1.32	2.05	

Note: 1.The financial information is audited and reviewed by the CPA every year.

2. The 2018 financial statement has not yet approved by the shareholders' meeting.
3. The Company retroactively adjusted previous amounts in the financial statements effective January 1, 2015, due to the adoption of the 2013 International Accounting Standards endorsed by the Financial Supervisory Commission of the ROC as of January 1, 2014.

2. Auditors' Opinions

Year	Accounting Firm	CPA	Audit Opinion
2014	KPMG	Kuo, Kuan Ying; Lo, Jui Lan	Modified unqualified opinion (Note 1)
2015	KPMG	Kuo, Kuan Ying; Lo, Jui Lan	Modified unqualified opinion (Note 2)
2016	KPMG	Kuo, Kuan Ying; Au, Yiu Kwan	Unqualified opinion
2017	KPMG	Kuo, Kuan Ying; Au, Yiu Kwan	Unqualified opinion
2018	KPMG	Chien, Szu Chuan; Au, Yiu Kwan	Unqualified opinion

Note: 1. Brief disclosures of Company disposal of the equity investment of VIBO Telecom Inc and a record of the impairment of equity investment in Chunghwa Picture Tubes, Ltd.

2. Impact of retroactive adjustments to the 2014 financial statement due to adoption of the 2013 version of the International Financial Reporting Standards (IFRS) endorsed by the Financial Supervisory Commission (FSC) of the ROC.

6.2 Five-Year Financial Analysis

■ Consolidated Financial Analysis – Based on IFRS

Analysis \ Year		Financial Analysis for the Last Five Years					As of March 31, 2019
		2014	2015	2016	2017	2018	
Capital Structure (%)	Debt ratio	71.96	66.58	67.64	70.09	71.70	70.38
	Long term fund to property, plants, and equipment ratio	525.02	514.91	657.59	722.80	615.07	639.55
Liquidity analysis	Current ratio (%)	129.80	137.00	143.60	138.72	132.29	134.96
	Quick ratio (%)	102.70	113.71	120.22	108.19	103.06	99.13
	Interest coverage	10.54	14.11	13.47	7.25	5.47	3.85
Operating Performance Analysis	Accounts receivable turnover (times)	4.66	4.93	4.50	5.03	5.08	4.35
	Average collection turnover	78.25	74.03	81.11	72.56	71.85	83.90
	Inventory turnover (times)	13.73	14.31	15.51	14.55	12.61	9.48
	Accounts payable turnover (times)	5.13	5.42	5.68	6.30	6.33	5.27
	Average inventory turnover days	26.59	25.50	23.53	25.08	28.95	38.50
	Property, plant and equipment turnover (times)	37.03	34.74	33.88	45.36	50.14	41.27
	Total assets turnover(times)	2.37	2.40	2.27	2.49	2.54	2.13
Profitability Analysis	Return on total assets (%)	2.33	2.74	2.87	2.01	3.08	0.56
	Return on equity (%)	7.31	8.35	8.08	5.57	8.65	1.45
	Operating income to paid-in capital ratio (%)	21.99	26.37	26.70	18.36	26.75	4.78
	Net margin (%)	0.89	1.06	1.16	0.69	0.99	0.78
	Earnings per share (dollar)	1.63	2.01	1.88	1.32	2.05	0.31
Cash flow	Cash flow ratio (%)	13.51	4.70	0.61	(Note1)	(Note1)	-
	Cash flow adequacy ratio (%)	(Note2)	(Note2)	42.42	48.05	44.84	-
	Cash reinvestment ratio (%)	19.59	1.95	(Note1)	(Note1)	(Not1)	-
Leverage	Operating leverage	1.57	1.58	1.57	1.63	1.60	-
	Financial leverage	1.10	1.09	1.09	1.16	1.40	-

Note: 1. The ratio is negative.

2. Not applicable as financial information, for more than five years, in accordance with IFSR has not yet been disclosed.
3. The financial ratio has changed by up to 20% in the past two years:
   - Interest coverage: Mainly due to the increase in interest expenses compared to the earlier period.
   - Return on total assets: Mainly due to the increase in profit compared to the earlier period.
   - Return on equity: Mainly due to the increase in profit compared to the earlier period.
   - Operating income to paid-in capital ratio: Mainly due to the increase in profit before tax compared to the earlier period.
   - Net margin: Mainly due to the increase in profit compared to the earlier period.
   - Earnings per share: Mainly due to the increase in profit compared to the earlier period.
   - Cash flow ratio: Mainly due to net cash outflow in operating activities.
   - Cash reinvestment ratio: Mainly due to net cash outflow in operating activities.
   - Financial leverage: Mainly due to the increase in interest expenses compared to the earlier period.
4. The financial information is audited and certified by the CPA every year. The financial information as of March 31, 2019, has not yet audited by the CPA.
5. The Company made retroactive adjustment to previous amounts in the financial statements effective

January 1, 2015, due to the adoption of the 2013 International Accounting Standards endorsed by the Financial Supervisory Commission of the ROC as of January 1, 2014.

6. The 2018 financial statement has not yet been approved at a shareholders' meeting

■ Formula

1. Financial Structure
(1) Debt Ratio = Total liabilities/Total assets
(2) Ratio of long-term capital to property, plants, and equipment = (Net shareholders' equity + Long-term liability)/Net property, plants, and equipment

2. Solvency
(1) Current ratio = Current Assets/Current liability
(2) Quick ratio = (Current assets - Inventory - Prepaid expenses)/Current liability
(3) Interest coverage ratio = Net income before income tax and interest expense/Interest expense

3. Operating Efficiency
(1) Accounts receivable (including accounts receivable and notes receivable from business activities) turnover = Net sales/Average accounts receivable balance (including accounts receivable and notes receivable from business activities)
(2) A/R turnover days = 365/accounts receivable turnover
(3) Inventory turnover = Cost of Goods Sold/Average inventory balance
(4) Accounts payable (including accounts payable and notes payable from business activities) turnover = Cost of goods sold/Average accounts payable balance (including accounts payable and notes payable from business activities)
(5) Inventory turnover days = 365/Inventory turnover
(6) Property, plants, and equipment turnover = Net sales/Average Net Property, plants, and equipment
(7) Total assets turnover = Net sales/Average Total assets

4. Profitability
(1) Return on assets = [PAT + Interest expense × (1 - interest rate)]/average asset balance
(2) Return on equity = PAT/average net equity
(3) Pre-tax income to paid-in capital = Net income before tax/Issued capital stock
(4) Net profit ratio = PAT/Net sates
(5) EPS = (PAT - preferred stock dividends)/weighted average outstanding shares

5. Cash Flow
(1) Cash flow ratio = Cash flow from operating activities/Current liability
(2) Cash flow adequacy ratio = Most recent 5-year Cash flow from operating activities/Most recent 5-year (Capital expenditure + increases in inventory + cash dividend)
(3) Cash reinvestment ratio = (Cash flow from operating activities - cash dividend)/(Gross fixed assets + long-term investment + other assets + working capital)

6. Leverage
(1) Operating leverage = (Nest revenue - variable cost of goods sold and operating expense)/operating income
(2) Financial leverage = Operating income/(Operating income - interest expenses)

■ Parent-Company-Only Financial Analysis – Based on IFRS

Analysis	Year	Financial Analysis for the Last Five Years					As of March 31, 2018
		2013	2014	2015	2016	2017	
Capital Structure (%)	Debt ratio	70.48	64.97	67.80	68.94	70.29	N/A
	Long term fund to property, plants, and equipment ratio	5,499.48	5,434.85	6,146.71	5,955.44	5,541.36	
Liquidity analysis	Current ratio (%)	115.77	116.79	120.17	118.27	111.56	
	Quick ratio (%)	96.83	102.28	105.89	96.92	89.79	
	Interest coverage	15.70	17.81	14.03	7.85	6.14	
Operating Performance Analysis	Accounts receivable turnover (times)	4.72	5.03	4.61	5.06	5.08	
	Average collection turnover	77.25	72.57	79.14	72.13	71.80	
	Inventory turnover (times)	23.04	23.34	26.42	23.11	18.82	
	Accounts payable turnover (times)	4.88	5.16	5.16	5.65	5.95	
	Average inventory turnover days	15.84	15.64	13.81	15.79	19.39	
	property, plants, and equipment turnover (times)	361.26	364.02	336.43	398.31	431.73	
	Total assets turnover(times)	2.51	2.51	2.32	2.56	2.66	
Profitability Analysis	Return on total assets (%)	2.33	2.87	2.79	2.00	3.06	
	Return on equity (%)	7.15	8.47	7.76	5.54	8.59	
	Operating income to paid-in capital ratio (%)	17.13	22.73	21.18	15.11	22.60	
	Net margin (%)	0.87	1.08	1.12	0.68	0.98	
	Earnings per share (dollar)	1.63	2.01	1.88	1.32	2.05	
Cash flow	Cash flow ratio (%)	15.13	(Note1)	3.15	(Note1)	(Note1)	
	Cash flow adequacy ratio (%)	(Note2)	(Note2)	38.20	11.48	5.45	
	Cash reinvestment ratio (%)	23.48	(Note1)	0.68	(Note1)	(Note1)	
Leverage	Operating leverage	2.42	2.41	2.74	2.86	2.59	
	Financial leverage	1.08	1.09	1.14	1.23	1.39	

Note: 1.The ratio is negative.

2. Not applicable as the financial information, for more than five years, in accordance with IFRS has not yet been disclosed.
3. The financial ratio has changed by up to 20% in the past two years:
   - Interest Coverage: Mainly due to the increase in interest expenses compared to the earlier period.
   - Average Inventory Turnover Days: Mainly due to the decrease in Inventory Turnover (times) compared to the earlier period.
   - Return on Total Assets: Mainly due to the increase in net income compared to the earlier period.
   - Return on Equity: Mainly due to the increase in net income compared to the earlier period.
   - Operating Income to Paid-in Capital Ratio: Mainly due to the increase in income before tax compared to the earlier period.
   - Net Margin: Mainly due to the increase in net income compared to the earlier period.
   - Earnings Per Share: Mainly due to the increase in net income compared to the earlier period.
   - Cash flow ratio: Mainly due to net cash outflow in operating activities.
   - Cash Flow Adequacy Ratio: Mainly due to Most recent 5-year cash inflow from operating activities being lower than the earlier period.
   - Cash reinvestment ratio: Mainly due to net cash outflow in operating activities.
4. The financial information is audited and certified by the CPA every year.
5. The Company made retroactive adjustment to previous amounts in the financial statements effective

January 1, 2015, due to the adoption of the 2013 International Accounting Standards endorsed by the Financial Supervisory Commission of the ROC as of January 1, 2014.

6. The 2018 financial statement has not yet been approved at a shareholders' meeting.

■ Formula

1. Financial Structure
(1) Debt Ratio = Total liabilities/Total assets
(2) Ratio of long-term capital to property, plants, and equipment = (Net shareholders' equity + Long-term liability)/Net property, plants, and equipment

2. Solvency
(1) Current ratio = Current Assets/Current liability
(2) Quick ratio = (Current assets - Inventory - Prepaid expenses)/Current liability
(3) Interest coverage ratio = Net income before income tax and interest expense/Interest expense

3. Operating Efficiency
(1) Accounts receivable (including accounts receivable and notes receivable from business activities) turnover = Net sales/Average accounts receivable balance (including accounts receivable and notes receivable from business activities)
(2) A/R turnover days = 365/accounts receivable turnover
(3) Inventory turnover = Cost of Goods Sold/Average inventory balance
(4) Accounts payable (including accounts payable and notes payable from business activities) turnover = Cost of goods sold/Average accounts payable balance (including accounts payable and notes payable from business activities)
(5) Inventory turnover days = 365/Inventory turnover
(6) Property, plants, and equipment turnover = Net sales/Average Net Property, plants, and equipment
(7) Total assets turnover = Net sales/Average Total assets

4. Profitability
(1) Return on assets = [PAT + Interest expense × (1 - interest rate)]/average asset balance
(2) Return on equity = PAT/average net equity
(3) Pre-tax income to paid-in capital = Net income before tax/Issued capital stock
(4) Net profit ratio = PAT/Net sates
(5) EPS = (PAT - preferred stock dividends)/weighted average outstanding shares

5. Cash Flow
(1) Cash flow ratio = Cash flow from operating activities/Current liability
(2) Cash flow adequacy ratio = Most recent 5-year Cash flow from operating activities/Most recent 5-year (Capital expenditure + increases in inventory + cash dividend)
(3) Cash reinvestment ratio = (Cash flow from operating activities - cash dividend)/(Gross fixed assets + long-term investment + other assets + working capital)

6. Leverage
(1) Operating leverage = (Nest revenue - variable cost of goods sold and operating expense)/operating income
(2) Financial leverage = Operating income/(Operating income - interest expenses)

6.3 Audit Committee's Report for the Most Recent Year

Audit Committee's Review Report

The Company's 2018 financial statements have been approved by the Audit Committee and by the Board of Directors. Szu-Chuan Chien and Yiu-Kwan Au, certified public accountants of KPMG, have completed the audit of the financial statements and issued an audit report relating thereto. In addition, the Board of Directors has prepared and submitted to us the Company's 2018 business report and proposal for distribution of earnings. We, the Audit Committee members, have duly examined and determined such business report and proposal for distribution of earnings to be in line with the requirements under the Company Law and relevant laws and regulations. According to Article 14-4 of the Securities and Exchange Act and Article 219 of Company Law, we hereby submit this report.

Compal Electronics, Inc.

Chairman of the Audit Committee:

March 22, 2019

6.4 Consolidated Financial Statements and Independent Auditors' Report

Please refer to Attachment I.

6.5 Parent-Company-Only Financial Statements and Independent Auditors' Report

Please refer to Attachment II.

6.6 Status of Financial Difficulties for the Company and its Subsidiaries

Incidence of financial difficulties for the Company and its subsidiaries between the period of 2018 to the publication date of this annual report: None.

VII. Review of Financial Conditions, Financial Performance, and Risk Management

7.1 Analysis of Financial Status

Unit: NT$ thousands

Year / Analysis	2018	2017	Difference	
			Amount	%
Current Assets	362,745,250	321,782,654	40,962,596	12.73
Investments accounted for using equity method	7,364,485	11,807,622	(4,443,137)	-37.63
Property, plant and equipment	20,418,228	18,179,367	2,238,861	12.32
Other Assets	9,266,860	11,586,778	(2,319,918)	-20.02
Total Assets	399,794,823	363,356,421	36,438,402	10.03
Current Liabilities	274,207,898	231,955,732	42,252,166	18.22
Other Liabilities	12,425,077	22,752,717	(10,327,640)	-45.39
Total Liabilities	286,632,975	254,708,449	31,924,526	12.53
Ordinary Share	44,071,466	44,191,916	(120,450)	-0.27
Capital surplus	9,932,434	10,938,773	(1,006,339)	-9.20
Retained Earnings	60,060,381	56,557,146	3,503,235	6.19
Other Equity Interests	(7,459,388)	(8,911,004)	1,451,616	-16.29
Treasury stock	(881,247)	(881,247)	-	-
Non-controlling Equity	7,438,202	6,752,388	685,814	10.16
Total Equity	113,161,848	108,647,972	4,513,876	4.15

Note: Analysis of variations exceeding 20% and amounting to more than NTD10 million:

- Decrease in investments accounted for using equity method: Mainly due to the disposal of equity investment – Shares of LC Future Center Limited
- Decrease in Other Assets: Mainly due to the disposal of non-current financial assets at fair value through other comprehensive income (& non-current available-for-sale financial assets)
- Decrease in other liabilities: Mainly due to the decrease in long-term borrowings

- **Effect of changes on the company's financial position:** Judging from the aforementioned causes, the effect from changes on the Company's financial position in the last two years are normal outcomes from standard operating activities.
- **Future response actions:** Not applicable

7.2 Analysis of Financial Performance

Unit: NT$ thousands

Year / Analysis	2018	2017	Difference	
			Amount	%
Net Sales	967,706,411	887,656,959	80,049,452	9.02
Cost of Sales	937,139,320	855,692,390	81,446,930	9.52
Gross Profit	30,567,091	31,964,569	(1,397,478)	-4.37
Operating Expenses	21,305,345	22,756,140	(1,450,795)	-6.38
Operating Income	9,261,746	9,208,429	53,317	0.58
Non-operating Income and Expenses	2,527,839	(1,094,152)	3,621,991	-331.03
Profit Before Tax	11,789,585	8,114,277	3,675,308	45.29
Less: Income Tax Expense	2,200,284	1,956,240	244,044	12.48
Net Profit (loss)	9,589,301	6,158,037	3,431,264	55.72
Other Comprehensive Income (after tax)	387,887	(4,604,412)	4,992,299	-108.42
Total Comprehensive Income	9,977,188	1,553,625	8,423,563	542.19

Note: Analysis of variations exceeding 20%:

- Increase in Non-operating income and expenses: Mainly due to the increase in gains on disposal of investments, increase in gains on financial assets and liabilities at fair value through profit or loss, decrease in foreign currency exchange losses, increase in dividend revenue and increase in finance costs.
- Increase in profit before Tax: Mainly due to the increase of gains on non-operating income and expenses items.
- Increase in net Profit: Mainly due to the increase in profit before tax.
- Increase in other comprehensive income (after tax): Mainly due to the increase of gains of exchange differences on translation of foreign financial statements and increase in unrealized losses from investments in equity instruments measured at fair value through other comprehensive income.
- Increase in total comprehensive Income: Mainly due to the increase in net profit and other comprehensive income (after tax).

■ Forecast for sales for next year and basis for the forecast. Potential impact on the Company's finances and sales in the future and response plan:

- Forecast for sales for next year and basis for the forecast

  According to the estimates from market intelligence service provider IDC, with regards to PC related products, the global NB PC market, desktop PC market and server market will grow/decline by +0%, -5%, and +2% respectively in 2019 compared to the previous year. As for smart wearable products, the global smart phone market, tablet PC market and smart wearable device market will grow/decline by -1%, -6%, and +27% in 2019 compared to the previous year. Looking forward to 2019, although the macro environment is still full of challenges, we still expect Compal 5C electronics shipments to grow year-over-year from last year's 83 million units, after taking into account the market condition and Compal's business plans for 2019, and exhibit another year of growth. In addition, we also anticipate the revenue contribution of non-PC segment to grow toward 40% in the mid-to-long run. The related market analysis please refer to page 101～103 for "Industry Overview – current and future industry prospects".

- Potential impact on the Company's finances and sales in the future and response plan:

  In light of the growth in operation and future investments, the Company has established relevant financial strategies. For Compal's funding needs for the year, please refer to the section on cash flow analysis for 2019.

7.3 Analysis of Cash Flow

7.3.1 Cash Flow Analysis for the Current Year

Unit: NT$ thousands

Cash and Cash Equivalents, Beginning of Year (1)	Net Cash Flow from Operating Activities (2)	Cash Inflow (Outflow) (3)	Cash Surplus (Deficit) (1)+(2)+(3)	Financing of Cash Deficit	
				Investment Plans	Financing Plans
70,062,713	(15,262,849)	15,496,681	70,296,545	-	-

Note: 1. Cash Inflow (Outflow) includes the cashflow in investing activities, financing activities, and foreign exchange impacts.

2. Analysis of the change of 2018 cash flow changes:
   - Net cash outflow in operating activities of $15,262,849 thousand: mainly due to reduce of net changes of assets and liabilities from operating activities.
   - Net cash inflow in investing activities of $2,438,759 thousand: mainly due to the purchase of real-estate property, plants, and equipment, and the disposal of equity investments and available-for-sale financial assets.
   - Net inflow of financing activities of $11,632,654 thousand: mainly due to the increase in loan and distribution of cash dividend.
3. Financing of cash deficits: not applicable.
4. Liquidity analysis: current asset to current liability ratio is 132.3%, representing the healthy liquidity status.

7.3.2 Cash Flow Analysis for the Coming Year

Unit: NT$ thousands

Estimated Cash and Cash Equivalents, Beginning of Year (1)	Estimated Net Cash Flow from Operating Activities (2)	Estimated Cash Inflow (Outflow) (3)	Cash Surplus (Deficit) (1)+(2)+(3)	Financing of Cash Surplus (Deficit)	
				Investment Plans	Financing Plans
70,296,545	16,343,100	(21,026,790)	65,612,854	-	-

Note: 1. Estimated Cash Inflow (Outflow) includes the cashflow in investing activities, financing activities, and foreign exchange impacts.

2. Analysis of the 2019 cash flow changes:
   - Net cash inflow in operating activities of $16,343 thousand: expect sales growth and profits from the operation.
   - Net cash outflow in investing activities of $6,021,927 thousand: expect to increase investment expenditures.
   - Net cash outflow in financing activities of $15,068,097 thousand: expect to distribute cash dividend and increase/decrease in long-term and short-term debt.
3. Financing of cash deficits: not applicable.
4. Liquidity analysis: The Company should be able to mainly sound liquidity, as cash balance in the beginning of year plus net cash inflows from operating activities are adequate in meeting the Company's investing and financing needs.

7.4 Major Capital Expenditures

7.4.1 Major Capital Expenditures and Sources of Capital

Unit: NT$ thousands

Project	Actual or Planned Source of Capital	Actual or Planned Date of Completion	Total Capital	Actual or Expected Capital Expenditure 2018
Smart health and cloud-based integrated medical examination system	Private Capital	2018	102,877	102,877

7.4.2 Expected Benefits

In light of the opportunities brought by IoT, Compal is in a good position to leverage its hardware manufacturing advantages with its ICT supply chain to develop application service systems with integrated software/hardware and cloud computing to target the domestic market in Taiwan. By creating a classic paradigm from which we optimize relevant software, hardware and service processes, we will be able to build a suite of comprehensive IoT application services. On the other hand, the medical/healthcare industry is still one of the key domains of applications that Compal has been aggressively cultivating. With the experience and capabilities that Compal has accumulated in the domain of ICT in the past, coupled with the investments made in the cultivation of medical and biotechnological talents, the Company has not only established relevant R&D teams specialized in the development of smart medicine/fitness equipment/mobile devices and service platforms, but also acquired exclusive agency rights to a structured Electronic Medical Record (EMR) system solution in Taiwan (and Southeast Asia) in December 2015. Through the solution, we will be able to acquire relevant big data and apply AI analytics to help doctors make faster and more accurate clinical diagnoses and provide more efficient patient ward services. This will in turn lighten the work load for medical staff, and improve the efficiency and quality of medical care to achieve the vision of digital medical service. As telecommunication technologies become more mature in the foreseeable future, through the application of mobile care, remote consultation and mobile ward rounds combined with wearable devices for biomedical signal monitoring and personal health management, we will be able to build a complete platform for smart medical care. Ultimately, this will help to further the optimization of medical resource allocation and facilitate the integration of medical resources and the realization of precision medical care.

7.5 Investment Policy in the Last Year, Main Causes for Profits or Losses, Improvement Plans and Investment Plans for the Coming Year

(1) Investment policy

1. Competition in the industry has accelerated and Compal is in full thrust integration mode. “Enlightened Living and Computing with a Green Connection” is the Compal vision. Our long-term investment strategies are to focus on products that relate to our core business, to provide the best quality in computing, communications, consumer, cloud and connection, to provide full solutions in cost and technology, and to put emphasis on our partner’s compliance with labor regulations, and the avoidance of human trafficking and slavery. We also want to strengthen the core resources, through vertical integration, diversification, and strategic investments or acquisitions as well as integration and horizontal competition.
2. Improve post investment performance, strengthen the integration of Group resources and strategic partnerships with investment businesses, facilitate the cooperation between the Company and invested business, and require their full compliance with labor regulations and those against human trafficking and slavery. Connect related customers to an information network, and form strategic alliances with other industries. Sustain the performance of operating output in social, economic, and environmental

aspects using a high standard of specification. This includes increasing the efficiency and productivity, improving the rights of the workers, proper economic development, and environmentally friendly production in a clean operating base. The Company fully supports investment companies with good performance to plan for IPO to accelerate the realization of good returns on investments.

(2) Main causes of profits or losses incurred on investments, and any corrective actions planned

The 2017 consolidated profits from investment using the equity method came to approximately NTD 797 million, coming mainly from the performance of Compal Precision Module Co., Ltd., and Lipo Holding Co., Ltd.

(3) 2019 investment plans

The long-term investment plan next year will be based on the Company's operating policy to position ourselves as the pioneer provider of mobile device solutions and provide products, through the integration of R&D resources and clients, of an all-in-one computer, TV, AE and enterprise servers. The Company follows the principle of steady operation and always focuses on our core businesses. We will expand on the foundation of our existing businesses, make some vertical integration where appropriate, and expand horizontally into related activities, while continuing to grow our core business.

In the vertical integration of upstream and downstream businesses that are not involved in hardware production, we also will expand the size of our developers and the proportion of software and firmware, to increase the value of their tangible assets and bring in value from additional sales.

We expect horizontal mergers and expansions to provide full IoT solutions for our clients which include applications in cross-industry automation, industrial computers, security control, the healthcare industry, cars, smart cities, smart buildings, restaurants and retail outlets, with the primary aim of providing new investment opportunities and challenges.

In practice, apart from achieving internal growth under the existing business framework, we also accept the possibility of mergers, acquisitions, joint ventures, technical calibrations, and investment activities through bilateral or multi-lateral collaboration between business entities.

The Company and its affiliates will proceed with the aforementioned expansion based on the consideration of whether the expansion can strengthen the Group's advantage and assessment of reasonable risks. In terms of reinvestments, we follow the above mentioned principles and set basic principles in the following three directions:

1. The vertical integration of upstream and downstream businesses to increase the proportion of self-made parts and improve overall competitiveness.
2. Horizontal mergers and expansion of related products and services, as well as other industries that provide prominent synergy or growth.
3. Develop technology which is beneficial to the Company or its affiliates, or invest in assets that provide synergy or growth.

7.6 Analysis of Risk Management

7.6.1 Effects of Changes in Interest Rates, Foreign Exchange Rates, and Inflation on Corporate Finance, and Future Response Measures

Unit: NTD thousand; %

Items	2018
Net interest revenue and expense	(1,172,785)
Net gain on exchange (including valuation of financial instruments)	(430,612)
Net revenues	967,706,411
Pre-tax income (Note)	11,789,585
Net interest revenue/expense to net revenues	(0.121%)
Net interest revenue/expense to pre-tax income	(9.948%)
Net exchange gains to net revenues	(0.045%)
Net exchange gains to pre-tax income	(3.652%)

1. Interest rate changes:

According to the most recent U.S. Fed meeting statement, FOMC decided to maintain the target range for the federal funds rate at 2.25% to 2.5%. In light of global economic and financial developments and muted inflation pressures, the Committee will be patient as it determines what future adjustments to rates might be appropriate. In addition, the market is expecting the Fed will not raise the rate any more in 2019. With regards to the interest rate for NTD, in light of the persistent uncertainties over the international economic, trade, and financial prospects and subdued inflationary pressures, the Board of the Central Bank of Taiwan has resolved that the bank will maintain the current rate at 1.375%. As of the end of 2018, the Company's cash balance came to approximately NTD 70.297 billion. The long and short-term bank loans came to about NTD 100.884 billion, with net interest expenses for the year at NTD 1,172,785 thousand. The amount accounted for 0.121% and 9.948% of the Company's net sales and income before tax respectively. As of December 31, 2018, should all other factors remain unchanged, the increase of 0.25% in interest will cause a decrease in income before tax of NTD 10,551 thousand. The Company will continue to monitor the change of interest rate closely and respond in a timely manner.

2. Exchange rate changes:

The Company is export-oriented. And as such, the change and movement of exchange rate have a considerable impact on annual profit and loss. To minimize the impact on the Company's operating profit/loss, the Company mainly utilizes hedging such as forward foreign exchange contracts and swaps to minimize the risks of exchange rate movements. The full year net exchange gains and losses, including the valuation of financial assets, came to $(430,612) thousand, accounting for (0.045%) and (3.652%) of net revenue and net profit before tax respectively. As of December 31, 2018, with all other factors remaining unchanged, a 5% appreciation of USD/TWD will increase income before tax by $67,828 thousand. We will take all necessary actions based on the fluctuation of the exchange rate in the future.

3. Inflation:

According to relevant data published by the Central Bank, imported inflationary pressure would be held down by lower international oil prices projected for this year. The CPI for the year was expected to grow by 0.97% and while CPI outlook should remain stable, we will continue to watch for potential impact on prices.

7.6.2 Policies, Main Causes of Gain or Loss, and Future Response Measures with Respect to High-risk, High-leveraged Investments, Lending or Endorsement Guarantees, and Derivatives Transactions

1. The Company does not make high-risk, high-leveraged investments.
2. The Company only offers financing to its related parties, mainly providing short-term financing for their operating needs.
3. The Company is engaged in endorsement and guarantee activities which are only negotiated between subsidiaries and the parent company. The arrangements are covered by proper Endorsement and Guarantee Procedures.
4. The Company uses a hedging strategy for assets and liabilities valued in foreign currencies. Such hedging, done through forward foreign exchange contracts and swap trading, covers the amount of net assets and liabilities to achieve the objective of risk aversion. At the end of 2018, the Company's position in open forward foreign exchange contracts amounted to USD$ 136,900 thousand, EUR 52,200 thousand, and swap contracts of USD$ 27,300 thousand. The Company will continue to pay close attention to changes in exchange rates and execute timely hedging in the future.
5. In addition to prudent evaluation and control of the execution of related policies, the Company also relies on regulations such as "Guidelines for Handling Acquisition and Disposal of Assets", "Endorsement and Guarantee Procedures", "Third Party Lending Procedures", and "Procedures for the Handling of Derivatives Trading".

7.6.3 Future Research & Development Projects and Corresponding Budget

Other than the Company's efforts in innovation and improvement of computers, TVs, and other peripheral products, the Company also deems innovative research and development works as a niche for the Company's sustainable growth. Various R&D programs are developed and proposed by R&D team based on their forecast of new technologies, understand of market trends, and integration of add-on function. They also team with clients to meet their market planning and detail product developments.

In general, the Company usually has less than a one year product development cycle and aims to shorten the R&D cycle year after year. The IT industry is highly competitive, and the timing of product development is of vital importance. The rapid growth of sales has made the quality, experience, and capacity of R&D a decisive factor that will become the key as to whether the Company can achieve its business target and whether the existing customers continue their cooperation with the Company. The 2019 R&D expenses are expected to be NT$ 12.8 billion.

7.6.4 Effects of and Response to Changes in Policies and Regulations Relating to Corporate Finance and Sales

The Company's management team is paying close attention to any policies or regulations that may impact the Company's operation. In 2018, the Company made all the necessary responses to significant changes in international and domestic policies and regulations, without a significant impact on Company operation.

7.6.5 Effects of and Response to Changes in Technology and the Industry Relating to Corporate Finance and Sales

The constant arrival of new technology products to replace dated ones has changed the habits of users. This has consequently led to the emergence of different demands, and the development of ARM and Android has also impacted Wintel, which used to monopolize the market. Not only that, the emergence of cloud applications has also resulted in significant changes in the traditional PC market. The rising technology trend of IOT, Artificial Intelligence (AI), and 5G communication will also bring significant developments of industry as well as market opportunities. To cope with these changes, the Company has expanded new businesses to its existing product lines to embrace the latest industrial trends. As such, the Company has established its Innovation Center that is responsible for following and studying the latest developments in market trends. Not only that, the Innovation Center is also involved in the development of innovative products, technologies, and designs to strengthen the Company's research on consumer behavior and thereby provide more accurate market segregation and product positioning to satisfy user needs. At the same time, we will also focus on boosting our innovative technology capabilities and plans for future product and market opportunities.

7.6.6 The Impact of Changes in Corporate Image on Corporate Risk Management, and the Company's Response Measures

Compal has concentrated on the IT and Communications industry for many years and has firmly adhered to our business philosophy of transcendence, sincerity, and harmony in a culture of ethics and honesty. We aim to be the best in world-class professional design, manufacturing, and services. As we pursue business growth, we always remember our obligations as a corporate citizen. We have strengthened corporate governance, fulfilled corporate social responsibility, and have established a good corporate image. In recent years, the Company business has expanded, the number of employees has increased, and our global production branches have increased in number. We have become acutely aware of the need for periodic checks of the external environment, a self-management system, and operational strategies for the early detection of potential corporate crises and the need for concrete and positive response plans and corrective measures.

For many years, Compal has placed amongst the Top 500, Top 2000 businesses, and Top 2000 manufacturers in Taiwan by Fortune, Forbes Magazine, and CommonWealth Magazine respectively. In 2018, the Company placed within the top 6%-20% in the TWSE-listed Companies in the 4th round of "Corporate Governance Evaluation" and the distinction of the Award in the "Taiwan Corporate Sustainability Award" organized by the Taiwan Institute of Sustainable Energy. These prestigious awards once again reaffirmed the Company's corporate image. There was no company crisis in 2018 nor was there any significant event that affected the company image in any way.

7.6.7 Expected Benefits from, Risks Relating to, and Response to Merger and Acquisition Plans

In addition to continued cultivation of the existing information and communication technology (ICT) operations and enhancement of the core profit base, we are actively seeking out upcoming industries for merger, acquisition, joint venture, technical collaboration and other patterns, with the aim being to move into industrial computing, medical networking, IoT networking, vehicle networking and the medical equipment market. We will maintain stable development of existing businesses and also move ahead of the curve in other areas which have high growth momentum.

The Company will integrate resources to increase R&D capacity, improve operational efficiency, and increase competitiveness. We expect to benefit from synergy, have a positive impact on future shareholder equity, and maintain adequate control of organizational integration matters and financial risks.

7.6.8 Expected Benefits from, Risks Relating to, and Response to Factory Expansion Plans: None

7.6.9 Risks Relating to and Response to Excessive Concentration of Purchasing Sources and Excessive Customer Concentration: None

7.6.10 Effects of, Risks Relating to, and Response to Large Share Transfers or Changes in Shareholdings by Directors, Supervisors, or Shareholders with Shareholdings of over 10%: None

7.6.11 Effects of, Risks Relating to, and Response to the Changes in Management: None

7.6.12 Litigation or Non-litigation Matters

Qualcomm Inc., filed litigation against the Company and its subsidiaries regarding a dispute over payment of royalties for a patent licensed on May 17, 2017. In response, the Company and its subsidiaries filed a counter suit against Qualcomm Inc., in the United States on July 19, 2017 for violation of the antitrust law. The above case was settled on April 16, 2019, and the two parties agreed to revoke the lawsuit filed against the other party.

7.6.13 Other Major Risks

Information Security

In order to maintain the competitive advantage and precious intellectual property of the company, the business division of Compal Electronics, Inc. followed the “Compal Information Security Management System” to establish information management processes and protection specifications in accordance with the government information security related laws and regulations to ensure the interests of the company, customers and employees, and maintain the competitiveness of the company. With the implementation of the Plan-Do-Check-Act (PDCA) management cycle, we continued to improve our information security system and comply with customer contracts properly to ensure the information security of the customers. Compal Electronics, Inc. had no proven complaints regarding intrusions to customer privacy or the loss of customer data in 2018. In response to external changes and the evolving of attack techniques, we continuously focus and invest in new information security knowledge and technologies for the effective advanced protection and detection of new information security threats to reduce operational risks.

Compal Electronics, Inc. passed the ISO 27001:2005 information security certification in 2005, received the “Information Security Management System ISO 27001:2005” certification issued by the certification agency British Standards Institution (BSI) and gradually expanded the certification range while conducting regular tracking twice a year as well as reviewing audits every three years. In 2015 and 2017, we also passed the ISO 27001:2013 certification and received the “Information Security Management System ISO 27001:2013” certification, meeting the requirements of the new specifications.

The scope of certification includes the information headquarters, research and development for portable computer products, research and development for all-in-one computer products, research and development for vehicle electronics, and research and development for server products. In April and September of 2018, we also passed external audit reviews and obtained certifications as valid proof based on the review results, ensuring the effective operations of the information security management systems. After the integration of the smart device business group information security system, the control of existing VPN and personal network hotspots were strengthened, and the scope of regular vulnerability scans was expanded.

In order to achieve the promise of “ensuring sustainable operations and increasing customer satisfaction” comprehensively, the “Information Security Committee” was established as the highest commanding unit for information security. Management review meetings were held during the first and second halves of the year to coordinate and discuss the information security plans, policies, goals, resource scheduling, etc., implementing the company’s information security governance policies, clearly declaring and implementing the maintenance of information security, and requiring the participation of all employees.

- ✓ In order to increase the employee’s awareness on information security, all colleagues of Compal Electronics, Inc. has received social engineering exercises, propaganda on information security as well as educational training.
- ✓ The six major information security goals are measured monthly to monitor the control measures of information security management.
- ✓ BCP recovery exercises are executed regularly to ensure the validity of the BCP plan and that it meets the system recovery goals.
- ✓ Internal and external audits are executed regularly every six months to ensure that the management system is followed and improved continuously.
- ✓ Risk assessment is executed regularly every six months. Risk evaluation is performed through asset values and business processes, and risk processing measures are performed for the high-level risks evaluated.

Due to the information security event of the industry in 2018, comprehensive reviews of the risk and protection measures for ransomware were also immediately conducted.

<u>Others</u>

International conglomerates face many risks such as regulatory compliance, business competition, localization, and globalization. It is the responsibility of each Company employee to turn such challenges into future opportunity. Ex ante risk identification, weekly risk assessment and prevention, and post-crisis management, have all been added to the Company target management cycle (PDCA), key performance indicators (KPI), and control system for internal use. Such processes allow the dedicated units responsible for these specific risks to establish rigorous and rapid means for response and a problem-solving culture. By working through regular and intermittent reviews and combining education, training and a performance risk appraisal system, they can cope with significantly different kinds of risk management based on local conditions. The company did not face any significant risk in 2018.

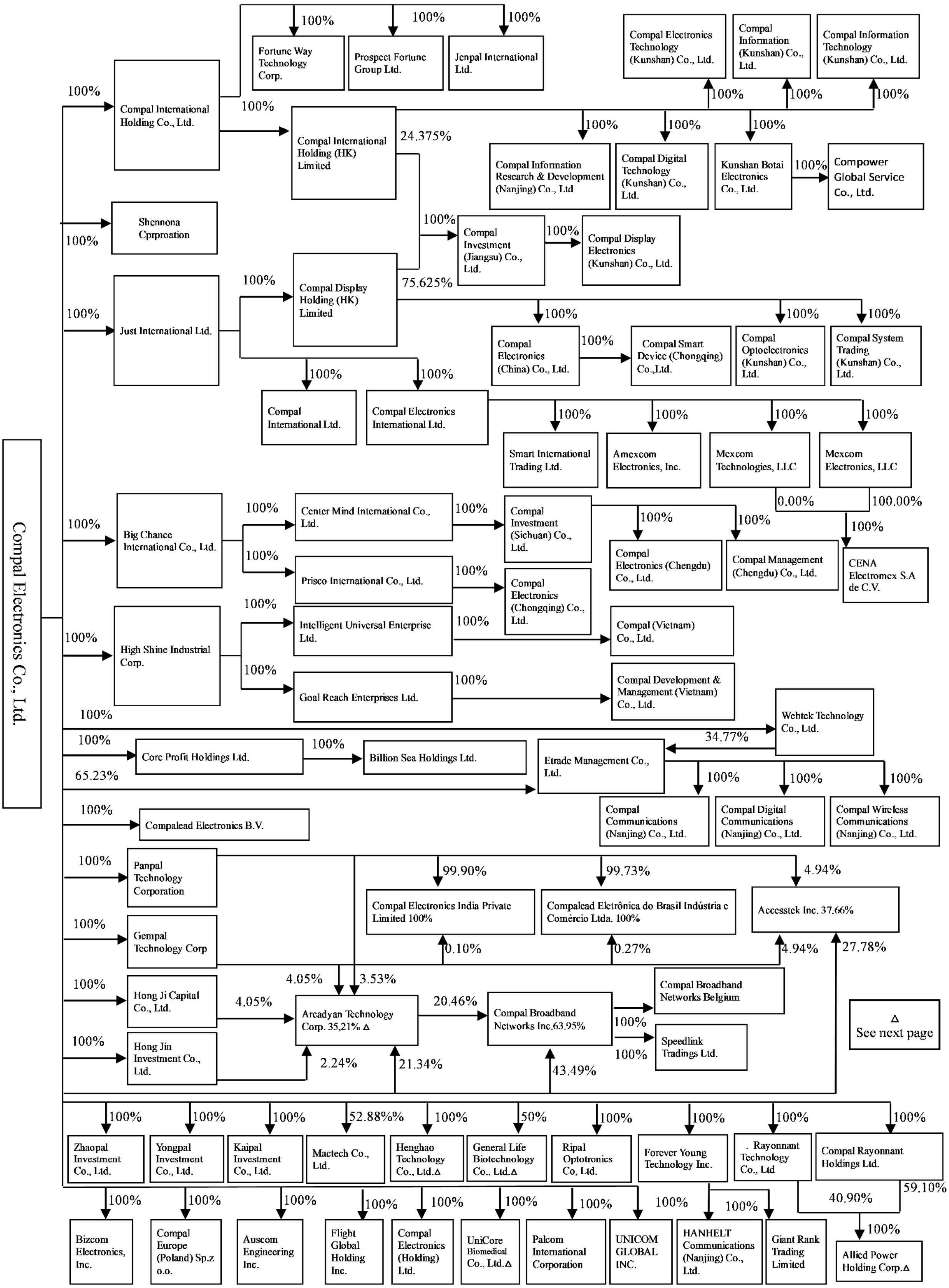
7.7 Other material issues: None.

VIII. Special Disclosure

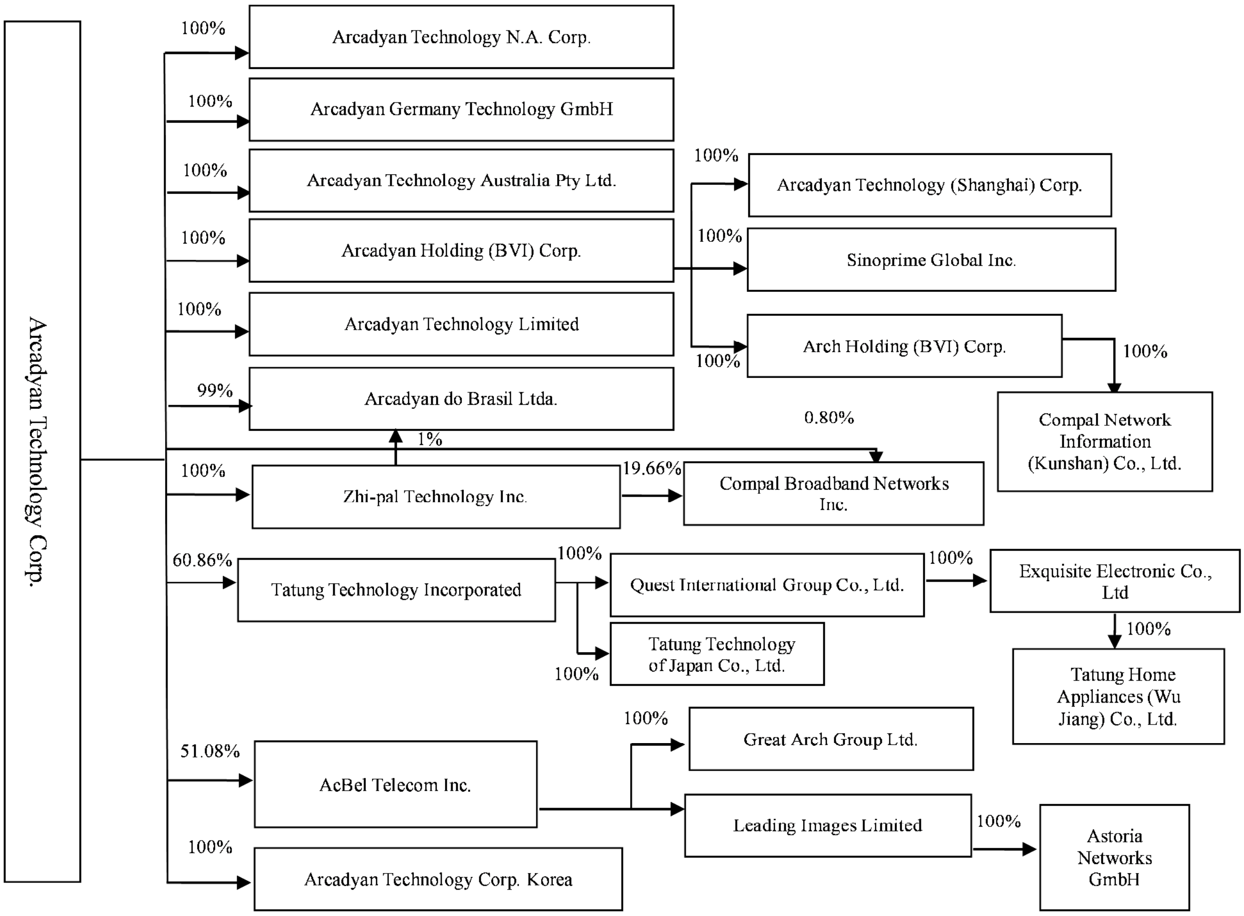
8.1 Summary of Affiliated Companies (As of Dec 31, 2018)

8.1.1 Affiliated enterprises report

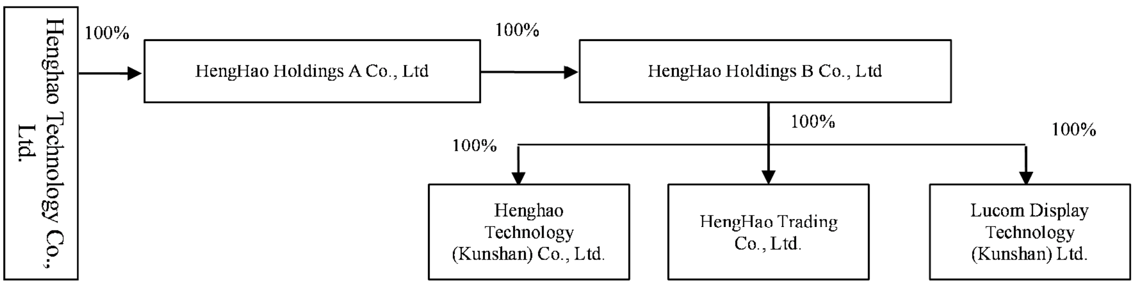
1. chart



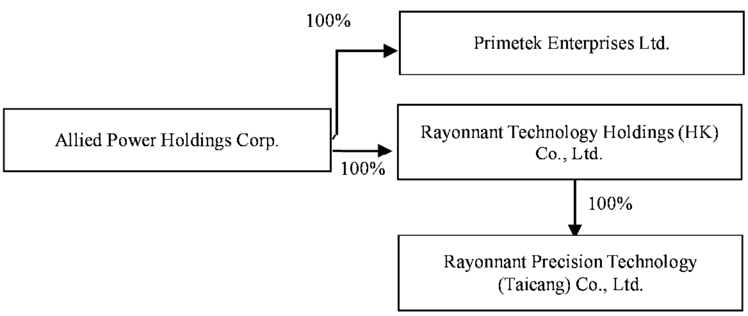
Arcadyan Technology Affiliated Business Organization Chart



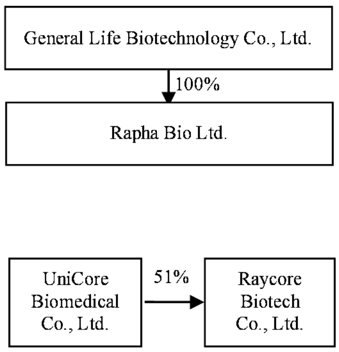
Henghao Technology Co., Ltd. Affiliated Organization Chart



Allied Power Affiliatedcal Business Organization Chart



General Life Biotechnology Affiliated Business Organization Chart



2. Backgrounds of affiliated enterprises (December 31, 2018)

Unit: thousand dollars

Company name	Date of establishment	Address	Paid-up capital	Main business activities or products
Compal Electronics, Inc.	1984.06.01	No. 581 and 581-1, Ruiguang Road, Neihu District, Taipei City	NT$44,071.466	Manufacturing, processing and trading of notebooks, computer monitors, LCD TVs, cellphones, and electronic parts
Compal International Holding Co., Ltd.	2000.01.12	Palm Grove House, P.O. Box 438, Road Town, Tortola, British Virgin Islands	US$53,001	General investment, and production and sale of notebooks
Compal International Holding (HK) Limited	2008.08.11	Room 511, 5F, Silvercord Tower 1, No. 30 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong	US$74,803	General investments
Compal Electronics Technology (Kunshan) Co., Ltd.	2000.05.19	No. 25, Third Avenue, A Zone, Kunshan Comprehensive Free Trade Zone, Kunshan, Jiangsu, China	US$12,000	Production of notebooks, cellphones and electronics
Compal Information (Kunshan) Co., Ltd.	2003.01.07	No. 15, Third Avenue, A Zone, Kunshan Comprehensive Free Trade Zone, Kunshan, Jiangsu, China	US$12,000	Production of notebooks, tablets and electronics
Compal Information Technology (Kunshan) Co., Ltd.	2003.06.20	No. 58, First Avenue, A Zone, Kunshan Comprehensive Free Trade Zone, Kunshan, Jiangsu, China	US$24,000	Production of notebooks and electronics
Compal Information Research & Development (Nanjing) Co., Ltd.	2007.11.28	8F, Changjiang Science Park, No. 40 Nanchang Road, Gulou District, Nanjing, Jiangsu, China	US$2,000	Hardware/software development and production of computers, cellphones and electronic components, and sale of self-produced products
Compal Digital Technology (Kunshan) Co., Ltd.	2010.03.05	No. 9, Second Avenue, A Zone, Kunshan Comprehensive Free Trade Zone, Kunshan, Jiangsu, China	US$20,000	Production and sale of notebooks, cellphones and digital products
Kunshan Botai Electronics Co., Ltd.	2001.08.20	No. 1881, Liji Road, Shipai, Bacheng Town, Kunshan City, Jiangsu, China	US$1,000	Production and after-sale service of notebooks and cellphones
Compower Global Service Co., Ltd.	2012.04.23	No. 58, First Avenue, A Zone, Kunshan Comprehensive Free Trade Zone, Kunshan, Jiangsu, China	RMB $ 2,000	Maintenance and after-sale service of notebooks and cellphones
Prospect Fortune Group Ltd.	2000.01.18	Tropic Isle Building, P.O. Box 438, Road Town, Tortola, British Virgin Islands	US$1	Trading of notebooks and related parts
Jenpal International Ltd.	2010.12.27	Palm Grove House, P.O. Box 438, Road Town, Tortola, British Virgin Islands	US$7,350	General investments
Fortune Way Technology Corp.	2015.12.18	Tropic Isle Building, P.O. Box 438, Road Town, Tortola, British Virgin Islands	US$14,900	General investments
Just International Ltd.	1992.08.25	Tropic Isle Building, P.O. Box 438, Road Town, Tortola, British Virgin Islands	US$48,010	General investment, and production, sale and maintenance of computer monitors and LCD TVs
Compal Display Holding (HK) Limited	2008.08.11	Room 511, 5F, Silvercord Tower 1, No. 30 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong	US$62,298	General investments
Compal Electronics (China) Co., Ltd.	1995.12.25	No. 988 Tongfengdong Road, Kunshan City Development Area, Jiangsu, China	US$37,000	Manufacturing and sale of displays

Company name	Date of establishment	Address	Paid-up capital	Main business activities or products
Compal Smart Device (Chongqing) Co.,LTD.	2018.04.13	NO.18-5,BAOHONG AVENUE,LIANGJIANG NEW DISTRICT,CHONGQING,CHINA(NO.D05,ZONE D,AIR PORT SECTION OF LIANGLU CUNTAN FREE TRADE PORT	RMB$60,000	Development, production and sale of communication equipment, cellphones, computers and smart watches, and provision of relevant technical services
Compal Optoelectronics (Kunshan) Co., Ltd.	2003.02.28	No. 988 Tongfengdong Road, Kunshan City Development Area, Jiangsu, China	US$12,100	Production and sale of LCD TVs
Compal System Trading (Kunshan) Co., Ltd.	2007.10.24	No. 435 Weiye Road, Kunshan City Development Area, Jiangsu, China	US$1,400	International trade and distribution of computers and electronic components
Compal Investment (Jiangsu) Co., Ltd.	2011.02.17	China Business Section, Kunshan Economic & Technological Development Zone, Jiangsu, China (south of Zhonghuayuan Road and west of Renmin South Road)	US$15,600	General investments
Compal Display Electronics (Kunshan) Co., Ltd.	2011.03.30	No. 1881, Liji Road, Shipai, Bacheng Town, Kunshan City, Jiangsu, China	US$15,000	Production and sale of LCD TVs
Compal International Ltd.	1997.04.15	Tropic Isle Building, P.O. Box 438, Road Town, Tortola, British Virgin Islands	US$500	Sale of monitors, LCD TVs and related parts
Compal Electronics International Ltd.	1997.04.22	Tropic Isle Building, P.O. Box 438, Road Town, Tortola, British Virgin Islands	US$9,245	General investments
Smart International Trading Ltd.	1998.09.03	Tropic Isle Building, P.O. Box 438, Road Town, Tortola, British Virgin Islands	US$1	Trading of electronic products and related parts
Amexcom Electronics, Inc.	2011.07.22	318 N. Carson Street, #208, Carson City, NV 89701	US$1,000	Sale and maintenance of LCD TVs
Mexcom Technologies, LLC	2011.07.22	318 N. Carson Street, #208, Carson City, NV 89701	US$1	General investments
Mexcom Electronics, LLC	2011.07.22	318 N. Carson Street, #208, Carson City, NV 89701	US$8,234	General investments
CENA Electromex, S.A. de C.V.	1986.11.26	Ave Rio Bravo 1230 Parque Industrial Rio Bravo, Ciudad Juarez, Chihuahua, Mexico 32557	US$8,050	Production, sale and maintenance of LCD TVs
Big Chance International Co., Ltd.	2011.04.01	Tropic Isle Building, P.O. Box 438, Road Town, Tortola, British Virgin Islands	US$90,820	General investments
Center Mind International Co., Ltd.	2011.04.01	Tropic Isle Building, P.O. Box 438, Road Town, Tortola, British Virgin Islands	US$80,820	General investments
Compal Investment (Sichuan) Co., Ltd.	2011.04.01	No. 6, Shenglong Street, Wuhou District, Chengdu, Sichuan	US$80,820	External investment and consultation service
Compal Electronics (Chengdu) Co., Ltd.	2011.04.02	No. 88, Sec.1, ZongBao Avenue Chengdu Hi-tech Comprehensive Bonded Zone,Shuangliu County, Chengdu, Sichuan, China	US$80,000	Development and production of notebooks, tablets, digital products, network switches, wireless APs, and auto electronics
Compal Management (Chengdu) Co., Ltd.	2011.05.25	No. 6, Shenglong Street, Wuhou District, Chengdu, Sichuan	US$800	Management consultation, training, business information, tax advisory, investment consultation, and investment management

Company name	Date of establishment	Address	Paid-up capital	Main business activities or products
Prisco International Co., Ltd.	2011.06.02	Tropic Isle Building, P.O. Box 438, Road Town, Tortola, British Virgin Islands	US$10,000	General investments
Compal Electronics (Chongqing) Co., Ltd.	2011.06.02	No.10-3,BaoHong Avenue, YuBei District, ChongQing, China (NO.A03,ZoneA,AirPort Section of LiangLu CunTan Free Trade Port Area)	US$10,000	Development, production and sale of notebooks and related components, and provision of maintenance and after-sale services
Core Profit Holdings Ltd.	2012.04.02	Vistra Corporate Services, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands	US$147,000	General investments
Billion Sea Holdings Ltd.	2012.04.02	Vistra Corporate Services, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands	US$147,000	General investments
High Shine Industrial Corp.	2007.07.04	P. O. Box 3321, Drake Chambers, Road Town, Tortola, British Virgin Islands	US$42,700	General investments
Intelligent Universal Enterprise Ltd.	2007.08.02	P. O. Box 3321,Drake Chambers, Road Town, Tortola, British Virgin Islands	US$30,000	General investments
Compal (Vietnam) Co., Ltd.	2007.10.04	Ba Thien Industrial Zone, Binh Xuyen County, Vinh Phuc Province, Vietnam	VND543,243,500	Production, development, sale and repair of notebooks, computer monitors, LCD TVs and electronic components
Goal Reach Enterprises Ltd.	2007.07.03	Palm Grove House, P.O. Box 438, Road Town, Tortola, British Virgin Islands	US$12,700	General investments
Compal Development & Management (Vietnam) Co., Ltd.	2007.07.03	Ba Thien Industrial Zone, Binh Xuyen County, Vinh Phuc Province, Vietnam	VND216,428,500	Construction and investment of infrastructures at Ba-Thien Industrial Zone, Vietnam
Panpal Technology, Inc.	1997.08.20	No. 581, Ruiguang Road, Neihu District, Taipei City	NT$5,000,000	General investments
Gempal Technology, Inc.	1997.10.29	No. 581, Ruiguang Road, Neihu District, Taipei City	NT$900,000	General investments
Hong Ji Capital, Inc.	2004.06.28	No. 581, Ruiguang Road, Neihu District, Taipei City	NT$1,000,000	General investments
Hong Jin Investment, Inc.	2004.07.02	No. 581, Ruiguang Road, Neihu District, Taipei City	NT$295,000	General investments
Compalead Eletrônica do Brasil Indústria e Comércio Ltda.	2008.07.15	Rua Kanebo 175, Galpões C1 a C6, e C12 Distrito Industrial, Jundiaí, São Paulo, CEP:13213-090, Brazil	BRL20,109	Production and after-sale service of notebooks, cellphones and electronics
Compal Electronics India Private Limited	1996.05.21	B-4, Ecotech 1 Ext., Surajpur Kasna Rd., Greater Noida-201308, UP, India	INR386,000	Production and after-sale service of cellphones
Accesstek Inc., Inc.	2000.08.18	5F-1, No. 65, Lane 525, Section 1, Guangfu Road, Hsinchu City	NT$32,369	Design, manufacturing and trading of optical disc writers and kits
Arcadyan Technology Corporation	2003.05.09	8F, No. 8, Section 2, Guangfu Road, East District, Hsinchu City	NT$1,936,190	Research, development, production and sale of WLAN, integrated digital home and mobile office products
Arcadyan Technology N.A. Corp.	2003.07.30	5450 Thornwood Dr, Unit J Floor 2 San Jose CA 95123-1222, USA	US$669	Sale of wireless network products
Arcadyan Germany Technology GmbH	2007.04.11	Koelner Strasse 10b D-65760 Eschborn, Germany	EUR25	Sale and technical support of wireless networking products

Company name	Date of establishment	Address	Paid-up capital	Main business activities or products
Arcadyan Technology Corporation Korea	2014.10.16	Rm.#1109, 166, Gunpo-si, Gyeonggi-do, Korea	KRW100,000	Sale of wireless networking products
Arcadyan do Brasil Ltda.	2015.04.24	Avenida Dr. Delfim Moreira, 356-SL 202, Centro, Minas Gerais, Santa Rita, Brazil, CEP 37540-000	BRL9,682	Sale of wireless network products
Arcadyan Technology Limited	2016.08.16	183 Fraser Road, Sheffield, S80JP, United Kingdom	GBP50	Technical support for wireless networking products
Arcadyan Technology Australia Pty Ltd	2018.03.28	Suite 476 Level 4, 311-315 Castlereagh Street, Sydney NSW 2000	AUD 50	Sale of wireless networking products
Arcadyan Holding (BVI) Corp.	2007.03.07	Portcullis TrustNet Chambers, P.O. Box 3444, Road Town, Tortola, British Virgin Islands	US$32,780	General investments
Sinoprime Global Inc.	2004.12.29	Palm Grove House, P.O. Box 438, Road Town, Tortola, British Virgin Islands	US$9,050	General investments
Arcadyan Technology (Shanghai) Corp.	2002.04.17	4F, Block 2, No. 80 Huashen Road, Free Economic Pilot Zone, Shanghai, China	US$13,100	Development and sale of WLAN products
Arch Holding (BVI) Corp.	2007.05.24	Palm Grove House, P.O. Box 438, Road Town, Tortola, British Virgin Islands	US$10,550	General investments
Compal Information Technology (Kunshan) Co., Ltd.	2006.06.26	No. 520 Nanbang Road, Economic & Technological Development Zone, Kunshan, Jiangsu, China, China	US$12,450	Production and sale of WLAN products
Zhi-pal Technology Inc	2009.08.10	5F, No. 58, Lane 188, Ruiguang Road, Neihu District, Taipei City	NT$349,800	General investments
Tatung Technology Inc.	2008.01.21	10F, No. 288, Section 6, Civic Boulevard, Xinyi District, Taipei City	NT$410,000	Development and sale of digital home electronics
Tatung Technology of Japan Co., Ltd.	2018.11.22	1 Chome-2-18, Mita, Minato-ku, Tokyo-to, Japan	JPY 5,000	Sale of digital home electronics
Quest International Group Co., Ltd.	2012.12.11	Level 2, Lotemau Centre, Vaea Street, Apia, Samoa.	US$1,200	General investments
Exquisite Electronic Co., Ltd.	2012.02.03	Level 2, Lotemau Centre, Vaea Street, Apia, Samoa.	US$1,170	General investments
Tatung Home Appliances (Wu Jiang) Co., Ltd.	2001.02.13	No. 508 Youming Road, Songling Town, Wujiang District, Suzhou, Jiangsu, China	US$3,350	Production and sale of digital home electronics
Acbel Telecom Inc.	2004.11.29	5F, No. 58, Lane 188, Ruiguang Road, Neihu District, Taipei City	NT$85,720	General investments
Leading Images Limited	2008.01.02	Palm Grove House, P.O. Box 438, Road Town, Tortola, British Virgin Islands	US$50	General investments
Great Arch Group Ltd.(Note)	2008.10.02	Palm Grove House, P.O. Box 438, Road Town, Tortola, British Virgin Islands	US$50	Sale of wireless networking products
Astoria Networks GmbH	2008.09.22	Koelner Strasse 10b D-65760 Eschborn, Germany	EUR25	Sale of wireless networking products
Compal Broadband Networks Inc.	2009.08.19	13F-1, No. 1, Taiyuan 1st Street, Zhubei City, Hsinchu County	NT$668,184	Development and sale of cable modems, set-top boxes and communication products
Speedlink Tradings Limited	2011.12.30	Palm Grove House, P.O. Box438, Road Town,Tortola, British Virgin Islands	US$50	Import and export trading

Company name	Date of establishment	Address	Paid-up capital	Main business activities or products
Compal Broadband Networks Belgium BVBA	2018.01.01	Bekersveld 19, 2630 Aartselaar, BELGIUM	EUR$200	Import and export of broadband network products and related components, and provision of technical support and consultation services
Zhaopal Investment	2009.10.15	No. 581, Ruiguang Road, Neihu District, Taipei City	NT$1,358,000	General investments
Yongpal Investment	2009.10.15	No. 581, Ruiguang Road, Neihu District, Taipei City	NT$1,188,500	General investments
Kaipal Investment	2009.10.15	No. 581, Ruiguang Road, Neihu District, Taipei City	NT$510,500	General investments
Henghao Technology Co., Ltd.	2010.12.10	No. 2-1, Wenhua Rd., Hsin-chu Industrial Park, Hukou Shiang, Hsin-chu County 30352, Taiwan R.O.C.	NT$638,150	Manufacturing of electronic components, computers and peripherals
HengHao Holdings A Co., Ltd.	2010.12.10	Palm Grove House , P.O. Box 438, Road Town Tortola, British Virgin Islands	US$46,882	General investments
HengHao Holdings B Co., Ltd.	2010.12.14	Palm Grove House , P.O. Box 438, Road Town Tortola, British Virgin Islands	US$46,882	General investments
HengHao Optoelectronics Technology (Kunshan) Co., Ltd.	2010.05.07	NO.520, Nanbang Rd., Kunshan City, Jiangsu Province, China	US$40,000	Production touch panels and related components
HengHao Trading Co., Ltd.	2010.12.15	Palm Grove House , P.O. Box 438, Road Town Tortola, British Virgin Islands	US$10	Trading
Lucom Display Technology (Kunshan) Ltd.	2010.11.01	NO.520, Nanbang Rd., Kunshan City, Jiangsu Province, China	US$15,000	Production touch panels and LCD displays
Mactech Inc.	2000.05.23	No. 89, Land 36, Section 2, Tanxing Road, Tanyang Village, Tanzi District, Taichung City	NT$411,458	Manufacturing of machinery and lighting equipment, retail sale of machinery, and international trade
Ripal Optotronics Co, Ltd.	2013.8.26	2F, No. 256, Section 3, Zhongzheng Road, Rende District, Tainan City	NT$60,000	Manufacturing of home appliances and audiovisual electronics
Rayonnant Technology Co., Ltd	2010.03.23	No. 581, Ruiguang Road, Neihu District, Taipei City	NT$295,000	Manufacturing and sale of computers and peripherals
Compal Rayonnant Holdings Ltd.	2011.12.02	Palm Grove House, P.O. Box 438, Road Town, Tortola, British Virgin Islands	US$12,500	General investments
Allied Power Holding Corp.	2005.04.07	P.O. Box 3321, Sealight House, Road Town, Tortola, British Virgin Islands	US$21,151	General investments
Primetek Enterprises Ltd.	2005.01.28	Palm Grove House, P.O. Box 438, Road Town, Tortola, British Virgin Islands.	US$3,151	General investments
Rayonnant Technology Holdings (HK) Co., Ltd.	2010.03.31	Room 1904, 19 F, phuket commercial centre, 5 Hanoi road, Tsim Sha Tsui, Kowloon, Hong Kong	US$18,000	General investments
Rayonnant Precision Technology (Taicang) Co., Ltd.	2010.06.04	No.9 Tainan Road,Industry Park, Taicang, Jiangsu, China	US$18,000	Development and production of aluminum and magnesium alloy-based products
Bizcom Electronics, Inc.	1992.04.13	1171 Montague Express Way, Milpitas, CA 95035, USA	US$100	Marketing and after-sale of computer monitors and notebooks

Company name	Date of establishment	Address	Paid-up capital	Main business activities or products
Compal Europe (Poland) Sp. z o.o.	2008.03.05	Techniczna 792-518 Lodz, Poland	PLN6,804	Maintenance and after-sale service of notebooks and cellphones
Auscom Engineering Inc.	2008.10.27	One Dell Way, MSC PS2-88, Round Rock, Texas 78682, USA	US$3,000	Development of notebooks and related components, hardware and software
Flight Global Holding Inc.	2007.08.09	P. O. Box 3321, Drake Chambers, Road Town, Tortola, British Virgin Islands	US$89,755	General investments
Compalead Electronics B.V.	2014.02.19	Prins Bernhardplein 200, 1097 JB Amsterdam, the Netherlands	US$6,427	General investments
General Life Biotechnology Co., Ltd.	1999.01.16	No.581-1, Ruiguang Rd., Neihu Dist., Taipei City	NT$300,000	Production and wholesaling of medical equipment
Rapha Bio Ltd.	2011.09.29	5F, No.240, Shinshu Rd., Shin Juang Dist., New Taipei City	NT$12,750	In vitro test supplies and equipment
Etrade Management Co., Ltd.	2000.07.05	Palm Grove House, P.O. Box 438,Road Town, Tortola, British Virgin Islands	US$71,900	General investments
Compal Communications (Nanjing) Co., Ltd.	2003.09.23	No.68-2, Suyuan Road, Export Processing Zone (South Area). Jiangning Nanjing China	US$22,000	Production of cellphones and tablets
Compal Digital Communications (Nanjing) Co., Ltd.	2004.03.26	No.77 Gaohu Street, Jiangning Economic & Technological Development Zone, Nanjing, China	US$5,800	Production of cellphones and tablets
Compal Wireless Communications (Nanjing) Co., Ltd.	2006.02.13	No.68-2, Suyuan Road, Export Processing Zone (South Area). Jiangning Nanjing China	US$39,000	Production of cellphones and tablets
Webtek Technology Co., Ltd.	2000.07.07	Palm Grove House, P.O. Box 438,Road Town, Tortola, British Virgin Islands	US$100	Sale of cellphones
Forever Young Technology Inc.	2004.11.25	P.O. Box 3321, (Sealight House), Road Town, Tortola, British Virgin Islands	US$50	Sale of cellphones
Giant Rank Trading Limited	2004.11.25	Palm Grove House P.O. Box 438 Road Town, Tortola, British Virgin Islands	US$ -	Sale of cellphones
HANHELT Communications (Nanjing) Co., Ltd.	2009.03.11	Room 301 3rd floor 43#, Headquarters Park,N0.70# Phoenix Road Jiangning District, Nanjing, China	US$2,000	Development of electronic communication equipment
Unicom Global. Inc	2006.03.21	No. 581, Ruiguang Road, Neihu District, Taipei City	NT$100,000	Manufacturing and retail of computers and electronic components
Palcom International Corporation	2006.03.22	8F, No. 385, Yangguang St., Neihu District, Taipei City	NT$100,000	Sale of cellphones
Compal Electronics (Holding) Ltd.	1997.04.22	Tropic Isle Building, P.O. Box 438, Road Town, Tortola, British Virgin Islands	US$1	General investments
UniCore Biomedical Co., Ltd.	2018.01.25	1F, No. 50, Section 1, Jiuzong Road, Neihu District, Taipei city	NT$200,000	Management consultation, leasing, and wholesale/retail of medical equipment
Raycore Biotech Co., Ltd.	2017.10.18	No. 581, Ruiguang Road, Neihu District, Taipei City	NT$25,000	Wholesaling and retailing of veterinary drugs
Shennona Corporation	2018.01.10	1171 Montague Express Way, Milpitas, CA 95035, USA	US$1,000	Medical care IOT business

Note: The liquidation procedure was completed in April 2018.

3. Business activities and relationships of affiliated enterprises (December 31, 2018)

Industry category	Name of affiliated enterprise	Business relationship with other affiliated enterprises
Investment holding company	Compal International Holding Co., Ltd.	Holds investment interest in Compal International Holding (HK) Limited, Prospect Fortune Group Ltd., Jenpal International Ltd., and Fortune Way Technology Corp.
	Compal International Holding (HK) Limited	Holds investment interest in Compal Electronics Technology (Kunshan) Co., Ltd., Compal Information (Kunshan) Co., Ltd., Compal Information Technology (Kunshan) Co., Ltd., Compal Information Research & Development (Nanjing) Co., Ltd., Compal Digital Technology (Kunshan) Co., Ltd., Kunshan Botai Electronics Co., Ltd., and Compal Investment (Jiangsu, China) Co., Ltd.
	Jenpal International Ltd.	General investments
	Fortune Way Technology Corp.	General investments
	Just International Ltd.	Holds investment interest in Compal Display Holding (HK) Limited, Compal International Ltd., and Compal Electronics International Ltd.
	Compal Display Holding (HK) Limited	Holds investment interest in Compal Electronics (China) Co., Ltd., Compal Optoelectronics (Kunshan) Co., Ltd., Compal System Trading (Kunshan) Co., Ltd., and Compal Investment (Jiangsu, China) Co., Ltd.
	Compal Investment (Jiangsu) Co., Ltd.	Holds investment interest in Compal Display Electronics (Kunshan) Co., Ltd.
	Compal Electronics International Ltd.	Holds investment interest in Smart International Trading Ltd., Amexcom Electronics, Inc., Mexcom Technologies, LLC, and Mexcom Electronics, LLC
	Mexcom Technologies, LLC	Holds investment interest in CENA Electromex, S.A. de C.V.
	Mexcom Electronics, LLC	Holds investment interest in CENA Electromex, S.A. de C.V.
	Big Chance International Co., Ltd.	Holds investment interest in Center Mind International Co., Ltd. and Prisco International Co., Ltd.
	Center Mind International Co., Ltd.	Holds investment interest in Compal Investment (Sichuan) Co., Ltd.
	Compal Investment (Sichuan) Co., Ltd.	Holds investment interest in Compal Electronics (Chengdu) Co., Ltd. and Compal Management (Chengdu) Co., Ltd.
	Prisco International Co., Ltd.	Holds investment interest in Compal Electronics (Chongqing) Co., Ltd.
	Core Profit Holdings Ltd.	Holds investment interest in Billion Sea Holdings Ltd.
	Billion Sea Holdings Ltd.	General investments
	High Shine Industrial Corp.	Holds investment interest in Intelligent Universal Enterprise Ltd. and Goal Reach Enterprises Ltd.
	Intelligent Universal Enterprise Ltd.	Holds investment interest in Compal (Vietnam) Co., Ltd.
	Goal Reach Enterprises Ltd.	Holds investment interest in Compal Development & Management (Vietnam) Co., Ltd.
	Panpal Technology Corporation	General investments
	Gempal Technology Co., Ltd.	General investments
	Hong Ji Investment Co., Ltd.	General investments
	Hong Jin Investment Co., Ltd.	General investments
	Zhaopal Investment Co., Ltd.	General investments
	YongPal Investment Co., Ltd.	General investments
	KaiPal Investment Co., Ltd.	General investments
	Compal Rayonnant Holdings Ltd.	General investments
	Allied Power Holding Corp.	General investments
	Flight Global Holding Inc.	General investments
	Compalead Electronics B.V.	General investments
	Etrade Management Co., Ltd.	General investments
	Compal Electronics (Holding) Ltd.	General investments
	Arcadyan Holding (BVI) Corp.	Holds investment interest in Sinoprime Global Inc., Arch Holding (BVI) Corp., and Shanghai Guangzhi Technology Development Co., Ltd.
	Arch Holding (BVI) Corp.	Holds investment interest in Compal Information Technology (Kunshan) Co., Ltd.

Industry category	Name of affiliated enterprise	Business relationship with other affiliated enterprises
	Zhi-pal Technology Inc	Holds investment interest in Compal Broadband Networks Inc. and Arcadyan do Brasil Ltda.
	Quest International Group Co., Ltd.	Holds investment interest in Exquisite Electronic Co., Ltd.
	Exquisite Electronic Co., Ltd.	Holds investment interest in Tatung Home Appliances (Wu Jiang) Co., Ltd.
	Acbel Telecom Inc.	Holds investment interest in Leading Images Limited and Great Arch Group Ltd.
	Leading Images Limited	Holds investment interest in Astoria Networks GmbH
	Sinoprime Global Inc.	General investments
	Rayonnant Technology Holdings (HK) Co., Ltd.	General investments
	HengHao Holdings A Co., Ltd.	General investments
	HengHao Holdings B Co., Ltd.	General investments
	Primetek Enterprises Ltd.	General investments
Electronic products wholesaling	Prospect Fortune Group Ltd.	Trading of notebooks and related parts
	Compal System Trading (Kunshan) Co., Ltd.	International trade and distribution of computers and electronic components
	Compal International Ltd.	Sale of monitors, LCD TVs and related parts
	Smart International Trading Ltd.	Trading of electronic products and related parts
	Webtek Technology Co., Ltd.	Sale of cellphones
	Forever Young Technology Inc.	Sale of cellphones
	Giant Rank Trading Limited	Sale of cellphones
	Palcom International Corporation	Sale of cellphones
	Arcadyan Technology N.A. Corp.	Sale of wireless networking products
	Arcadyan Technology Corporation Korea	Sale of wireless networking products
	Arcadyan do Brasil Ltda.	Sale of wireless networking products
	Arcadyan Technology Australia Pty Ltd.	Sale of wireless networking products
	Tatung Technology Inc.	Development and sale of digital home electronics
	Tatung Technology of Japan Co., Ltd.	Sale of digital home electronics
	Great Arch Group Ltd.	Sale of wireless networking products
	Astoria Networks GmbH	Sale of wireless networking products
	Arcadyan Germany Technology GmbH	Sale and technical support of wireless networking products
	HengHao Trading Co., Ltd.	Trading
	Speedlink Tradings Limited	Import and export trading
	Compal Broadband Networks Belgium BVBA	Import and export of broadband network products and related components, and provision of technical support and consultation services
Electronic products manufacturing	Compal Electronics Inc.	Manufacturing, processing and trading of notebooks, computer monitors, LCD TVs, cellphones, and electronic parts
	Compal Electronics Technology (Kunshan) Co., Ltd.	Production of notebooks, cellphones and electronics
	Compal Information (Kunshan) Co., Ltd.	Production of notebooks, tablets and electronics
	Compal Information Technology (Kunshan) Co., Ltd.	Production of notebooks and electronics
	Compal Digital Technology (Kunshan) Co., Ltd.	Production and sale of notebooks, cellphones and digital products
	Kunshan Botai Electronics Co., Ltd.	Production and after-sale service of notebooks and cellphones
	Compal Electronics (China) Co., Ltd.	Manufacturing and sale of displays
	Compal Smart Device (Chongqing) Co., Ltd.	Development, production and sale of communication equipment, cellphones, computers and smart watches, and provision of relevant technical services
	Compal Optoelectronics (Kunshan) Co., Ltd.	Production and sale of LCD TVs
	Compal Display Electronics (Kunshan) Co., Ltd.	Production and sale of LCD TVs
	Amexcom Electronics, Inc.	Sale and maintenance of LCD TVs
	CENA Electromex, S.A. de C.V.	Production, sale and maintenance of LCD TVs

Industry category	Name of affiliated enterprise	Business relationship with other affiliated enterprises
	Compal Electronics (Chengdu) Co., Ltd.	Development and production of notebooks, tablets, digital products, network switches, wireless APs, and auto electronics
	Compal Electronics (Chongqing) Co., Ltd.	Development, production and sale of notebooks and related components, and provision of maintenance and after-sale services
	Compal (Vietnam) Co., Ltd.	Production, development, sale and repair of notebooks, computer monitors, LCD TVs and electronic components
	Compalead Eletrônica do Brasil Indústria e Comércio Ltda.	Production and after-sale service of notebooks, cellphones and electronics
	Unicom Global. Inc	Manufacturing and retail of computers and electronic components
	Accesstek Inc.	Design, manufacturing and trading of optical disc writers and kits
	Arcadyan Technology Corp.	Research, development, production and sale of WLAN, integrated digital home and mobile office products
	Compal Broadband Networks Inc.	Development and sale of cable modems, set-top boxes and communication products
	Henghao Technology Co., Ltd.	Manufacturing of electronic components, computers and peripherals
	Mactech Co., Ltd.	Manufacturing of machinery and lighting equipment, retail sale of machinery, and international trade
	Rayonnant Technology Co., Ltd.	Manufacturing and sale of computers and peripherals
	Compal Communications (Nanjing) Co., Ltd.	Production of cellphones and tablets
	Compal Digital Communications (Nanjing) Co., Ltd.	Production of cellphones and tablets
	Compal Wireless Communications (Nanjing) Co., Ltd.	Production of cellphones and tablets
	RiPAL Optotronics Co., Ltd.	Manufacturing of home appliances and audiovisual electronics
	Compal Electronics India Private Limited	Production and after-sale service of cellphones
	Compal Information Technology (Kunshan) Co., Ltd.	Production and sale of WLAN products
	Tatung Home Appliances (Wu Jiang) Co., Ltd.	Production and sale of digital home electronics
	HengHao Optoelectronics Technology (Kunshan) CO., LTD	Production touch panels and related components
	Rayonnant Precision Technology (Taicang) Co., Ltd.	Development and production of aluminum and magnesium alloy-based products
	Lucom Display Technology (Kunshan) Ltd.	Production touch panels and LCD displays
Technology service	Compal Information Research & Development (Nanjing) Co., Ltd.	Hardware/software development for computers, cellphones and electronic components
	Compower Global Service Co., Ltd.	Maintenance and after-sale service of notebooks and cellphones
	Compal Management (Chengdu) Co., Ltd.	Management consultation, training, business information, tax advisory, investment consultation, and investment management
	HANHELT Communications (Nanjing) Co., Ltd.	Development of electronic communication equipment
	Bizcom Electronics, Inc.	Marketing and after-sale of computer monitors and notebooks
	Compal Europe (Poland) Sp. z o.o.	Maintenance and after-sale service of notebooks and cellphones
	Auscom Engineering Inc.	Development of notebooks and related components, hardware and software
	Arcadyan Technology (Shanghai) Corp.	Development and sale of WLAN products
	Arcadyan Technology Limited	Technical support for wireless networking products
Construction and development	Compal Development & Management (Vietnam) Co., Ltd.	Construction and investment of infrastructures at Ba-Thien Industrial Zone, Vietnam
Leading and management consulting	UniCore Biomedical Co., Ltd.	Management consultation, leasing, and wholesale/retail of medical equipment
Wholesale and retail of	Raycore Biotech Co., Ltd.	Wholesaling and retailing of veterinary drugs

Industry category	Name of affiliated enterprise	Business relationship with other affiliated enterprises
veterinary drugs		
Manufacturing and sale of medical equipment	General Life Biotechnology Co., Ltd.	Manufacturing and sale of medical equipment
	Rapha Bio Ltd.	Sale of test instruments and supplies
Medical care	Shennona Corporation	Medical care IOT business

4. Directors, supervisors, and President of affiliated enterprises

December 31, 2018 Unit: NTD thousands; shares; %

Company name	Title	Name or name of representative	Shares held	
			Shares (Note)	Shareholding percentage
Compal Electronics Inc.	Chairman	Sheng-Hsiung Hsu	8,975,401	0.20%
	Vice Chairman	Jui-Tsung Chen	35,352,587	0.80%
	Director	Binpal Investment Co., Ltd. (Representative: Wen-Being Hsu)	5,000,000	0.11%
	Director	Kinpo Electronics, Inc. (Representative: Shyh-Yong Shen)	151,628,692	3.43%
	Director	Chang Chi Ko	7,896,867	0.18%
	Director	Sheng Chieh Hsu	9,119,297	0.21%
	Director	Yung-Chia Chou	8,022,874	0.18%
	Director and President	Chung-Pin Wong	6.618,618	0.15%
	Director	Chiung-Chi Hsu	2,117,731	0.05%
	Director	Ming-Chih Chang	1,919,489	0.04%
	Director	Anthony Peter Bonadero	0	0%
	Director	Sheng-Hua Peng	835,000	0.02%
	Independent Director	Min-Chih Hsuan	0	0.00%
	Independent Director	Duei Tsai	0	0.00%
	Independent Director	Duh Kung Tsai	0	0.00%
	Representative	Wen-Being Hsu	4,000,000	0.09%
	Representative	Shyh-Yong Shen	0	0.00%
Compal International Holding Co., Ltd.	Director	Compal Electronics Inc. (Representative: Sheng-Hsiung Hsu)	53,001,000	100.00%
	Director	Compal Electronics Inc. (Representative: Jui-Tsung Chen)	53,001,000	100.00%
Compal International Holding (HK) Limited	Director	Compal International Holding Co., Ltd. (Representative: Sheng-Hsiung Hsu)	74,802,500	100.00%
	Director	Compal International Holding Co., Ltd. (Representative: Jui-Tsung Chen)	74,802,500	100.00%
Compal Electronics Technology (Kunshan) Co., Ltd.	Chairman	Compal International Holding (HK) Limited (Representative: Sheng-Hsiung Hsu)	NT$368,580	100.00%
	Director	Compal International Holding (HK) Limited (Representative: Jui-Tsung Chen)	NT$368,580	100.00%
	Director	Compal International Holding (HK) Limited (Representative: Chung-Pin Wong)	NT$368,580	100.00%
	Supervisor	Compal International Holding (HK) Limited (Representative: Ching-Hsiung Lu)	NT$368,580	100.00%
	President	Ming-Chih Chang	0	0.00%
Compal Information (Kunshan) Co., Ltd.	Chairman	Compal International Holding (HK) Limited (Representative: Sheng-Hsiung Hsu)	NT$368,580	100.00%
	Director	Compal International Holding (HK) Limited (Representative: Jui-Tsung Chen)	NT$368,580	100.00%
	Director	Compal International Holding (HK) Limited (Representative: Chung-Pin Wong)	NT$368,580	100.00%
	Supervisor	Compal International Holding (HK) Limited (Representative: Ching-Hsiung Lu)	NT$368,580	100.00%
	President	Ming-Chih Chang	0	0.00%
Compal Information Technology (Kunshan) Co., Ltd.	Chairman	Compal International Holding (HK) Limited (Representative: Sheng-Hsiung Hsu)	NT$737,160	100.00%
	Director	Compal International Holding (HK) Limited (Representative: Jui-Tsung Chen)	NT$737,160	100.00%
	Director	Compal International Holding (HK) Limited (Representative: Chung-Pin Wong)	NT$737,160	100.00%
	Supervisor	Compal International Holding (HK) Limited	NT$737,160	100.00%

Company name	Title	Name or name of representative	Shares held	
			Shares (Note)	Shareholding percentage
		(Representative: Ching-Hsiung Lu)		
	President	Ming-Chih Chang	0	0.00%
Compal Information Research & Development (Nanjing) Co., Ltd.	Chairman	Compal International Holding (HK) Limited (Representative: Sheng-Hsiung Hsu)	NT$61,430	100.00%
	Director	Compal International Holding (HK) Limited (Representative: Jui-Tsung Chen)	NT$61,430	100.00%
	Director	Compal International Holding (HK) Limited (Representative: Chun-Te Shen)	NT$61,430	100.00%
	Supervisor	Compal International Holding (HK) Limited (Representative: Cheng-Chiang Wang)	NT$61,430	100.00%
	President	Chun-Te Shen	0	0.00%
Compal Digital Technology (Kunshan) Co., Ltd.	Chairman	Compal International Holding (HK) Limited (Representative: Sheng-Hsiung Hsu)	NT$61.4300	100.00%
	Director	Compal International Holding (HK) Limited (Representative: Jui-Tsung Chen)	NT$61.4300	100.00%
	Director	Compal International Holding (HK) Limited (Representative: Chung-Pin Wong)	NT$61.4300	100.00%
	Supervisor	Compal International Holding (HK) Limited (Representative: Ching-Hsiung Lu)	NT$61.4300	100.00%
	President	Ming-Chih Chang	0	0.00%
Kunshan Botai Electronics Co., Ltd.	Chairman	Compal International Holding (HK) Limited (Representative: Sheng-Hsiung Hsu)	NT$30,715	100.00%
	Director	Compal International Holding (HK) Limited (Representative: Jui-Tsung Chen)	NT$30,715	100.00%
	Director	Compal International Holding (HK) Limited (Representative: Ming-Chih Chang)	NT$30,715	100.00%
	Supervisor	Compal International Holding (HK) Limited (Representative: Ching-Hsiung Lu)	NT$30,715	100.00%
	President	Ming-Chih Chang	0	0.00%
Compower Global Service Co., Ltd.	Managing Director	Kunshan Botai Electronics Co., Ltd. (Representative: Chung-Pin Wong)	NT$8,945	100.00%
	Supervisor	Kunshan Botai Electronics Co., Ltd. (Representative: Cheng-Chiang Wang)	NT$8,945	100.00%
	President	Ming-Chih Chang	0	0.00%
Prospect Fortune Group Ltd.	Director	Compal International Holding Co., Ltd. (Representative: Sheng-Hsiung Hsu)	1,000	100.00%
	Director	Compal International Holding Co., Ltd. (Representative: Jui-Tsung Chen)	1,000	100.00%
Jenpal International Ltd.	Director	Compal International Holding Co., Ltd. (Representative: Sheng-Hsiung Hsu)	7,350,000	100.00%
	Director	Compal International Holding Co., Ltd. (Representative: Jui-Tsung Chen)	7,350,000	100.00%
Fortune Way Technology Corp.	Director	Compal International Holding Co., Ltd. (Representative: Sheng-Hsiung Hsu)	14,900,000	100.00%
	Director	Compal International Holding Co., Ltd. (Representative: Jui-Tsung Chen)	14,900,000	100.00%
Just International Ltd.	Director	Compal Electronics Inc. (Representative: Sheng-Hsiung Hsu)	48,010,000	100.00%
	Director	Compal Electronics Inc. (Representative: Jui-Tsung Chen)	48,010,000	100.00%
Compal Display Holding (HK) Limited	Director	Just International Ltd. (Representative: Sheng-Hsiung Hsu)	62,297,500	100.00%
	Director	Just International Ltd. (Representative: Jui-Tsung Chen)	62,297,500	100.00%
Compal Electronics (China) Co., Ltd.	Chairman	Compal Display Holding (HK) Limited (Representative: Sheng-Hsiung Hsu)	NT$1,136,455	100.00%

Company name	Title	Name or name of representative	Shares held	
			Shares (Note)	Shareholding percentage
	Director	Compal Display Holding (HK) Limited (Representative: Jui-Tsung Chen)	NT$1,136,455	100.00%
	Director	Compal Display Holding (HK) Limited (Representative: Sheng-Hua Peng)	NT$1,136,455	100.00%
	Supervisor	Compal Display Holding (HK) Limited (Representative: Ching-Hsiung Lu)	NT$1,136,455	100.00%
	President	Fu-Chuan Chang	0	0.00%
Compal Smart Device (ChongQing) Co., Ltd.	Chairman	Compal Electronics (China) Co., Ltd. (Representative: Sheng-Hsiung Hsu)	NT$268,362	100.00%
	Director	Compal Electronics (China) Co., Ltd. (Representative: Jui-Tsung Chen)	NT$268,362	100.00%
	Director	Compal Electronics (China) Co., Ltd. (Representative: Sheng-Hua Peng)	NT$268,362	100.00%
	Supervisor	Compal Electronics (China) Co., Ltd. (Representative: Cheng-Chiang Wang)	NT$268,362	100.00%
	President	Sheng-Hua Peng	0	0.00%
Compal Optoelectronics (Kunshan) Co., Ltd.	Chairman	Compal Display Holding (HK) Limited (Representative: Sheng-Hsiung Hsu)	NT$371,652	100.00%
	Director	Compal Display Holding (HK) Limited (Representative: Jui-Tsung Chen)	NT$371,652	100.00%
	Director	Compal Display Holding (HK) Limited (Representative: Sheng-Hua Peng)	NT$371,652	100.00%
	Supervisor	Compal Display Holding (HK) Limited (Representative: Ching-Hsiung Lu)	NT$371,652	100.00%
	President	Fu-Chuan Chang	0	0.00%
Compal System Trading (Kunshan) Co., Ltd.	Chairman	Compal Display Holding (HK) Limited (Representative: Jui-Tsung Chen)	NT$43,001	100.00%
	Director	Compal Display Holding (HK) Limited (Representative: Sheng-Hsiung Hsu)	NT$43,001	100.00%
	Director	Compal Display Holding (HK) Limited (Representative: Chung-Pin Wong)	NT$43,001	100.00%
	Supervisor	Compal Display Holding (HK) Limited (Representative: Cheng-Chiang Wang)	NT$43,001	100.00%
	President	Ming-Chih Chang	0	0.00%
Compal Investment (Jiangsu) Co., Ltd.	Chairman	Compal International Holding (HK) Limited & Compal Display Holding (HK) Limited (Representative: Sheng-Hsiung Hsu)	NT$479,154	100.00%
	Director	Compal International Holding (HK) Limited & Compal Display Holding (HK) Limited (Representative: Jui-Tsung Chen)	NT$479,154	100.00%
	Director	Compal International Holding (HK) Limited & Compal Display Holding (HK) Limited (Representative: Sheng-Hua Peng)	NT$479,1546	100.00%
	Supervisor	Compal International Holding (HK) Limited & Compal Display Holding (HK) Limited (Representative: Ching-Hsiung Lu)	NT$479,154	100.00%
	President	Sheng-Hua Peng	0	0.00%
Compal Display Electronics (Kunshan) Co., Ltd.	Chairman	Compal Investment (Jiangsu, China) Co., Ltd. (Representative: Sheng-Hsiung Hsu)	NT$460,725	100.00%
	Director	Compal Investment (Jiangsu, China) Co., Ltd. (Representative: Jui-Tsung Chen)	NT$460,725	100.00%
	Director	Compal Investment (Jiangsu, China) Co., Ltd. (Representative: Sheng-Hua Peng)	NT$460,725	100.00%
	Supervisor	Compal Investment (Jiangsu, China) Co.,	NT$460,725	100.00%

Company name	Title	Name or name of representative	Shares held	
			Shares (Note)	Shareholding percentage
		Ltd. (Representative: Ching-Hsiung Lu)		
	President	Sheng-Hua Peng	0	0.00%
Compal International Ltd.	Director	Just International Ltd. (Representative: Sheng-Hsiung Hsu)	500,000	100.00%
	Director	Just International Ltd. (Representative: Jui-Tsung Chen)	500,000	100.00%
Compal Electronics International Ltd.	Director	Just International Ltd. (Representative: Sheng-Hsiung Hsu)	9,245,000	100.00%
	Director	Just International Ltd. (Representative: Jui-Tsung Chen)	9,245,000	100.00%
Smart International Trading Ltd.	Director	Compal Electronics International Ltd. (Representative: Sheng-Hsiung Hsu)	1,000	100.00%
	Director	Compal Electronics International Ltd. (Representative: Jui-Tsung Chen)	1,000	100.00%
Amexcom Electronics, Inc.	Director	Compal Electronics International Ltd. (Representative: Sheng-Hua Peng)	1,000,000	100.00%
	Director	Compal Electronics International Ltd. (Representative: Hsin-Kung Mao)	1,000,000	100.00%
	Director	Compal Electronics International Ltd. (Representative: Chung-Pin Wong)	1,000,000	100.00%
	President	Hsin-Kung Mao	0	0.00%
Mexcom Technologies, LLC	Director	Compal Electronics International Ltd. (Representative: Hsin-Kung Mao)	NT$31	100.00%
Mexcom Electronics, LLC	Director	Compal Electronics International Ltd. (Representative: Hsin-Kung Mao)	NT$252,907	100.00%
CENA Electromex S.A. de C.V.	Director	Mexcom Electronics, LLC (Representative: Sheng-Hua Peng)	32,903,054	100.00%
	Director	Mexcom Electronics, LLC (Representative: Yuan-Fu Chou)	32,903,054	100.00%
	Director	Mexcom Electronics, LLC (Representative: Hsin-Kung Mao)	32,903,054	100.00%
	President	Pedro Chacon	0	0.00%
Big Chance International Co., Ltd.	Director	Compal Electronics Inc. (Representative: Sheng-Hsiung Hsu)	90,820,000	100.00%
	Director	Compal Electronics Inc. (Representative: Jui-Tsung Chen)	90,820,000	100.00%
Center Mind International Co., Ltd.	Director	Big chance International Co., Ltd. (Representative: Sheng-Hsiung Hsu)	80,820,000	100.00%
	Director	Big chance International Co., Ltd. (Representative: Jui-Tsung Chen)	80,820,000	100.00%
Compal Investment (Sichuan) Co., Ltd.	Chairman	Center Mind International Co., Ltd. (Representative: Sheng-Hsiung Hsu)	NT$2,482,387	100.00%
	Director	Center Mind International Co., Ltd. (Representative: Jui-Tsung Chen)	NT$2,482,387	100.00%
	Director	Center Mind International Co., Ltd. (Representative: Chung-Pin Wong)	NT$2,482,387	100.00%
	Supervisor	Center Mind International Co., Ltd. (Representative: Ching-Hsiung Lu)	NT$2,482,387	100.00%
	President	Ming-Chih Chang	0	0.00%
Compal Electronics (Chengdu) Co., Ltd.	Chairman	Compal Investment (Sichuan) Co., Ltd. (Representative: Sheng-Hsiung Hsu)	NT$2,457,200	100.00%
	Director	Compal Investment (Sichuan) Co., Ltd. (Representative: Jui-Tsung Chen)	NT$2,457,200	100.00%
	Director	Compal Investment (Sichuan) Co., Ltd.	NT$2,457,200	100.00%

Company name	Title	Name or name of representative	Shares held	
			Shares (Note)	Shareholding percentage
		(Representative: Chung-Pin Wong)		
	Supervisor	Compal Investment (Sichuan) Co., Ltd. (Representative: Ching-Hsiung Lu)	NT$2,457,200	100.00%
	President	Ming-Chih Chang	0	0.00%
Compal Management (Chengdu) Co., Ltd.	Chairman	Compal Investment (Sichuan) Co., Ltd. (Representative: Sheng-Hsiung Hsu)	NT$24,572	100.00%
	Director	Compal Investment (Sichuan) Co., Ltd. (Representative: Jui-Tsung Chen)	NT$24,572	100.00%
	Director	Compal Investment (Sichuan) Co., Ltd. (Representative: Chung-Pin Wong)	NT$24,572	100.00%
	Supervisor	Compal Investment (Sichuan) Co., Ltd. (Representative: Ching-Hsiung Lu)	NT$24,572	100.00%
	President	Ming-Chih Chang	0	0.00%
Prisco International Co., Ltd.	Director	Big chance International Co., Ltd. (Representative: Sheng-Hsiung Hsu)	10,000,000	100.00%
	Director	Big chance International Co., Ltd. (Representative: Jui-Tsung Chen)	10,000,000	100.00%
Compal Electronics (Chongqing) Co., Ltd.	Chairman	Prisco International Co., Ltd. (Representative: Sheng-Hsiung Hsu)	NT$307,150	100.00%
	Director	Prisco International Co., Ltd. (Representative: Jui-Tsung Chen)	NT$307,150	100.00%
	Director	Prisco International Co., Ltd. (Representative: Chung-Pin Wong)	NT$307,150	100.00%
	Supervisor	Prisco International Co., Ltd. (Representative: Ching-Hsiung Lu)	NT$307,150	100.00%
	President	Ming-Chih Chang	0	0.00%
Core Profit Holdings Ltd.	Director	Compal Electronics Inc. (Representative: Sheng-Hsiung Hsu)	147,000,000	100.00%
	Director	Compal Electronics Inc. (Representative: Jui-Tsung Chen)	147,000,000	100.00%
Billion Sea Holdings Ltd.	Director	Core Profit Holdings Ltd. (Representative: Sheng-Hsiung Hsu)	147,000,000	100.00%
	Director	Core Profit Holdings Ltd. (Representative: Jui-Tsung Chen)	147,000,000	100.00%
High Shine Industrial Corp.	Director	Compal Electronics Inc. (Representative: Sheng-Hsiung Hsu)	42,700,000	100.00%
	Director	Compal Electronics Inc. (Representative: Jui-Tsung Chen)	42,700,000	100.00%
Intelligent Universal Enterprise Ltd.	Director	High Shine Industrial Corp. (Representative: Sheng-Hsiung Hsu)	30,000,000	100.00%
	Director	High Shine Industrial Corp. (Representative: Jui-Tsung Chen)	30,000,000	100.00%
Compal (Vietnam) Co., Ltd.	Director	Intelligent Universal Enterprise Ltd. (Representative: Jui-Tsung Chen)	NT$921,450	100.00%
Goal Reach Enterprises Ltd.	Director	High Shine Industrial Corp. (Representative: Sheng-Hsiung Hsu)	12,700,000	100.00%
	Director	High Shine Industrial Corp. (Representative: Jui-Tsung Chen)	12,700,000	100.00%
Compal Development & Management (Vietnam) Co., Ltd.	Director	Goal Reach Enterprises Ltd. (Representative: Jui-Tsung Chen)	NT$390,081	100.00%
Panpal Technology	Chairman	Compal Electronics Inc. (Representative: Sheng-Hsiung Hsu)	500,000,000	100.00%
	Director and President	Compal Electronics Inc. (Representative: Jui-Tsung Chen)	500,000,000	100.00%

Company name	Title	Name or name of representative	Shares held	
			Shares (Note)	Shareholding percentage
	Director	Compal Electronics Inc. (Representative: Chung-Pin Wong)	500,000,000	100.00%
	Supervisor	Compal Electronics Inc. (Representative: Sheng Chieh Hsu)	500,000,000	100.00%
Gempal Technology Co., Ltd.	Chairman	Compal Electronics Inc. (Representative: Sheng-Hsiung Hsu)	90,000,000	100.00%
	Director and President	Compal Electronics Inc. (Representative: Jui-Tsung Chen)	90,000,000	100.00%
	Director	Compal Electronics Inc. (Representative: Sheng-Hua Peng)	90,000,000	100.00%
	Supervisor	Compal Electronics Inc. (Representative: Sheng Chieh Hsu)	90,000,000	100.00%
Hong Ji Investment Co., Ltd.	Chairman	Compal Electronics Inc. (Representative: Sheng-Hsiung Hsu)	100,000,000	100.00%
	Director and President	Compal Electronics Inc. (Representative: Jui-Tsung Chen)	100,000,000	100.00%
	Director	Compal Electronics Inc. (Representative: Sheng-Hua Peng)	100,000,000	100.00%
	Supervisor	Compal Electronics Inc. (Representative: Sheng Chieh Hsu)	100,000,000	100.00%
Hong Jin Investment Co., Ltd.	Chairman	Compal Electronics Inc. (Representative: Sheng-Hsiung Hsu)	29,500,000	100.00%
	Director and President	Compal Electronics Inc. (Representative: Jui-Tsung Chen)	29,500,000	100.00%
	Director	Compal Electronics Inc. (Representative: Chung-Pin Wong)	29,500,000	100.00%
	Supervisor	Compal Electronics Inc. (Representative: Sheng Chieh Hsu)	29,500,000	100.00%
Compalead Eletrônica do Brasil Indústria e Comércio Ltda.	President	Hsiao-Li Chao	0	0.00%
Compal Electronics India Private Limited	President	Guo-Dung Yu	0	0.00%
Accesstek Inc.	Supervisor	Panpal Technology Corporation (Representative: Ching-Hsiung Lu)	159,742	4.94%
	Supervisor	Maywufa Co., Ltd. (Representative: Cheng-Chia Li)	32,019	0.99%
Arcadyan Technology Corp.	Chairman	Compal Electronics Inc. (Representative: Jui-Tsung Chen)	41,304,504	21.34%
	Director	Compal Electronics Inc. (Representative: Sheng-Hua Peng)	41,304,504	21.34%
	Director	Compal Electronics Inc. (Representative: Chung-Pin Wong)	41,304,504	21.34%
	Director	Che-He Wei	0	0.00%
	Director and President	Compal Electronics Inc. (Representative: Chao-Peng Tseng)	41,304,504	21.34%
	Independent Director	Ying-Jen Li	0	0.00%
	Independent Director	Ching-Jang Wen	0	0.00%
	Independent Director	Wen-An Yang	0	0.00%
Arcadyan Technology N.A. Corp.	Director	Arcadyan Technology Corp. (Representative: Jui-Tsung Chen)	1,000	100.00%
	Director	Arcadyan Technology Corp. (Representative: Chao-Peng Tseng)	1,000	100.00%
	President	Chao-Peng Tseng	0	0.00%

Company name	Title	Name or name of representative	Shares held	
			Shares (Note)	Shareholding percentage
Arcadyan Germany Technology GmbH	Managers	Arcadyan Technology Corp. (Representative: Chao-Peng Tseng)	500	100.00%
Arcadyan Technology Corporation Korea	Director	Arcadyan Technology Corp. (Representative: Chao-Peng Tseng)	20,000	100.00%
Arcadyan do Brasil Ltda.	Managers	Nien-Che, Hsiung	0	0.00%
Arcadyan Technology Limited	Director	Arcadyan Technology Corp. (Representative: Chao-Peng Tseng)	50,000	100.00%
	Director	Arcadyan Technology Corp. (Representative: Keng-Tien Lin)	50,000	100.00%
Arcadyan Technology Australia Pty Ltd.	Director	Arcadyan Technology Corp. (Representative: Chao-Peng Tseng)	50,000	100.00%
	Director	Arcadyan Technology Corp. (Representative: Fong-Yu, Lu))	50,000	100.00%
	Director	Arcadyan Technology Corp. (Representative: Linda, Chu)	50,000	100.00%
Arcadyan Holding (BVI) Corp.	Chairman	Arcadyan Technology Corp. (Representative: Jui-Tsung Chen)	32,780,148	100.00%
	Director	Arcadyan Technology Corp. (Representative: Chao-Peng Tseng)	32,780,148	100.00%
Sinoprime Global Inc.	Chairman	Arcadyan Holding (BVI) Corp. (Representative: Jui-Tsung Chen)	9,050,000	100.00%
	Director	Arcadyan Holding (BVI) Corp. (Representative: Chao-Peng Tseng)	9,050,000	100.00%
Arch Holding (BVI) Corp.	Chairman	Arcadyan Holding (BVI) Corp. (Representative: Jui-Tsung Chen)	34,900	100.00%
	Director	Arcadyan Holding (BVI) Corp. (Representative: Chao-Peng Tseng)	34,900	100.00%
Arcadyan Technology (Shanghai) Corp.	Chairman	Arcadyan Holding (BVI) Corp. (Representative: Chao-Peng Tseng)	NT$389,856	100.00%
	Director	Arcadyan Holding (BVI) Corp. (Representative: Ching-Hsiung Lu)	NT$389,856	100.00%
	Director	Arcadyan Holding (BVI) Corp. (Representative: Fong-Yu, Lu))	NT$389,856	100.00%
	Director	Arcadyan Holding (BVI) Corp. (Representative: Chung-Pao, Liu)	NT$389,856	100.00%
	Director	Arcadyan Holding (BVI) Corp. (Representative: Chien-Lin Chen)	NT$389,856	100.00%
	Supervisor	Arcadyan Holding (BVI) Corp. (Representative: Shih-Wei Huang)	NT$389,856	100.00%
	President	Chung-Pao, Liu	0	0.00%
Compal Information Technology (Kunshan) Co., Ltd.	Chairman	Arch Holding (BVI) Corp. (Representative: Fong-Yu, Lu))	NT$370,512	100.00%
	Director	Arch Holding (BVI) Corp. (Representative: Jui-Tsung Chen)	NT$370,512	100.00%
	Director	Arch Holding (BVI) Corp. (Representative: Chao-Peng Tseng)	NT$370,512	100.00%
	Supervisor	Arch Holding (BVI) Corp. (Representative: Ching-Hsiung Lu)	NT$370,512	100.00%
	President	Chung-Pao, Liu	0	0.00%
Zhi-pal Technology Inc	Chairman	Arcadyan Technology Corp. (Representative: Chao-Peng Tseng)	34,980,000	100.00%
	Director	Arcadyan Technology Corp. (Representative: Sheng-Hua Peng)	34,980,000	100.00%
	Director	Arcadyan Technology Corp.	34,980,000	100.00%

Company name	Title	Name or name of representative	Shares held	
			Shares (Note)	Shareholding percentage
		(Representative: Ching-Hsiung Lu)		
	Director	Arcadyan Technology Corp. (Representative: Fong-Yu, Lu))	34,980,000	100.00%
	Supervisor	Arcadyan Technology Corp. (Representative: Shih-Wei Huang)	34,980,000	100.00%
	President	Chao-Peng Tseng	0	0.00%
Tatung Technology Inc.	Chairman	Arcadyan Technology Corp. (Representative: Chao-Peng Tseng)	25,027,910	60.86%
	Director	Arcadyan Technology Corp. (Representative: Fong-Yu, Lu))	25,027,910	60.86%
	Director	Arcadyan Technology Corp. (Representative: Chien-Lin Chen)	25,027,910	60.86%
	Director	Arcadyan Technology Corp. (Representative: Nien-Che, Hsiung)	25,027,910	60.86%
	Director	Arcadyan Technology Corp. (Representative: Li-Wei Dang)	25,027,910	60.86%
	Director	Shang Chi Investment Co., Ltd. (Representative: Chia-Tien Lin)	1,027,056	2.51%
	Director	Chunghwa Investment Holding Company (Representative: Tian-Tsair Su)	4,570,830	11.15%
	Supervisor	Shih-Wei Huang	0	0.00%
	Supervisor	Chi Sheng Investment Co., Ltd. (Representative: Chang-Chuan Lin)	2,727,272	6.65%
	Supervisor	Shih-Wei Huang	0	0.00%
	President	Li-Wei Dang	1,062,935	2.59%
Tatung Technology of Japan Co., Ltd.	Director	Tatung Technology Inc. (Representative: Li-Wei Dang)	0	100.00%
	Director	Tatung Technology Inc. (Representative: Chao-Peng Tseng)	0	100.00%
Quest International Group Co., Ltd.	Director	Tatung Technology Inc. (Representative: Chao-Peng Tseng)	1,200,000	100.00%
	Director	Tatung Technology Inc. (Representative: Li-Wei Dang)	1,200,000	100.00%
Exquisite Electronic Co., Ltd.	Director	Quest International Group Co., Ltd. (Representative: Chao-Peng Tseng)	1,170,000	100.00%
	Director	Quest International Group Co., Ltd. (Representative: Li-Wei Dang)	1,170,000	100.00%
Tatung Home Appliances (Wu Jiang) Co., Ltd.	Chairman	Exquisite Electronic Co., Ltd. (Representative: Fong-Yu, Lu))	NT$99,696	100.00%
	Director	Exquisite Electronic Co., Ltd. (Representative: Chao-Peng Tseng)	NT$99,696	100.00%
	Director	Exquisite Electronic Co., Ltd. (Representative: Li-Wei Dang)	NT$99,696	100.00%
	Supervisor	Exquisite Electronic Co., Ltd. (Representative: Shih-Wei Huang)	NT$99,696	100.00%
	President	Li-Wei Dang	0	0.00%
Acbel Telecom Inc.	Chairman	Arcadyan Technology Corp. (Representative: Chao-Peng Tseng)	4,494,111	51.08%
	Director	Arcadyan Technology Corp. (Representative: Fong-Yu, Lu))	4,494,111	51.08%
	Director	AcBel Polytech Inc. (Representative: Ching-Shang Kao)	4,292,216	48.78%
	Supervisor	Shih-Wei Huang	0	0.00%
	President	Fong-Yu, Lu	0	0.00%
Leading Images Limited	Director	Acbel Telecom Inc. (Representative: Chao-Peng Tseng)	50,000	100.00%

Company name	Title	Name or name of representative	Shares held	
			Shares (Note)	Shareholding percentage
	Director	Acbel Telecom Inc. (Representative: Ching-Hsiung Lu)	50,000	100.00%
	Director	Acbel Telecom Inc. (Representative: Chung-Pao, Liu)	50,000	100.00%
Great Arch Group Ltd.	Director	Acbel Telecom Inc. (Representative: Chao-Peng Tseng)	50,000	100.00%
	Director	Acbel Telecom Inc. (Representative: Ching-Hsiung Lu)	50,000	100.00%
	Director	Acbel Telecom Inc. (Representative: Chung-Pao, Liu)	50,000	100.00%
Astoria Networks GmbH	Managers	Leading Images Limited (Representative: Tsai-Yen Chuang)	25,000	100.00%
	Managers	Leading Images Limited (Representative: Yu-Yu Wang)	25,000	100.00%
Compal Broadband Networks Inc.	Chairman	Compal Electronics Inc. (Representative: Chung-Pin Wong)	29,060,176	43.48%
	Director	Compal Electronics Inc. (Representative: Jui-Tsung Chen)	29,060,176	43.48%
	Director	Realsun Investment Co., Ltd (Representative: Tsai , Jon-Jinn)	3,575,000	5.35%
	Director	Compal Electronics Inc. (Representative: Yu- Ho Wang)	29,060,176	43.48%
	Independent Director	Wong, Jen-Zen	0	0.00%
	Independent Director	Mao, Yin-Wen	0	0.00%
	Independent Director	Chen, Miao- Ling	0	0.00%
	President	Yu- Ho Wang	1,086,810	0.02%
Speedlink Tradings Limited	Director	Compal Broadband Networks Inc. (Representative: Chung-Pin Wong)	50,000	100.00%
	Director	Compal Broadband Networks Inc. (Representative: Yu- Ho Wang)	50,000	100.00%
Compal Broadband Networks Belgium BVBA	Director	Compal Broadband Networks Inc. (Representative: Yu- Ho Wang)	20,300	100.00%
Zhaopal Investment Co., Ltd.	Supervisor	Compal Electronics Inc. (Representative: Chang Chi Ko)	135,800,000	100.00%
YongPal Investment Co., Ltd.	Supervisor	Compal Electronics Inc. (Representative: Chang Chi Ko)	118,850,000	100.00%
KaiPal Investment Co., Ltd.	Supervisor	Compal Electronics Inc. (Representative: Chang Chi Ko)	51,050,000	100.00%
Henghao Technology Co.,Ltd..	Chairman	Compal Electronics Inc. (Representative: Chung-Pin Wong)	63,814,952	100.00%
	Vice Chairman and President	Compal Electronics Inc. (Representative: Chen-Chang Hsu)	63,814,952	100.00%
	Director	Compal Electronics Inc. (Representative: Jui-Tsung Chen)	63,814,952	100.00%
	Director	Compal Electronics Inc. (Representative: Sheng-Hua Peng)	63,814,952	100.00%
	Supervisor	Chyou-Jui Wei	0	0.00%
HengHao Holdings A Co., Ltd.	Director	Henghao Technology Co., Ltd. (Representative: Sheng-Hsiung Hsu)	46,882,022	100.00%
	Director	Henghao Technology Co., Ltd. (Representative: Chung-Pin Wong)	46,882,022	100.00%
HengHao Holdings B Co., Ltd.	Director	HengHao Holdings A Co., Ltd. (Representative: Sheng-Hsiung Hsu)	46,882,022	100.00%
	Director	HengHao Holdings A Co., Ltd. (Representative: Chung-Pin Wong)	46,882,022	100.00%

Company name	Title	Name or name of representative	Shares held	
			Shares (Note)	Shareholding percentage
HengHao Optoelectronics Technology (Kunshan) CO., LTD	Chairman	HengHao Holdings B Co., Ltd. (Representative: Chen-Chang Hsu)	NT$1,228,600	100.00%
	Director	HengHao Holdings B Co., Ltd. (Representative: Chia-Tien Liu	NT$1,228,600	100.00%
	Director	HengHao Holdings B Co., Ltd. (Representative: Jui-Hsiang Yang)	NT$1,228,600	100.00%
	Supervisor	HengHao Holdings B Co., Ltd. (Representative: Cheng-Chiang Wang)	NT$1,228,600	100.00%
	President	Chen-Chang Hsu	0	0.00%
HengHao Trading Co., Ltd.	Director	HengHao Holdings B Co., Ltd. (Representative: Sheng-Hsiung Hsu)	10,000	100.00%
	Director	HengHao Holdings B Co., Ltd. (Representative: Chung-Pin Wong)	10,000	100.00%
Lucom Display Technology (Kunshan) Ltd.	Chairman	HengHao Holdings B Co., Ltd. (Representative: Chen-Chang Hsu)	NT$460,725	100.00%
	Director	HengHao Holdings B Co., Ltd. (Representative: Chia-Tien Liu)	NT$460,725	100.00%
	Director	HengHao Holdings B Co., Ltd. (Representative: Jui-Hsiang Yang)	NT$460,725	100.00%
	Supervisor	HengHao Holdings B Co., Ltd. (Representative: Hsiu-Chuan Hsu)	NT$460,725	100.00%
	President	Chen-Chang Hsu	0	0.00%
Mactech Inc.	Chairman	Compal Electronics Inc. (Representative: Yung-Ching Chang)	21,756,192	52.88%
	Director	Compal Electronics Inc. (Representative: Jui-Tsung Chen)	21,756,192	52.88%
	Director	Compal Electronics Inc. (Representative: Chung-Pin Wong)	21,756,192	52.88%
	Director	Compal Electronics Inc. (Representative: Chen-Chang Hsu)	21,756,192	52.88%
	Director	Compal Electronics Inc. (Representative: Ming-Chih Chang)	21,756,192	52.88%
	Director	Wen-Pin Kuo	1,301,505	3.16%
	Director	Chuan-Kuei Lin	1,609,172	3.91%
	Supervisor	Chyou-Jui Wei	0	0.00%
Rayonnant Technology Co., Ltd.	Chairman	Compal Electronics Inc. (Representative: Chung-Pin Wong)	29,500,000	100.00%
	Director and President	Compal Electronics Inc. (Representative: Pao-Jui Cheng)	29,500,000	100.00%
	Director	Compal Electronics Inc. (Representative: Hsi-Kuan Chen)	29,500,000	100.00%
	Supervisor	Compal Electronics Inc. (Representative: Chyou-Jui Wei)	29,500,000	100.00%
Compal Rayonnant Holdings Ltd.	Director	Compal Electronics Inc. (Representative: Sheng-Hsiung Hsu)	12,500,000	100.00%
	Director	Compal Electronics Inc. (Representative: Jui-Tsung Chen)	12,500,000	100.00%
Allied Power Holding Corp.	Director	Compal Rayonnant Holdings Ltd. (Representative: Chung-Pin Wong)	12,500,000	59.10%
	Director	Rayonnant Technology Co., Ltd. (Representative: Pao-Jui Cheng)	8,651,000	40.90%
Primetek Enterprises Ltd.	Director	Allied Power Holding Corp. (Representative: Chung-Pin Wong)	3,151,000	100.00%
	Director	Allied Power Holding Corp. (Representative: Pao-Jui Cheng)	3,151,000	100.00%
Rayonnant	Director	Allied Power Holding Corp.	18,000,000	100.00%

Company name	Title	Name or name of representative	Shares held	
			Shares (Note)	Shareholding percentage
Technology Holdings (HK) Co., Ltd.		(Representative: Chyou-Jui Wei)		
	Director	Allied Power Holding Corp. (Representative: Pao-Jui Cheng)	18,000,000	100.00%
Rayonnant Precision Technology (Taicang) Co., Ltd.	Chairman	Rayonnant Technology Holdings (HK) Co., Ltd. (Representative: Pao-Jui Cheng)	NT$552,870	100.00%
	Director	Rayonnant Technology Holdings (HK) Co., Ltd (Representative: Shyh-An Lee).	NT$552,870	100.00%
	Director	Rayonnant Technology Holdings (HK) Co., Ltd. (Representative: Hsi-Kuan Chen)	NT$552,870	100.00%
	Supervisor	Rayonnant Technology Holdings (HK) Co., Ltd. (Representative: Chyou-Jui Wei)	NT$552,870	100.00%
	President	Pao-Jui Cheng	0	0.00%
Bizcom Electronics, Inc.	Director	Compal Electronics Inc. (Representative: Jui-Tsung Chen)	100,000	100.00%
	Director	Compal Electronics Inc. (Representative: Sheng-Hua Peng)	100,000	100.00%
	Director	Compal Electronics Inc. (Representative: Chung-Pin Wong)	100,000	100.00%
	Director	Compal Electronics Inc. (Representative: Duan Wang)	100,000	100.00%
Compal Europe (Poland) Sp. z o.o.	Director	Compal Electronics Inc. (Representative: Duan Wang)	136,080	100.00%
	Director	Compal Electronics Inc. (Representative: Chung-Pin Wong)	136,080	100.00%
Auscom Engineering Inc.	Chairman	Compal Electronics Inc. (Representative: Chung-Pin Wong)	3,000,000	100.00%
	Director and President	Compal Electronics Inc. (Representative: Min-Tung Wong)	3,000,000	100.00%
	Director	Compal Electronics Inc. (Representative: Chun-Te Shen)	3,000,000	100.00%
Flight Global Holding Inc.	Director	Compal Electronics Inc. (Representative: Sheng-Hsiung Hsu)	89,755,495	100.00%
	Director	Compal Electronics Inc. (Representative: Jui-Tsung Chen)	89,755,495	100.00%
RiPAL Optotronics Co., Ltd.	Chairman	Compal Electronics Inc. (Representative: Jui-Tsung Chen)	6,000,000	100.00%
	Director	Compal Electronics Inc. (Representative: Chung-Pin Wong)	6,000,000	100.00%
	Director	Compal Electronics Inc. (Representative: Sheng-Hua Peng)	6,000,000	100.00%
	Supervisor	Compal Electronics Inc. (Representative: Chyou-Jui Wei)	6,000,000	100.00%
Compal Electronics (Holding) Ltd.	Director	Compal Electronics Inc. (Representative: Sheng-Hsiung Hsu)	1,000	100.00%
	Director	Compal Electronics Inc. (Representative: Jui-Tsung Chen)	1,000	100.00%
Etrade Management Co., Ltd.	Director	Compal Electronics Inc. (Representative: Jui-Tsung Chen)	46,900,000	65.23%
Compal Communications (Nanjing) Co., Ltd.	Chairman	Etrade Management Co., Ltd. (Representative: Sheng-Hua Peng)	NT$675,730	100.00%
	Director	Etrade Management Co., Ltd. (Representative: Ching-Hsiung Lu)	NT$675,730	100.00%

Company name	Title	Name or name of representative	Shares held	
			Shares (Note)	Shareholding percentage
	Director	Etrade Management Co., Ltd. (Representative: Hsin-Hsiung Huang)	NT$675,730	100.00%
	Supervisor	Etrade Management Co., Ltd. (Representative: Guo-Dung Yu)	NT$675,730	100.00%
	President	Sheng-Hua Peng	0	0.00%
Compal Digital Communications (Nanjing) Co., Ltd.	Chairman	Etrade Management Co., Ltd. (Representative: Sheng-Hua Peng)	NT$178,147	100.00%
	Director	Etrade Management Co., Ltd. (Representative: Ching-Hsiung Lu)	NT$178,147	100.00%
	Director	Etrade Management Co., Ltd. (Representative: Hsin-Hsiung Huang)	NT$178,147	100.00%
	Supervisor	Etrade Management Co., Ltd. (Representative: Guo-Dung Yu)	NT$178,147	100.00%
	President	Sheng-Hua Peng	0	0.00%
Compal Wireless Communications (Nanjing) Co., Ltd.	Chairman	Etrade Management Co., Ltd. (Representative: Sheng-Hua Peng)	NT$1,505,035	100.00%
	Director	Etrade Management Co., Ltd. (Representative: Ching-Hsiung Lu)	NT$1,505,035	100.00%
	Director	Etrade Management Co., Ltd. (Representative: Hsin-Hsiung Huang)	NT$1,505,035	100.00%
	Supervisor	Etrade Management Co., Ltd. (Representative: Guo-Dung Yu)	NT$1,505,035	100.00%
	President	Sheng-Hua Peng	0	0.00%
Webtek Technology Co., Ltd	Director	Compal Electronics Inc. (Representative: Jui-Tsung Chen)	100,000	100.00%
Forever Young Technology Inc.	Director	Compal Electronics Inc. (Representative:Jui-Tsung Chen)	50,000	100.00%
HANHELT Communications (Nanjing) Co., Ltd.	Chairman	Forever Young Technology Inc. (Representative: Sheng-Hua Peng)	NT$61,430	100.00%
	Director	Forever Young Technology Inc. (Representative: Chung-Shing Tan)	NT$61,430	100.00%
	Director	Forever Young Technology Inc. (Representative: Wen-Ta Hsu)	NT$61,430	100.00%
	Supervisor	Forever Young Technology Inc. (Representative: Chiao-Lie Huang)	NT$61,430	100.00%
Unicom Global. Inc.	Chairman	Compal Electronics Inc. (Representative: Jui-Tsung Chen)	10,000,000	100.00%
	Director	Compal Electronics Inc. (Representative: Chung-Pin Wong)	10,000,000	100.00%
	Director	Compal Electronics Inc. (Representative: Po-Hsiung Chang)	10,000,000	100.00%
	Supervisor	Compal Electronics Inc. (Representative: Chyou-Jui Wei)	10,000,000	100.00%
Palcom International Corporation	Chairman	Compal Electronics Inc. (Representative: Jui-Tsung Chen)	10,000,000	100.00%
	Director	Compal Electronics Inc. (Representative: Sheng-Hua Peng)	10,000,000	100.00%
	Director	Compal Electronics Inc. (Representative: Cheng-Chiang Wang)	10,000,000	100.00%
	Supervisor	Compal Electronics Inc. (Representative: Guo-Dung Yu)	10,000,000	100.00%
Compalead Electronics B.V.	Director	Compal Electronics Inc. (Representative: Jui-Tsung Chen)	6,426,516	100.00%
	Director	Compal Electronics Inc. (Representative: Hsin-Kung Mao)	6,426,516	100.00%
General Life	Chairman	Compal Electronics Inc.	15,000,000	50.00%

Company name	Title	Name or name of representative	Shares held	
			Shares (Note)	Shareholding percentage
Biotechnology Co., Ltd.		(Representative: Jui-Tsung Chen)		
	Director	Compal Electronics Inc. (Representative: Chung-Pin Wong)	15,000,000	50.00%
	Director	Compal Electronics Inc. (Representative: Sheng-Hua Peng)	15,000,000	50.00%
	Director	Alltek Technology Corp. (Representative: Yu-Wen Wu)	6,922,940	23.08%
	Director	WK Technology Fund IV	604,800	2.02%
	Supervisor	China Development Industrial Bank	2,520,000	8.40%
	Supervisor	Chyou-Jui Wei	0	0.00%
Rapha Bio Ltd.	Chairman	General Life Biotechnology Co., Ltd. (Representative: Chyou-Jui Wei)	1,275,000	100.00%
	Director	General Life Biotechnology Co., Ltd. (Representative: Cheng-Ta Chen)	1,275,000	100.00%
	Director	General Life Biotechnology Co., Ltd. (Representative: Tung-Pang Lin)	1,275,000	100.00%
	Supervisor	General Life Biotechnology Co., Ltd. (Representative: Kuo-Hsiung Chung)	1,275,000	100.00%
Giant Rank Trading Limited	Director	Forever Young Technology Inc. (Representative: Jui-Tsung Chen)	-	100.00%
UniCore Biomedical Co., Ltd.	Chairman	Compal Electronics Inc. (Representative: Jui-Tsung Chen)	20,000,000	100.00%
	Director	Compal Electronics Inc. (Representative: Chung-Pin Wong)	20,000,000	100.00%
	Director	Compal Electronics Inc. (Representative: Sheng-Hua Peng)	20,000,000	100.00%
	Director	Compal Electronics Inc. (Representative: Tzu-Chen Yen)	20,000,000	100.00%
	Director	Compal Electronics Inc. (Representative: Chyou-Jui Wei)	20,000,000	100.00%
	Supervisor	Compal Electronics Inc. (Representative: Shu-Fen Ning)	20,000,000	100.00%
Raycore Biotech Co., Ltd.	Chairman	UniCore Biomedical Co., Ltd. (Representative:Jui-Tsung Chen)	1,275,000	51.00%
	Director	Raypal Biomedical Co., Ltd. (Representative: Yen-Liang Lin)	1,225,000	49.00%
	Director	UniCore Biomedical Co., Ltd. (Representative: Chyou-Jui Wei)	1,275,000	51.00%
	Supervisor	Shu-Fen Ning	0	0.00%
Shennona Corporation	Director	Compal Electronics Inc. (Representative: Chung-Pin Wong)	2,500,000	100.00%
	Director	Compal Electronics Inc. (Representative: Wei Chang Chen)	2,500,000	100.00%
	Director	Compal Electronics Inc. . (Representative: Duan Wang)	2,500,000	100.00%

Note: Limited liability companies are shown in terms of amount and percentage of capital contribution. (Exchange rates for amount of capital contribution: USD 1:TWD 30.7150, CNY 1:TWD 4.4727, and VND 1:TWD 0.001327.)

1. Overview of Operating Status for Affiliated Companies in 2018

Unit: NTD thousand

Company Name	Capital	Net asset value	Total liabilities	Net worth	Operating revenue	Operating income	Net loss/profit for the period (after tax)	EPS (in NTD) (After tax)
Compal Electronics, Inc.	44,071,466	355,812,813	250,089,167	105,723,646	911,050,122	6,936,706	8,913,365	2.05
Compal International Holding Co., Ltd. and its subsidiaries	1,787,680	71,918,065	36,991,088	34,926,977	66,670,945	1,290,185	1,081,596	20.41
Just International Ltd. and its subsidiaries	1,480,509	45,636,624	37,654,484	7,982,140	101,961,957	(130,716)	85,523	1.78
Big Chance International Co., Ltd. and its subsidiaries	2,636,051	26,694,558	20,656,573	6,037,985	32,200,292	282,088	261,806	2.88
Core Profit Holdings Ltd.	4,318,860	7,655,360	29,953	7,625,407	-	-	2,604,284	17.72
High Shine Industrial Corp. and its subsidiaries	1,346,815	1,333,821	571,587	762,234	-	(54,394)	(35,898)	(0.84)
Panpal Technology Corporation and its subsidiaries	5,000,000	10,325,638	4,882,374	5,443,264	11,161,150	400,323	48,531	0.10
Gempal Technology Co., Ltd.	900,000	1,901,645	140	1,901,505	-	(268)	88,488	0.98
Hong Ji Capital Co., Ltd.	1,000,000	1,068,129	306	1,067,823	-	(207)	46,621	0.47
Hong Jin Investment Co., Ltd.	295,000	328,921	69	328,852	-	(196)	20,358	0.69
Accesstek Inc. and its subsidiaries	32,369	38,204	870	37,334	-	(90)	141	0.04
UniCore Biomedical Co., Ltd.	200,000	193,550	7,470	186,080	8,157	(25,019)	(21,757)	1.09
Shennona Corporation	29,558	5,484	47	5,437	-	(24,825)	(24,820)	(9.93)
Arcadyan Technology Corp. and its subsidiaries	1936,190	21,253,482	11,779,684	9,473,798	26,621,262	971,443	871,519	4.56
Compal Broadband Networks Inc. and its subsidiaries	668,184	3,149,993	1,335,321	1,814,672	5,316,086	205,010	184,370	3.02
Zhaopal Investment Co., Ltd.	1,358,000	6,226	35	6,191	-	(186)	(182)	-
Yongpal Investment Co., Ltd.	1,188,500	5,543	35	5,508	-	(186)	(184)	-
Kaipal Investment Co., Ltd.	510,500	3,271	161	3,110	-	(186)	(185)	-

Company Name	Capital	Net asset value	Total liabilities	Net worth	Operating revenue	Operating income	Net loss/profit for the period (after tax)	EPS (in NTD) (After tax)
Henghao Technology Co., Ltd. and its subsidiaries	638,150	5,415,869	5,534,350	(118,481)	6,304,664	(630,251)	(737,747)	(11.56)
Mactech Co., Ltd.	411,458	688,857	156,470	532,387	457,680	35,199	76,500	1.86
Ripal Optotronics CO, LTD. Co., Ltd.	60,000	63,954	12,157	51,797	53,910	20,653	20,946	3.5
General life Biotechnology Co., Ltd.	300,000	416,793	115,703	301,090	463,560	39,719	46,429	1.55
Rayonnant Technology Holdings Ltd.,	295,000	80,342	38,569	41,773	-	(26,579)	(51,684)	(1.75)
Compal Rayonnant Holdings Ltd. and its subsidiaries	377,328	1,135,412	1,028,111	107,301	1,186,367	(185,700)	(72,346)	(1.92)
Bizcom Electronics, Inc.	3,031	588,323	147,571	440,752	347,493	9,031	8,082	80.82
Compal Europe (Poland) Sp.z o.o.	90,156	174,642	159,054	15,588	516,817	(10,067)	(16,749)	(-123.08)
Auscom Engineering Inc.	101,747	181,573	55,662	125,911	154,091	10,080	4,757	1.56
Flight Global Holding Inc.	2,754,741	4,628,097	82,743	4,545,354	-	(119)	275,557	3.07
Compalead Electronics B.V.	197,463	830,400	3,073	827,327	-	(1,036)	284,489	14.41
Etrade Management Co., Ltd and its subsidiaries	2,295,154	7,958,432	8,308,861	(350,429)	40,051,475	(112,211)	(432,820)	(3.96)
Webtek Technology Co., Ltd	3,340	4,333,892	3,518,267	815,625	107,753,114	(16,083)	(0)	-
Forever Young Technology Inc. and its subsidiaries	1,575	21,331,927	19,873,863	1,458,063	77,563,590	(5,905)	31	0.62
Unicom Global Inc.,	100,000	499,761	876,024	(376,263)	547,767	(138,004)	(139,243)	(13.92)
Palcom International Corporation	100,000	166,977	50,498	116,479	192,369	9,981	9,242	0.92
Compal Electronics (Holding) Ltd.	34	3,617,816	-	3,617,816	-	-	-	-

2. Common shareholders in controlling and controlled companies: None

8.1.2 Consolidated financial statements of affiliated enterprises

Representation Letter

The entities that are required to be included in the combined financial statements of COMPAL ELECTRONICS, INC. as of and for the year ended December 31, 2018 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 endorsed by the Financial Supervisory Commission, "Consolidated and Separate Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, COMPAL ELECTRONICS, INC. and its subsidiaries do not prepare a separate set of combined financial statements.

Company name: COMPAL ELECTRONICS, INC.

Chairman: Sheng-Hsiung Hsu (Rock Hsu)

Date: March 22, 2019

8.1.3 Affiliation reports: None

8.2 Private Placement of Securities in the Most Recent Year: None

8.3 Company Shares Held or Disposed by Subsidiaries in the Most Recent Year:

Unit: NT$ thousands; Shares; %

Name of Subsidiary	Share Capital Acquired	Funding Source	Percentage of Shares Held by the Company	Date of Acquisition or Disposition	Shares and Amount Acquired	Shares and Amount Disposed	Investment Gain (Loss)	Shareholdings and Amount as of March 31, 2019	Collateralized	Amount of Endorsements Made for the Subsidiary	Amount Loaned to the Subsidiary
Panpal Technology Corporation	NTD 5,000,000,000	Proprietary capital	100%	-	-	-	-	31,648,082 shares NTD 559,812,000	N/A	-	-
Gempal Technology Co., Ltd.	NTD 900,000,000	Proprietary capital	100%	-	-	-	-	18,369,349 shares NTD 321,435,000	N/A	-	-

Note: Impacts on the Company's financial performance and position: none of the subsidiaries had acquired or disposed the Company's shares in the current year up till the publication date of this annual report, hence there were no impacts.

8.4 Other supplementary notes, where applicable: None

8.5 Any Events in 2018 and as of the Date of this Annual Report that had Significant Impacts on Shareholders' Interests or Security Prices as Stated in Item 2 Paragraph 2 of Article 36 of Securities and Exchange Law of Taiwan: None

Compal Electronics, Inc.

Chairman: Sheng-Hsiung Hsu (Rock Hsu)

Chief Executive Officer (CEO): Chung-Pin Wong (Martin Wong)

Attachment I

Stock Code:2324

COMPAL ELECTRONICS, INC.
AND SUBSIDIARIES

Consolidated Financial Statements

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

Address: No.581 & 581-1, Ruiguang Rd., Neihu District, Taipei, Taiwan
Telephone: (02)8797-8588

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Representation Letter

The entities that are required to be included in the combined financial statements of COMPAL ELECTRONICS, INC. as of and for the year ended December 31, 2018 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 endorsed by the Financial Supervisory Commission, "Consolidated and Separate Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, COMPAL ELECTRONICS, INC. and subsidiaries do not prepare a separate set of combined financial statements.

Company name: COMPAL ELECTRONICS, INC.
Chairman: Sheng-Hsiung Hsu (Rock Hsu)
Date: March 22, 2019

安侯建業聯合會計師事務所
KPMG
台北市11049信義路5段7號68樓(台北101大樓)
68F., TAIPEI 101 TOWER, No. 7, Sec. 5,
Xinyi Road, Taipei City 11049, Taiwan (R.O.C.)
Telephone 電話 + 886 2 8101 6666
Fax 傳真 + 886 2 8101 6667
Internet 網址 kpmg.com/tw

Independent Auditors' Report

To COMPAL ELECTRONICS, INC.:

Opinion

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended December 31, 2018 and 2017, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), Accounting Standards ("IASs"), Interpretations developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC") endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Certification 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 Consolidated Financial Statements section of our report. We are independent of the Group 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 consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Account receivable valuation

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

Description of key audit matters:

The Group 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 Group'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)(h) 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 consolidated 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 Group, our key audit procedures included reviewing the consistency of prior year and accounting policy, inspecting the Group'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.

Other Matter

Compal Electronics Inc. has prepared its parent-company-only financial statements as of and for the years ended December 31, 2018 and 2017, on which we have issued an unqualified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the IFRSs, IASs, IFRC, SIC, endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 consolidated 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 consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

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

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion

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

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

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

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 consolidated financial statements are intended only to present the consolidated 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 consolidated financial statements are those generally accepted and applied in the Republic of China.

COMPAL ELECTRONICS, INC. AND SUBSIDIARIES
Consolidated 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))	$ 70,296,545	17.6	70,062,713	19.3
1110	Current financial assets at fair value through profit or loss (note (6)(b))	4,611,134	1.1	40,706	-
1125	Current available-for-sale financial assets (note (6)(e))	-	-	46,479	-
1136	Current financial assets at amortized cost (note (6)(g))	350,000	0.1	-	-
1147	Current bond investments without active market (note (6)(h))	-	-	350,000	0.1
1170	Notes and accounts receivable, net (note (6)(i))	203,715,965	51.0	177,272,731	48.8
1180	Notes and accounts receivable due from related parties, net (notes (6)(i) and 7)	58,106	-	113,994	-
1200	Other receivables, net (notes (6)(i) and 7)	1,665,249	0.4	988,008	0.3
1310	Inventories (note (6)(j))	79,148,922	19.8	69,512,712	19.1
1470	Other current assets (note 8)	2,899,329	0.7	3,395,311	0.9
		362,745,250	90.7	321,782,654	88.5
	Non-current assets:				
1550	Investments accounted for using equity method (note (6)(k))	7,364,485	1.9	11,807,622	3.2
1510	Non-current financial assets at fair value through profit or loss (note (6)(b))	69,390	-	-	-
1517	Non-current financial assets at fair value through other comprehensive income (note (6)(c))	5,172,295	1.3	-	-
1523	Non-current available-for-sale financial assets (note (6)(e))	-	-	7,646,667	2.1
1543	Non-current financial assets at cost (note (6)(f))	-	-	53,982	-
1546	Non-current bond investments without active market (note (6)(h))	-	-	350,000	0.1
1600	Property, plant and equipment (notes (6)(n) and 8)	20,418,228	5.1	18,179,367	5.0
1780	Intangible assets	1,516,253	0.4	1,284,660	0.4
1840	Deferred tax assets (note (6)(u))	1,023,948	0.3	1,351,371	0.4
1985	Long-term prepaid rents (note (6)(s))	891,147	0.2	571,133	0.2
1990	Other non-current assets (note 8)	593,827	0.1	328,965	0.1
		37,049,573	9.3	41,573,767	11.5
	Total assets	**$ 399,794,823**	**100.**	**363,356,421**	**100.**

		December 31, 2018		December 31, 2017	
	Liabilities and Equity	**Amount**	**%**	**Amount**	**%**
	Current liabilities:				
2100	Short-term borrowings (note (6)(o))	$ 72,350,197	18.1	56,515,525	15.6
2120	Current financial liabilities at fair value through profit or loss (note (6)(b))	26,913	-	24,463	-
2130	Current contract liabilities (note (6)(y))	1,476,304	0.4	-	-
2170	Notes and accounts payable	152,300,093	38.1	140,381,168	38.6
2180	Notes and accounts payable to related parties (note 7)	1,976,620	0.5	1,636,656	0.5
2200	Other payables (note 7)	19,558,007	4.9	16,318,597	4.5
2230	Current tax liabilities	3,722,191	0.9	4,362,395	1.2
2250	Current provisions (note (6)(q))	426,981	0.1	1,827,439	0.5
2300	Other current liabilities	3,255,135	0.8	3,071,238	0.8
2313	Unearned revenue	-	-	1,617,626	0.4
2365	Current refund liabilities (note (6)(r))	1,579,832	0.4	-	-
2322	Long-term borrowings, current portion (note (6)(p))	17,535,625	4.4	6,200,625	1.7
		274,207,898	68.6	231,955,732	63.8
	Non-Current liabilities:				
2540	Long-term borrowings (note (6)(p))	10,998,438	2.7	21,252,263	5.8
2570	Deferred tax liabilities (note (6)(u))	478,169	0.1	614,437	0.2
2640	Non-current net defined benefit liability (note (6)(t))	710,146	0.2	705,810	0.2
2670	Non-current liabilities, others	238,324	0.1	180,207	-
		12,425,077	3.1	22,752,717	6.2
	Total liabilities	286,632,975	71.7	254,708,449	70.0
	Equity:				
	Equity attributable to owners of parent:				
3110	Ordinary share (note (6)(v))	44,071,466	11.0	44,191,916	12.2
3200	Capital surplus (note (6)(v))	9,932,434	2.5	10,938,773	3.0
3300	Retained earnings (note (6)(v))	60,060,381	15.0	56,557,146	15.6
3400	Other equity interest (note (6)(v))	(7,459,388)	(1.8)	(8,911,004)	(2.5)
3500	Treasury shares (note (6)(v))	(881,247)	(0.2)	(881,247)	(0.2)
		105,723,646	26.5	101,895,584	28.1
36XX	**Non-controlling interests**	7,438,202	1.8	6,752,388	1.9
	Total equity	113,161,848	28.3	108,647,972	30.0
	Total liabilities and equity	**$ 399,794,823**	**100.**	**363,356,421**	**100.**

See accompanying notes to consolidated financial statements.

COMPAL ELECTRONICS, INC. AND SUBSIDIARIES
Consolidated 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)(y), (6)(z) and 7)**	$ 967,706,411	100.0	887,656,959	100.0
5000	**Cost of sales (notes (6)(t), 7 and 12)**	937,139,320	96.8	855,692,390	96.4
	Gross profit	30,567,091	3.2	31,964,569	3.6
	Operating expenses: (notes (6)(s), (6)(t) and 12)				
6100	Selling expenses	4,319,991	0.4	7,167,461	0.8
6200	Administrative expenses	4,204,419	0.4	4,050,028	0.5
6300	Research and development expenses	12,780,935	1.4	11,538,651	1.3
		21,305,345	2.2	22,756,140	2.6
	Net operating income	9,261,746	1.0	9,208,429	1.0
	Non-operating income and expenses:				
7020	Other gains and losses, net (notes (6)(d), (6)(k) and (6)(ab))	2,256,958	0.2	(1,897,072)	(0.2)
7050	Finance costs	(2,636,443)	(0.3)	(1,297,965)	(0.1)
7190	Other income (notes (6)(s) and (6)(ab))	2,132,864	0.2	1,566,475	0.2
7590	Miscellaneous disbursements	(22,908)	-	(52,752)	-
7670	Impairment loss (note (6)(f))	-	-	(19,405)	-
7770	Share of profit of associates and joint ventures accounted for using equity method (note (6)(k))	797,368	0.1	606,567	-
	Total non-operating income and expenses	2,527,839	0.2	(1,094,152)	(0.1)
7900	**Profit before tax**	11,789,585	1.2	8,114,277	0.9
7950	**Less: Tax expense (note (6)(u))**	2,200,284	0.2	1,956,240	0.2
	Profit	9,589,301	1.0	6,158,037	0.7
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	(16,260)	-	(84,394)	-
8316	Other comprehensive income, before tax, equity instruments at fair value through other comprehensive income	(1,188,635)	(0.1)	-	-
8320	Share of other comprehensive income (loss) of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	(124,949)	-	(561)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (note (6)(u))	75,832	-	14,348	-
	Components of other comprehensive income that will not be reclassified to profit or loss	(1,254,012)	(0.1)	(70,607)	-
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	1,807,381	0.1	(4,808,866)	(0.5)
8362	Other comprehensive income, before tax, available-for-sale financial assets	-	-	326,490	-
8363	Gains (losses) on effective portion of cash flow hedges	-	-	-	-
8368	Gains (losses) on hedging instrument	-	-	-	-
8370	Share of other comprehensive income (loss) of associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	(162,189)	-	(30,076)	-
8399	Income tax relating to components of other comprehensive income that will be reclassified to profit or loss (note (6)(u))	(3,293)	-	(21,353)	-
	Components of other comprehensive income (loss) that will be reclassified to profit or loss	1,641,899	0.1	(4,533,805)	(0.5)
8300	**Other comprehensive income (loss), net**	387,887	-	(4,604,412)	(0.5)
8500	**Total comprehensive income**	**$ 9,977,188**	**1.0**	**1,553,625**	**0.2**
	Profit, attributable to:				
8610	Profit, attributable to owners of parent	8,913,365	0.9	5,749,525	0.7
8620	Profit, attributable to non-controlling interests	675,936	0.1	408,512	-
		$ 9,589,301	**1.0**	**6,158,037**	**0.7**
	Comprehensive income attributable to:				
8710	Comprehensive income (loss), attributable to owners of parent	9,278,187	1.0	1,189,818	0.1
8720	Comprehensive income (loss), attributable to non-controlling interests	699,001	0.1	363,807	-
		$ 9,977,188	**1.1**	**1,553,625**	**0.1**
	Earnings per share (note 6(x))				
9750	**Basic earnings per share**	**$**	**2.05**		**1.32**
9850	**Diluted earnings per share**	**$**	**2.02**		**1.31**

See accompanying notes to consolidated financial statements.

COMPAL ELECTRONICS, INC. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent														
			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 attributable to owners of parent	Non-controlling interests	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	6,479,426	112,283,815
Profit for the year ended December 31, 2017	-	-	-	-	5,749,525	5,749,525	-	-	-	-	-	-	5,749,525	408,512	6,158,037
Other comprehensive income	-	-	-	-	(68,107)	(68,107)	(4,801,658)	-	310,058	-	(4,491,600)	-	(4,559,707)	(44,705)	(4,604,412)
Total comprehensive income	-	-	-	-	5,681,418	5,681,418	(4,801,658)	-	310,058	-	(4,491,600)	-	1,189,818	363,807	1,553,625
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)	-	(4,422,153)
Cash dividends from capital surplus	-	(884,431)	-	-	-	-	-	-	-	-	-	-	(884,431)	-	(884,431)
Difference between consideration and carrying amount arising from acquisition or disposal subsidiaries	-	33,016	-	-	(2,179)	(2,179)	-	-	-	-	-	-	30,837	357,314	388,151
Changes in ownership interests in subsidiaries	-	142	-	-	(424)	(424)	-	-	-	-	-	-	(282)	-	(282)
Changes in equity of associates and joint ventures accounted for using equity method	-	14,217	-	-	(194)	(194)	-	-	-	-	-	-	14,023	-	14,023
Share-based payments transaction	(49,690)	(63,472)	-	-	11,269	11,269	-	-	-	205,249	205,249	-	103,356	-	103,356
Adjustments of capital surplus for company's cash dividends received by subsidiaries	-	60,027	-	-	-	-	-	-	-	-	-	-	60,027	-	60,027
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	(448,159)	(448,159)
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	6,752,388	108,647,972
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	6,752,388	108,647,972
Profit for the year ended December 31, 2018	-	-	-	-	8,913,365	8,913,365	-	-	-	-	-	-	8,913,365	675,936	9,589,301
Other comprehensive income	-	-	-	-	14,094	14,094	1,624,424	(1,273,696)	-	-	350,728	-	364,822	23,065	387,887
Total comprehensive income	-	-	-	-	8,927,459	8,927,459	1,624,424	(1,273,696)	-	-	350,728	-	9,278,187	699,001	9,977,188
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)	-	(4,407,147)
Cash dividends from capital surplus	-	(881,429)	-	-	-	-	-	-	-	-	-	-	(881,429)	-	(881,429)
Changes in ownership interests in subsidiaries	-	(32,706)	-	-	(521,643)	(521,643)	-	489,483	-	-	489,483	-	(64,866)	-	(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)	-	(485)
Share-based payments transaction	(120,450)	(151,766)	-	-	36,141	36,141	-	-	-	79,856	79,856	-	(156,219)	-	(156,219)
Adjustments of capital surplus for company's cash dividends received by subsidiaries	-	60,021	-	-	-	-	-	-	-	-	-	-	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	-	-	-	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	(13,187)	(13,187)
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**	**7,438,202**	**113,161,848**

See accompanying notes to consolidated financial statements.

COMPAL ELECTRONICS, INC. AND SUBSIDIARIES

Consolidated 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	$ 11,789,585	8,114,277
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation and amortization	4,940,672	5,184,672
Increase (decrease) in expected credit loss /allowance for uncollectible accounts	(17,449)	3,007,185
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	(117,677)	-
Finance cost	2,636,443	1,297,965
Interest income	(1,463,658)	(877,370)
Dividend income	(279,044)	(169,839)
Compensation cost of share-based payments	(121,765)	110,855
Share of profit of associates and joint ventures accounted for using equity method	(797,368)	(606,567)
Loss (gain) on disposal of property, plant and equipment	23,228	(110,846)
Loss (gain) on disposal of investments	(2,513,207)	4,252
Impairment loss on financial assets	-	19,405
Long-term prepaid rents	13,302	13,135
Total adjustments to reconcile profit (loss)	2,303,477	7,872,847
Changes in operating assets and liabilities:		
Changes in operating assets:		
Decrease (increase) in financial assets at fair value through profit or loss	-	45,734
Decrease (increase) in financial assets mandatorily measured at fair value through profit or loss	(3,936,569)	-
Decrease (increase) in notes and accounts receivable	(26,227,099)	(4,986,899)
Decrease (increase) in other receivables	(680,718)	(59,604)
Decrease (increase) in inventories	(9,691,835)	(21,407,587)
Decrease (increase) in other current assets	551,607	(974,717)
Decrease (increase) in other non-current assets	(101,686)	(90,471)
Total changes in operating assets	(40,086,300)	(27,473,544)
Changes in operating liabilities:		
Increase (decrease) in financial liabilities designated as at fair value through profit or loss	2,450	(113,026)
Increase (decrease) in notes and accounts payable	12,258,889	12,535,881
Increase (decrease) in other payables	1,434,494	(1,776,989)
Increase (decrease) in refund liabilities	60,526	-
Increase (decrease) in provisions	39,834	(14,655)
Increase (decrease) in unearned revenue	-	(156,532)
Increase (decrease) in contract liabilities	(189,017)	-
Increase (decrease) in other current liabilities	231,592	171,564
Others	50,649	109,229
Total changes in operating liabilities	13,889,417	10,755,472
Total changes in operating assets and liabilities	(26,196,883)	(16,718,072)
Total adjustments	(23,893,406)	(8,845,225)
Cash inflow (outflow) generated from operations	(12,103,821)	(730,948)
Interest received	1,403,559	884,079
Dividends received	414,120	313,738
Interest paid	(2,399,912)	(1,242,536)
Income taxes paid	(2,576,795)	(1,405,335)
Net cash flows from (used in) operating activities	(15,262,849)	(2,181,002)
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	(107,877)	(97,009)
Proceeds from disposal of investments accounted for using equity method and financial assets at fair value through other comprehensive income	7,814,859	2,265,745
Acquisition of financial assets at fair value through profit or loss	(47,937)	-
Proceeds from disposal of financial assets at fair value through profit or loss	574,528	-
Net cash flow from disposal of subsidiaries	-	129,000
Proceeds from capital reduction of investments	15,082	28,615
Acquisition of property, plant and equipment	(5,154,447)	(3,378,053)
Proceeds from disposal of property, plant and equipment	48,354	183,253
Acquisition of intangible assets	(575,232)	(386,935)
Increase in long-term prepaid rents	(315,395)	-
Others	(163,176)	30,451
Net cash flows from (used in) investing activities	2,438,759	(874,933)
Cash flows from (used in) financing activities:		
Increase in short-term borrowings	15,834,672	13,034,748
Proceeds from long-term borrowings	34,267,200	12,664,420
Repayments of long-term borrowings	(33,186,025)	(17,133,095)
Cash dividends paid	(5,228,555)	(5,246,557)
Acquisition of non-controlling interests	(1,801)	(35,699)
Disposal of ownership interests in subsidiaries	-	413,257
Change in non-controlling interests	(110,954)	(447,794)
Others	58,117	13,581
Net cash flows from (used in) financing activities	11,632,654	3,262,861
Effect of exchange rate changes on cash and cash equivalents	1,425,268	(3,094,809)
Net increase (decrease) in cash and cash equivalents	233,832	(2,887,883)
Cash and cash equivalents at beginning of period	70,062,713	72,950,596
Cash and cash equivalents at end of period	**$ 70,296,545**	**70,062,713**

See accompanying notes to consolidated financial statements.

COMPAL ELECTRONICS, INC. AND SUBSIDIARIES

Notes to the Consolidated 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 and its subsidiaries (together referred to as the "Group" and individually as the "Group entities") primarily are 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 consolidated financial statements:

These consolidated 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 Group believes that the adoption of the above IFRSs would not have any material impact on its consolidated 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 Group applies this standard retrospectively with the cumulative effects, 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 Group'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 Group 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 Group's consolidated financial statements for the year ended December 31, 2018:

COMPAL ELECTRONICS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Impacted line items on the consolidated balance sheets	December 31, 2018 Carrying amount under IAS 18 and related standards and interpretations	December 31, 2018 Adjustments from changes in accounting policies	December 31, 2018 Carrying amount under IFRS 15	January 1, 2018 Carrying amount under IAS 18 and related standards and interpretations	January 1, 2018 Adjustments from changes in accounting policies	January 1, 2018 Carrying amount under IFRS 15
Notes and accounts receivable, net (notes 1 and 2)	$ 203,623,702	92,263	203,715,965	177,272,731	79,014	177,351,745
Inventories (note 1)	79,191,636	(42,714)	79,148,922	69,512,712	(55,625)	69,457,087
Other current assets (note 1)	2,856,615	42,714	2,899,329	3,395,311	55,625	3,450,936
Impact on assets		**$ 92,263**			**79,014**	
Current contract liabilities (note 3)	$ -	1,476,304	1,476,304	-	1,665,321	1,665,321
Current provisions (note 2)	1,914,550	(1,487,569)	426,981	1,827,439	(1,440,292)	387,147
Other current liabilities (note 3)	3,325,306	(70,171)	3,255,135	3,071,238	(47,695)	3,023,543
Unearned revenue (note 3)	1,406,133	(1,406,133)	-	1,617,626	(1,617,626)	-
Current refund liabilities (notes 1 and 2)	-	1,579,832	1,579,832	-	1,519,306	1,519,306
Impact on liabilities		**$ 92,263**			**79,014**	

Impacted line items on the consolidated 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:			
Decrease (increase) in notes and accounts receivable	$ (26,213,850)	(13,249)	(26,227,099)
Increase in inventories	(9,678,924)	(12,911)	(9,691,835)
Decrease (increase) in other current assets	538,696	12,911	551,607
Increase (decrease) in contract liabilities	-	(189,017)	(189,017)
Increase (decrease) in provisions	87,111	(47,277)	39,834
Increase (decrease) in other current liabilities	254,068	(22,476)	231,592
Increase (decrease) in unearned revenue	(211,493)	211,493	-
Increase (decrease) in refund liabilities	-	60,526	60,526
Cash inflow (outflow) generated from operations		$ -	

Note 1: For the sale with a right of return, the Group adjusted expected return, as well as recognized the refund liability and the right to recover products(accounted for as other current assets) when recognized revenue. Under IFRS 15, the above-mentioned assets and liabilities were reclassified according to the regulations.

Note 2: Prior to the adoption of IFRS 15, the sales returns and discounts were recognized as sales returns and allowances provisions or a deduction of notes and accounts receivable. Under IFRS 15, it was recognized as refund liabilities.

Note 3: 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 Group 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 Group's approach was to include the impairment of trade receivables in selling expenses. Additionally, the Group 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 Group classifies and measures financial assets and accounts for related gains and losses under IFRS 9, please see note (4)(g).

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)(g).

3) Hedge accounting

The Group has elected to adopt the new general hedge accounting model in IFRS 9, which requires the Group to ensure that hedge accounting relationships are aligned with its risk management objectives and strategy, and apply a more qualitative and forward-looking approach to assessing hedge effectiveness.

The Group uses forward foreign exchange contracts to hedge the variability in its cash flows arising from the changes in foreign exchange rates relating to foreign currency borrowings, receivables, sales and inventory purchases. The Group designates only the change in fair value of the spot element of the forward exchange contract as the hedging instrument in cash flow hedging relationships. The effective portion of changes in fair value of hedging instruments is accumulated in a cash flow hedge reserve as a separate component of equity.

Under IAS 39, the change in fair value of the forward element of the forward exchange contracts (“forward points”) was recognized immediately in profit or loss. However, under IFRS 9, the forward points are separately accounted for as a cost of hedging; they are recognized in OCI and accumulated in a cost of hedging reserve as a separate component within equity.

Under IAS 39, for all cash flow hedges, the amounts accumulated in the cash flow hedge reserve were reclassified to profit or loss as reclassification adjustment in the same period as the hedged expected cash flows affected the profit or loss. However, under IFRS 9, for cash flow hedges of foreign currency risk associated with forecast inventory purchases, the amounts accumulated in the cash flow hedge reserve are instead included directly in the initial cost of the inventory item when it is recognized. The same approaches also apply under IFRS 9 to the amounts accumulated in the costs of hedging reserve.

For an explanation of how the Group applies hedge accounting under IFRS 9, please see note (4)(g).

4) 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.

- 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.

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－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 Group assumed that the credit risk on its asset will not increase significantly since its initial recognition.

- All hedging relationships designated under IAS 39 on December 31 2017 met the criteria for hedge accounting under IFRS 9 on January 1, 2018, and are therefore, regarded as continuing hedging relationships.

5) 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 Group'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)	$ 70,062,713	Amortized cost	70,062,713
Debt securities	Loans and receivables (Bond investment without active market-current and non-current) (note 1)	700,000	Amortized cost	700,000
Derivative instruments	Designated as at FVTPL	40,706	Mandatorily at FVTPL	40,706
Investment in equity instruments	At cost (note 2)	48,709	FVTPL	48,709
	At cost (note 2)	5,273	FVOCI	5,273
	Available for sale－current and non-current (note 2)	1,059,926	FVTPL	1,059,926
	Available for sale－current and non-current (note 2)	6,633,220	FVOCI	6,633,220
Notes and accounts receivable, net (including related parties)	Loans and receivables (note 3)	137,202,382	Amortized cost	137,202,382
Notes and accounts receivable, net (including related parties)	Loans and receivables (note 4)	40,184,343	FVOCI	40,184,343
Other receivables and guarantee deposits	Loans and receivables (note 3)	1,222,501	Amortized cost	1,222,501

(Continued)

Note1: The corporate debt securities that were previously classified as bond investment without an active market are now classified at amortized cost. The Group 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 Group intends to hold for the long term for strategic purposes. As permitted by IFRS 9, the Group has designated these investments at the date of initial application as measured at FVOCI and FVTPL. Accordingly, a decrease of $494,051 thousands in the reserves, as well as the increase of $494,051 thousands in retained earnings were recognized on January 1, 2018.

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)	$ 40,706	-	-		-	-
Additions – equity instruments:						
From financial assets measured at cost	-	48,709	-		-	-
From available for sale	-	1,059,926	-		174,679	(174,679)
Total	$ 40,706	1,108,635	-	1,149,341	174,679	(174,679)
Fair value through other comprehensive income						
Beginning balance of available for sale (including measured at cost) (IAS 39)	$ 7,747,128	-	-		319,372	(319,372)
Addition – debt instruments:						
From loans and receivables	-	40,184,343	-		-	-
Subtractions – equity instruments:						
From financial assets measured at cost	-	(48,709)	-		-	-
From available for sale	-	(1,059,926)	-		-	-
Total	$ 7,747,128	39,075,708	-	46,822,836	319,372	(319,372)
Amortized cost						
Beginning balance of cash and cash equivalents, bond investment without an active market, trade and other receivables, and other financial assets	$ 249,371,939	-	-		-	-
Subtractions – debt instrument:						
To FVOCI	-	(40,184,343)	-		-	-
Total	$ 249,371,939	(40,184,343)	-	209,187,596	-	-

(Continued)

(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 Group presents a reconciliation between the opening and closing balances for liabilities with changes arising from financing activities as note 6(ag).

(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 Group believes that the above changes in accounting policies would not have any material impact on its consolidated 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 Group believes that the adoption of the above IFRSs would not have any material impact on its consolidated 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 accounting for lessors 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 Group can choose to apply either of the following:

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

The Group 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 Group 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 Group 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.

(Continued)

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 Group is assessing the potential impact of using these 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 Group will have to recognize the new assets and liabilities for the operating leases of its offices, warehouses, and factory facilities. The Group estimated that the right-of-use assets and the lease liabilities to increase by $2,973,419 and $2,082,272, respectively, as well as the long-term prepaid rents to decrease by $891,147 on January 1, 2019.

No significant impact is expected for the Group's finance leases.

(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 Group believes that above change 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.

(Continued)

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

(4) Summary of significant accounting policies:

The significant accounting policies presented in the consolidated 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 consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as the Regulations), the International Financial Reporting Standards, the International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed and issued into effect by the FSC (hereinafter referred to as the IFRS endorsed by the FSC).

(b) Basis of preparation

(i) Basis of measurement

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

1) Financial instruments (including derivative 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) Hedging financial instruments are measured at fair value;

4) 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)(r).

(ii) Functional and presentation currency

The functional currency of each Group entities is determined based on the primary economic environment in which the entities operates. The consolidated 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) Basis of consolidation

(i) Principles of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and its subsidiaries. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its control over the entity.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Accounting policies of subsidiaries have been adjusted to ensure consistency with the policies adopted by the Group.

Changes in the Group’s ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any differences between the Group’s share of net assets before and after the change, and any considerations received or paid, are adjusted to or against the Group reserves.

COMPAL ELECTRONICS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(ii) List of subsidiaries in the consolidated financial statements

Investor	Name of Subsidiary	Nature of Operation	Percentage of ownership December 31, 2018	Percentage of ownership December 31, 2017	Description
The Company	Panpal Technology Corp. (“Panpal”)	Investment	100%	100%	Panpal held 31,648 thousand shares of the Company as of December 31, 2018, which represented 0.7% of the Company’s outstanding shares.
〃	Gempal Technology Corp. (“Gempal”)	〃	100%	100%	Gempal held 18,369 thousand shares of the Company as of December 31, 2018, which represented 0.4% of the Company’s outstanding shares.
〃	Hong Ji Capital Co., Ltd. (“Hong Ji”)	〃	100%	100%	
〃	Hong Jin Investment Co., Ltd. (“Hong Jin”)	〃	100%	100%	
〃	Zhaopal Investment Co., Ltd. (“Zhaopal”)	〃	100%	100%	Zhaopal was dissolved on November 30, 2017
〃	Yongpal Investment Co., Ltd. (“Yongpal”)	〃	100%	100%	Yongpal was dissolved on November 30, 2017
〃	Kaipal Investment Co., Ltd. (“Kaipal”)	〃	100%	100%	Kaipal was dissolved on November 30, 2017
The Company, Panpal, et al.	Accesstek, Inc. (“ATK”)	Design, manufacturing and sales of optical disk drives and components	38%	38%	The Group had the ability to control ATK. ATK was dissolved on June 30, 2009.
〃	Arcadyan Technology Corp. (“Arcadyan”)	R&D, manufacturing and sales of wireless network, integrated household electronics, and mobile office products	35%	36%	The Group had the ability to control Arcadyan.
The Company	Rayonnant Technology Co., Ltd. (“Rayonnant Technology”)	Manufacturing and sales of PCs, computer periphery devices, and electronic components	100%	100%	
〃	HengHao Technology Co., Ltd. (“HengHao”)	〃	100%	100%	
〃	Ripal Optoelectronics Co., Ltd. (“Ripal”)	Manufacturing of electric appliance and audiovisual electric products	100%	100%	
〃	Mactech Co., Ltd (“Mactech”)	Manufacturing of equipment and lighting, retailing of equipment and international trading	53%	53%	
〃	General Life Biotechnology Co., Ltd. (“GLB”)	Manufacturing and sales of medical equipment	50%	50%	
〃	Unicore BioMedical Co., Ltd. (“Unicore”)	Management consulting services, rental and leasing business, wholesale and retail sale of medical equipments.	100%	100%	
〃	Shennona Corporation (“Shennona”)	Medical care IOT business	100%	-	Shennona was established in January 2018.

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Investor	Name of Subsidiary	Nature of Operation	Percentage of ownership December 31, 2018	Percentage of ownership December 31, 2017	Description
The Company	Auscom Engineering Inc. (“Auscom”)	R&D of notebook PC related products and components	100%	100%	
〃	Just International Ltd. (“Just”)	Manufacturing, sales and maintenance of monitors and LCD TVs, and investment	100%	100%	
〃	Compal International Holding Co., Ltd. (“CIH”)	Sales and manufacturing of notebook PCs and investments	100%	100%	
〃	Compal Electronics (Holding) Ltd. (“CEH”)	Investment	100%	100%	
〃	Bizcom Electronics, Inc. (“Bizcom”)	Warranty services and marketing of monitors and notebook PCs	100%	100%	
〃	Flight Global Holding Inc. (“FGH”)	Investment	100%	100%	
〃	High Shine Industrial Corp. (“HSI”)	〃	100%	100%	
〃	Compal Europe (Poland) Sp. z o.o. (“CEP”)	Maintenance and warranty services of notebook PCs	100%	100%	
〃	Big Chance International Co., Ltd. (“BCI”)	Investment	100%	100%	
〃	Compal Rayonnant Holdings Limited (“CRH”)	〃	100%	100%	
〃	Core Profit Holdings Limited (“CORE”)	〃	100%	100%	
〃	Compalead Electronics B.V. (“CPE”)	〃	100%	100%	
Panpal and Gempal	Compalead Eletronica do Brasil Industria e Comercio Ltda. (“CEB”)	Manufacturing of notebook PCs	100%	100%	
〃	Compal Electronics India Private Limited (“CEIN”)	Manufacturing and warranty service of mobile phones	100%	100%	
Just	Compal Display Holding (HK) Limited (“CDH (HK)”)	Investment	100%	100%	
〃	Compal Electronics International Ltd. (“CII”)	〃	100%	100%	
〃	Compal International Ltd. (“CPI”)	Sales of monitors, LCD TVs and related components	100%	100%	
CDH (HK)	Compal Electronics (China) Co., Ltd. (“CPC”)	Manufacturing and sales of monitors	100%	100%	
〃	Compal Optoelectronics (Kunshan) Co., Ltd. (“CPO”)	Manufacturing and sales of LCD TVs	100%	100%	
〃	Compal System Trading (Kunshan) Co., Ltd. (“CST”)	International trade and distribution of computers and electronic components	100%	100%	

(Continued)

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Investor	Name of Subsidiary	Nature of Operation	Percentage of ownership December 31, 2018	Percentage of ownership December 31, 2017	Description
CPC	Compal Smart Device (Chongqing) Co., Ltd. (“CSD”)	Research, manufacture and sales of communication devices, mobile phones, electronic computer, smart watch, and provide related technical service.	100%	100%	
CII	Smart International Trading Ltd. (“Smart”)	Sales of electronic products and related components	100%	100%	
〃	Amexcom Electronics Inc. (“AEI”)	Sales and maintenance of LCD TVs	100%	100%	
〃	Mexcom Electronics, LLC (“MEL”)	Investment	100%	100%	
〃	Mexcom Technologies, LLC (“MTL”)	〃	100%	100%	
MEL and MTL	CENA Electromex S.A. de C.V. (“CMX”)	Manufacturing, sales, and maintenance of LCD TVs	100%	100%	
CIH	Compal International Holding (HK) Limited (“CIH (HK)”)	Investment	100%	100%	
〃	Jenpal International Ltd. (“Jenpal”)	〃	100%	100%	
〃	Prospect Fortune Group Ltd. (“PFG”)	Sales of notebook PCs and related components	100%	100%	
〃	Fortune Way Technology Corp. (“FWT”)	Investment	100%	100%	
CIH (HK)	Compal Electronics Technology (Kunshan) Co., Ltd. (“CET”)	Manufacturing of notebook PCs	100%	100%	
〃	Compal Information (Kunshan) Co., Ltd. (“CIC”)	〃	100%	100%	
〃	Compal Information Technology (Kunshan) Co., Ltd. (“CIT”)	〃	100%	100%	
〃	Kunshan Botai Electronics Co., Ltd. (“BT”)	〃	100%	100%	
〃	Compal Information Research and Development (Nanjing) Co., Ltd. (“CIN”)	Software and hardware R&D of computers, mobile phones and electronic components	100%	100%	
〃	Compal Digital Technology (Kunshan) Co., Ltd. (“CDT”)	Manufacturing and sales of notebook PCs, mobile phones, and digital products	100%	100%	
BT	Compower Global Service Co., Ltd. (“CGS”)	Maintenance and warranty service of notebook PCs	100%	100%	
CDH (HK) and CIH (HK)	Compal Investment (Jiansu) Co., Ltd. (“CIJ”)	Investment	100%	100%	
CIJ	Compal Display Electronics (Kunshan) Co., Ltd. (“CDE”)	Manufacturing and sales of LCD TVs	100%	100%	
The Company and Webtek	Etrade Management Co., Ltd. (“Etrade”)	Investment	100%	100%	

(Continued)

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Investor	Name of Subsidiary	Nature of Operation	Percentage of ownership December 31, 2018	Percentage of ownership December 31, 2017	Description
The Company	Webtek Technology Co., Ltd. (“Webtek”)	Sales of mobile phones	100%	100%	
〃	Forever Young Technology Inc. (“Forever”)	〃	100%	100%	
〃	UniCom Global, Inc. (“UCGI”)	Manufacturing and sales of computers and electronic components	100%	100%	
〃	Palcom International Corporation (“Palcom”)	Sales of mobile phones	100%	100%	
Etrade	Compal Communication (Nanjing) Co., Ltd. (“CCI Nanjing”)	Manufacturing and processing of mobile phones and tablet PCs	100%	100%	
〃	Compal Digital Communication (Nanjing) Co., Ltd. (“CDCN”)	〃	100%	100%	
〃	Compal Wireless Communication (Nanjing) Co., Ltd. (“CWCN”)	〃	100%	100%	
Forever	Hanhelt Communication (Nanjing) Co., Ltd. (“Hanhelt”)	R&D and manufacturing of electronic communication equipment	100%	100%	
〃	Giant Rank Trading Ltd. (“GIA”)	Sales of mobile phones	100%	100%	
ATK	OptoRite Inc.	Sales of optical disc drives	100%	100%	
〃	MSI-ATK Otpics Holding Corporation (“MSI-ATK”)	Investment	100%	100%	
〃	Maitek (BVI) Corporation (“Maitek”)	〃	100%	100%	
Arcadyan	Arcadyan Technology N.A. Corp. (“Arcadyan USA”)	Sales of wireless network products	100%	100%	
〃	Arcadyan Germany Technology GmbH (“Arcadyan Germany”)	Technical support of wireless network products	100%	100%	
〃	Arcadyan Technology Corporation Korea (“Arcadyan Korea”)	Sales of wireless network products	100%	100%	
〃	Arcadyan Holding (BVI) Corp. (“Arcadyan Holding”)	Investment	100%	100%	
〃	Arcadyan Technology Limited (“Arcadyan UK”)	Technical support of wireless network products	100%	100%	
〃	Arcadyan Technology Australia Pty Ltd. ("Arcadyan AU")	Sales of wireless network products	100%	100%	
Arcadyan and Zhi-pal	Arcadyan do Brasil Ltda. (“Arcadyan Brasil”)	Sales of wireless network products	100%	100%	
Arcadyan	Zhi-pal Technology Inc. (“Zhi-pal”)	Investment	100%	100%	
〃	Tatung Technology Inc. (“TTI”)	R&D and sales of household digital electronic products	61%	61%	
〃	AcBel Telecom Inc. (“AcBel Telecom”)	Investment	51%	51%	

(Continued)

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Investor	Name of Subsidiary	Nature of Operation	Percentage of ownership December 31, 2018	Percentage of ownership December 31, 2017	Description
The Company, Arcadyan, and its subsidiaries	Compal Broadband Network Inc. (“CBN”)	R&D and sales of cable modem, digital set-up box, and other communication products	64%	72%	
CBN	Speedlink Tradings Limited (“Speedlink”)	Import and export business	100%	100%	
〃	Compal Broadband Networks Belgium BVBA ("CBNB")	Import and export business, technical support and consulting service of broadband networks	100%	100%	
Arcadyan Holding	Sinoprime Global Inc. (“Sinoprime”)	Sales of wireless network products	100%	100%	
〃	Arcadyan Technology (Shanghai) Corp. (“SVA Arcadyan”)	R&D and sales of wireless network products	100%	100%	
〃	Arch Holding (BVI) Corp. (“Arch Holding”)	Investment	100%	100%	
Arch Holding	Compal Networking (Kunshan) Co., Ltd. (“CNC”)	Manufacturing of wireless network products	100%	100%	
AcBel Telecom	Leading Images Ltd. (“Leading Images”)	Investment	100%	100%	
〃	Great Arch Group Ltd. (“Great Arch”)	Sales of wireless network products	-	100%	The liquidation procedure has been completed on April 23, 2018.
Leading Images	Astoria Networks GmbH (“Astoria GmbH”)	〃	100%	100%	
TTI	Quest International Group Co., Ltd. (“Quest”)	Investment	100%	100%	
〃	Tatung Technology of Japan Co., Ltd. (“TTJC”)	Sales of household digital electronic products	100%	100%	
Quest	Exquisite Electronic Co., Ltd. (“Exquisite”)	Investment	100%	100%	
Exquisite	Tatung Home Appliances (Wujiang) Co., Ltd. (“THAC”)	Manufacturing of household digital electronic products	100%	100%	
HSI	Intelligent Universal Enterprise Ltd. (“IUE”)	Investment	100%	100%	
〃	Goal Reach Enterprises Ltd. (“Goal”)	〃	100%	100%	
IUE	Compal (Vietnam) Co., Ltd. (“CVC”)	R&D, manufacturing, sales, and maintenance of notebook PCs, computer monitors, LCD TVs and electronic components	100%	100%	
Goal	Compal Development & Management (“Vietnam”) Co., Ltd. (“CDM”)	Construction of and investment in infrastructure in Ba-Thien industrial district of Vietnam	100%	100%	
Rayonnant Technology and CRH	Allied Power Holding Corp. (“APH”)	Investment	100%	100%	

COMPAL ELECTRONICS, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

Investor	Name of Subsidiary	Nature of Operation	Percentage of ownership December 31, 2018	Percentage of ownership December 31, 2017	Description
APH	Primetek Enterprises Limited (“PEL”)	Investment	100%	100%	
〃	Rayonnant Technology (HK) Co., Ltd. (“Rayonnant Technology (HK)”)	〃	100%	100%	
Rayonnant Technology (HK)	Rayonnant Technology (Taicang) Co., Ltd. (“Rayonnant Technology (Taicang)”)	Manufacturing and sales of aluminum alloy and magnesium alloy products	100%	100%	
HengHao	HengHao Holdings A Co., Ltd. (“HHA”)	Investment	100%	100%	
HHA	HengHao Holdings B Co., Ltd. (“HHB”)	〃	100%	100%	
HHB	HengHao Trading Co., Ltd.	Marketing and international trade	100%	100%	
〃	HengHao Optoelectronics Technology (Kunshan) Co., Ltd. (“HengHao Kunshan”)	Production of touch panels and related components	100%	100%	
〃	Lucom Display Technology (Kunshan) Limited (“Lucom”)	Manufacturing of touch panels and LCD TVs	100%	100%	
BCI	Center Mind International Co., Ltd. (“CMI”)	Investment	100%	100%	
〃	Prisco International Co., Ltd. (“PRI”)	〃	100%	100%	
CMI	Compal Investment (Sichuan) Co., Ltd. (“CIS”)	Outward investment and consulting services	100%	100%	
PRI	Compal Electronics (Chongqing) Co., Ltd. (“CEQ”)	R&D, manufacturing and sales of notebook PCs, related components, related maintenance and warranty services	100%	100%	
CIS	Compal Electronics (Chengdu) Co., Ltd. (“CEC”)	R&D and manufacturing of notebook PCs, tablet PCs, digital products, network switches, wireless AP, and automobile electronic products	100%	100%	
〃	Compal Management (Chengdu) Co., Ltd. (“CMC”)	Corporate management consulting, training and education, business information consulting, financial and tax consulting, investment consulting, and investment management services	100%	100%	
CORE	Billion Sea Holdings Limited (“BSH”)	Investment	100%	100%	
GLB	Rapha Bio Ltd. (“RBL”)	Detector and feature	100%	100%	
Unicore	Raycore Biotech Co., Ltd. (“Raycore”)	Animal medication retail and wholesale	51%	51%	

(Continued)

(d) Foreign currency

(i) Foreign currency transaction

Transactions in foreign currencies are translated to the respective functional currencies of the Group 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;

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 Group entities' 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 Group entities' 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 Group 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 Group 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.

(Continued)

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.

(e) 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.

(f) 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 Group in the management of its short-term commitments.

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.

(Continued)

(g) 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 Group 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 Group, therefore, those receivables are measured at FVOCI and presented as accounts receivable.

On initial recognition of an equity investment that is not held for trading, the Group 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 Group’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 distribation.

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 Group 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 Group 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 Group 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 Group 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 Group 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 Group's historical experience and informed credit assessment as well as forward-looking information.

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

The Group 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 Group 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 Group in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Group 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 Group 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 Group 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 Group’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 Group transfers substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a debt instrument in its entirety, the Group 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 Group 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 Group 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 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.

(Continued)

Dividend income is recognized in profit or loss on the date that the Group'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 Group on terms that the Group 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 Group 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 Group derecognizes financial assets when the contractual rights of the cash inflow from the asset are terminated, or when the Group transfers substantially all the risks and rewards of ownership of the financial assets.

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.

(Continued)

The Group 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 Group 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.

4) Derecognition of financial liabilities

The Group 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 Group presents financial assets and liabilities on a net basis when the Group 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 and hedge accounting (policy applicable from January 1, 2018)

The Group 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.

The Group designates its hedging instruments, including derivatives, embedded derivatives, and non-derivative instruments for a hedge of a foreign currency risk, as a fair value hedge, cash flow hedge, or hedge of a net investment in a foreign operation. Foreign exchange risks of firm commitments are treated as fair value hedges.

At initial designated hedging relationships, the Group documents the risk management objectives and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged items and hedging instrument are expected to offset each other.

The Group shall discontinue hedge accounting prospectively only when the hedging relationship (or a part of a hedging relationship) ceases to meet the qualifying criteria (after taking into account any rebalancing of the hedging relationship, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised.

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Cash flow hedges

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income and accumulated in "other equity－gains (losses) on hedging instruments". The effective portion of changes in the fair value of the derivative that is recognized in other comprehensive income is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss, and is presented in the line item of non-operating income and expenses in the statement of comprehensive income.

The Group designates only the change in fair value of the spot element of the forward exchange contract as the hedging instrument in cash flow hedging relationships. The change in fair value of the forward element of the forward exchange contracts is separately accounted for as a cost of hedging and accumulated in a separate component within equity.

When the hedged item is recognized in profit or loss, the amount accumulated in equity and retained in other comprehensive income is reclassified to profit or loss in the same period or in the periods during which the hedged item affects the profit or loss, and is presented in the same accounting item with the hedged item recognized in the consolidated statement of comprehensive income. However, for a cash flow hedge of a forecast transaction recognized as a nonfinancial asset or liability, the amount accumulated in "other equity－gains (losses) on hedging instruments in cash flow hedging securities" and retained in other comprehensive income is reclassified as the initial cost of the nonfinancial asset or liability. In addition, if that amount is a loss and the Group expects that all or a portion of that loss will not be recovered in future periods, it shall immediately reclassify the amount in profit or loss.

When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the cash flow hedge reserve (and costs of hedging) remains in equity until the hedged future cash flows are no longer expected to occur. Otherwise, that amount would be adjusted within the carrying amount of the non-financial item. For other cash flow hedges, the amount is reclassified to profit or loss in the same period or in the periods as the hedged expected future cash flows affect the profit or loss. However, if the hedged future cash flows are no longer expected to occur, the amount shall immediately be reclassified from cash flow reserve (and the cost of hedging reserve) to profit or loss.

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

Except for the following items, the Group applies the same accounting policies as applicable from January 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.

For all cash flow hedges, including hedges of transactions resulting in the recognition of non-financial items, the amounts accumulated in the cash flow hedge reserve were reclassified to profit or loss in the same period or periods during which the hedged expected future cash flows affected profit or loss. Furthermore, for cash flow hedges that were terminated before January 1, 2018, forward points were recognized immediately in profit or loss.

(h) 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.

(i) Investment in associates

Associates are those entities in which the Group has significant influence, but not control or join control, over the 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 consolidated financial statements include the Group'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 Group 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 Group's ownership percentage of the associate, the Group 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 Group and an associate are eliminated to the extent of the Group'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 Group'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 Group has an obligation or has made payments on behalf of the investee.

The Group shall discontinue the use of the equity method from the date when its investment ceases to be an associate or a joint venture. The Group 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 Group 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 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 Group shall continue to apply the equity method without remeasuring the retained interest.

When the Group 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 Group's proportionate interest in the net assets of the associate. The Group 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 Group'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.

(j) Joint venture

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint ventures) have rights to the net assets of the arrangement. A joint venture shall recognize its interest in a joint venture as an investment and shall account for that investment using the equity method in accordance with IAS 28 "Investments in Associates and Joint Ventures", unless, the entity is exempted from applying the equity method as specified in that Standard.

When assessing the classification of a joint arrangement, the Group shall consider the structure and legal form of the arrangement, the terms in the contractual arrangement and other facts and circumstances. The Group had previously reviewed the contractual structure of the joint arrangement, and has now decided to reclassify the investments in "Jointly Controlled Entities" to "Joint Ventures". Although the investments have been reclassified, they are still recorded under the equity method. Thus, there is no effect in the recognized assets, liabilities and other comprehensive income.

(k) 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.

(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 Group. 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: 9~50 years

2) Building improvement: 0.5~20 years

3) Machinery and equipment: 1~10 years

4) Research equipment: 1~10 years

5) Modeling equipment: 0.5~5 years

6) Other equipment: 1~15 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.

(l) Leases

(i) The Group 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.

(ii) The Group as lessee

Operating leases are not recognized in the Group'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.

(m) 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)(u).

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.

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 Group 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.

(Continued)

(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) Royalty: amortized by contract period

3) Computer software: 1~10 years

4) Copyright: 10 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.

(n) Impairment of non-derivative financial assets

Non-derivative financial assets except for inventories, deferred tax assets, assets arising from employee benefits and non-current assets classified as held for sale 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 Group 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 Group will have to determine the recoverable amount for the asset's cash-generating unit.

The Group 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 Group 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.

(o) Provisions

A provision is recognized if, as a result of a past event, the Group 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.

A provision for warranties is recognized when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

(p) 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.

(q) 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 Group expects to be entitled in exchange for transferring goods or services to a customer. The Group 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 Group' s main types of revenue are explained below.

1) Sale of goods

The Group manufactures and sells electronic products to electronic products brand vendor. The Group 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 Group has objective evidence that all criteria for acceptance have been satisfied.

The Group 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 Group has a right to an amount of consideration that is unconditional.

2) Financing components

The Group 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 Group 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.

(Continued)

(r) 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 Group'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 Group'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 Group, 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 Group. An economic benefit is available to the Group 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.

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 Group 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 benefits 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 Group 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.

(s) 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.

(t) 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.

(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.

(u) 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 Group 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 Group's expenses when incurred, except for the issuance of debt or equity instruments.

If the business combination is achieved in stages, the Group 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 Group 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 Group 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 Group 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 Group shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the Group 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.

(v) Earnings per share

The Group discloses the basic and diluted earnings per share attributable to ordinary equity holders of the Group. The calculation of basic earnings per share is based on the profit attributable to the ordinary shareholder of the Group 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 Group 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.

(w) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may incur revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group’s chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance. Each operating segment consists of standalone financial information.

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

The preparation of the consolidated 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 consolidated 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 Group records refund liabilities (sales returns and allowance 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 note (6)(p) and (6)(r) 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	$	10,834	12,144
Checking accounts and demand deposits		12,389,146	6,155,475
Time deposits		57,033,555	63,752,594
Bonds purchased under resale agreements		863,010	142,500
	$	70,296,545	70,062,713

Please refer to note (6)(ad) 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 Group.

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

	December 31, 2018	December 31, 2017
Mandatorily measured at fair value through profit or loss:		
Non-derivative financial assets		
Structured deposits	$ 3,965,062	-
Stock listed in domestic markets	633,859	-
Unlisted fund in domestic or foreign markets	69,390	-
Derivative instruments not used for hedging		
Foreign exchange contracts	10,168	-
Swap contracts	2,045	-
Financial assets held-for-trading:		
Derivative instruments not used for hedging		
Foreign exchange contracts	-	40,706
Total	$ 4,680,524	40,706
Current	$ 4,611,134	40,706
Non-current	69,390	-
	$ 4,680,524	40,706

	December 31, 2018	December 31, 2017
Financial liabilities held-for-trading:		
Derivative instruments not used for hedging		
Foreign exchange contracts	$ 26,913	21,841
Swap contracts	-	2,622
Total	$ 26,913	24,463

The Group uses derivative instruments to hedge foreign currency risk the Group is exposed to arising from its operating activities. The following derivative instruments not applied hedge accounting were classified as mandatorily measured at fair value through profit or loss on December 31, 2018 and held-for-trading financial instruments on December 31, 2017 (foreign currencies were expressed in thousands):

	December 31, 2018		
	Contract amount (in thousands)	**Currency**	**Maturity date**
Derivative financial assets:			
Foreign exchange contracts:			
Forward exchange sold	EUR30,200	EUR to USD	January 14~March 28, 2019
Swap contracts:			
Currency Swap	USD27,300	USD to TWD	February 14, 2019
Derivative financial liabilities:			
Foreign exchange contracts:			
Forward exchange sold	EUR16,000	EUR to USD	February 26~March 28, 2019
Forward exchange sold	USD5,000	EUR to USD	January 10~February 11, 2019
Forward exchange sold	EUR1,000	EUR to TWD	March 25, 2019
Forward exchange purchased	USD136,900	USD to BRL	January 3~April 16, 2019

	December 31, 2017		
	Contract amount (in thousands)	**Currency**	**Maturity date**
Derivative financial assets:			
Foreign exchange contracts:			
Forward exchange purchased	USD2,000	USD to MXN	January 30, 2018
Forward exchange purchased	USD66,500	USD to BRL	January 9~February 23, 2018
Forward exchange sold	EUR2,000	EUR to USD	January 10, 2018
Derivative financial liabilities:			
Foreign exchange contracts:			
Forward exchange sold	EUR44,000	EUR to USD	January 12~April 13, 2018
Swap contracts:			
Currency swap	USD29,600	USD to TWD	January 25~April 25, 2018

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

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

As of December 31, 2018 and 2017, the Group 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	$ 2,730,648
Stock listed in foreign markets	400,184
Stock unlisted in domestic markets	1,990,100
Stock unlisted in foreign markets	51,363
Total	$ 5,172,295

The purpose that the Group invests in the above-mentioned 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 notes (6)(e) and (6)(f).

In 2018, the Group has sold parts of its shares held in Innolux Corporation and Parawin Venture Capital Corp., which were measured at fair value through other comprehensive income. The fair value of the shares was $428,635 when disposed and the cumulative losses amounted to $1,513,953, which has been transferred to retained earnings from other comprehensive income.

If there is an increase (decrease) in the market price by 5% on the reporting date of the equity securities hold by the Group, the increase (decrease) in other comprehensive income (pre-tax) for the year ended December 31, 2018, will be $258,615. These analyses are performed on the same basis for the period and assume that all other variables remain the same.

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

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

(d) Financial instruments used for hedging

(i) Cash flow hedge

The Group's strategy is to use forward exchange contracts to hedge its foreign currency exposure in respect of forecasted future sales. As of December 31, 2018 and 2017, the Group did not enter into any hedge contract.

(ii) For the years ended December 31, 2018 and 2017, the profits (losses) of changes in fair value of derivative financial instruments used for hedging reclassified from other equity to profit or loss is recognized as revenue in the statement of comprehensive income. Please refer to note (6)(ac).

(iii) For the years ended December 31, 2018 and 2017, the ineffective portion of cash flow hedge recognized in loss amounted to $559 and $53,182, recorded as "other gains and losses, net".

(e) Available-for-sale financial assets

	December 31, 2017
Stocks listed in domestic markets	$ 4,617,045
Stocks listed in foreign markets	654,192
Stocks unlisted in domestic markets	2,295,576
Stocks unlisted in foreign markets	126,333
Total	$ 7,693,146
Current	$ 46,479
Non-current	7,646,667
	$ 7,693,146

(i) The Group 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 Group signed an agreement with Tatung Company ("Tatung" , the parent company of CPT) on such matter. In accordance with the agreement, the Group has the right to request Tatung to purchase all the CPT shares obtained via the private placement within certain agreed periods, at the price the Group 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 Group measured the book value of the shares at its original cost.

The Group filed an arbitration based on the agreement on March 29, 2013, requesting Tatung to perform its obligations. The Group received the verdict on May 12, 2014. According to the verdict, Tatung should pay $2,118,607 to the Group for purchasing all the CPT shares held by the Group. 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 Group recognized an impairment loss of $4,730,000 in the first quarter of 2014 accordingly. On June 13, 2014, the Group 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 Group has sold total shares of CPT to Tatung on February 9, 2017 in accordance with the arbitration. The selling prices of the Group was totaling $2,272,104 (including the interest), and the total loss of sale was $4,252. The price has been fully recovered.

(ii) The Company is optimistic about the future growth of IoT, Smart Cloud and the smart products market, and to deepen customer relationship, the Board of Directors of CIT, a 100% subsidiary of the Company, decided to purchase the newly issued shares of Leshi Zhixin Electronic Technology (Tianjin) Limited of March 28, 2017. The total amount of the investment is CNY 700,000 thousands, and the expected ownership interest will be 2.1507%. Since the financial status and business of the Leshi Group has changed significantly, CIT has determined to terminate this investment.

(iii) If there is an increase in the market price of the equity securities by 5% on the reporting date, the increase in other comprehensive income (pre-tax) for the years ended December 31, 2017, will be $384,657. These analyses are performed on the same basis and assume that all other variables remain the same.

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

(v) 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 notes (6)(b) and (6)(c).

(f) Financial assets at cost

	December 31, 2017
Unlisted common stock in domestic markets	$ 5,273
Unlisted fund in domestic markets	48,709
	$ 53,982

(i) The aforementioned unlisted stock and fund in domestic or foreign markets held by the Group are 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) The value of the financial assets at cost held by the Group has declined materially and permanently; therefore, the Group recognized the impairment losses of $17,838 for the year ended December 31, 2017.

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

(iv) As of December 31, 2018, the assets are presented as financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. Please refer to notes (6)(b) and (6)(c).

(g) Current financial assets measured at amortized costs

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

The Group 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 Group were classified as bond investment without active market. Please refer to note (6)(h).

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

(h) 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 Group 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 were classified as financial assets measured at amortized cost on December 31, 2018. Please refer to note (6)(g).

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

(i) Notes and accounts receivable

	December 31, 2018	December 31, 2017
Notes receivable from operating activities	$ 102,775	158,436
Accounts receivable – measured at amortized cost	184,671,402	181,283,397
Accounts receivable – fair value through other comprehensive income	23,020,497	-
	207,794,674	181,441,833
Less: allowance for uncollectible accounts	(4,020,603)	(4,021,894)
allowance for sales returns and discounts	-	(33,214)
	$ 203,774,071	177,386,725
Notes and accounts receivable	$ 203,715,965	177,272,731
Notes and accounts receivable – related parties	$ 58,106	113,994

The Group 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.

(Continued)

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The Group 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.

(i) The loss allowance provision of IT product segment of the Group as of December 31, 2018 was determined as follows:

Credit rating	Carrying amount of accounts receivable	Weighted- average ECL rate	Lifetime ECLs	Credit-impaired
Level A	$ 186,203,302	0%	-	No
Level B	11,907,279	1.208%	143,862	No
Level C	3,830,424	100%	3,830,424	Yes
	$ 201,941,005		3,974,286	

(ii) The loss allowance provision of strategically integrated product segment of the Group as of December 31, 2018 was determined as follows:

Credit rating	Carrying amount of accounts receivable	Weighted- average ECL rate	Lifetime ECLs	Credit-impaired
Level A	$ 1,550,848	0.01%	82	No
Level B	3,024,709	0.11%	3,194	No
Level C	1,247,546	1.00%	12,475	No
Level D~E	-	-	-	-
Level F	30,566	100%	30,566	Yes
	$ 5,853,669		46,317	

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	$ 2,919,586
Overdue 181 to 365 days	15,809
Overdue 365 days and over	25,555
	$ 2,960,950

As of December 31, 2017, the Group 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	$ 1,293,581
Overdue 181 to 365 days	15,611
Overdue 365 days and over	457
	$ 1,309,649

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)	$ 4,021,894	173,623	858,812
Adjustment on initial application of IFRS 9	-		
Balance at beginning of the period (IFRS 9)	4,021,894		
Assessment category reclassified	-	695,014	(695,014)
Impairment losses recognized	(1,085)	2,991,636	(2,945)
Effect of changes in exchange rates	(206)	-	768
Balance at the end of the period	$ 4,020,603	3,860,273	161,621

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

The Group 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 accordance with certain agreements, the factoring amount granted by the banks was USD 950,000 thousands and EUR 20,000 thousands, USD 985,000 thousands and EUR 32,000 thousands, respectively. Based on the agreements, the Group 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 Group 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 $61,888, respectively, are accounted for as other receivables.

(Continued)

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, account 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	$ 35,475,337	35,413,449	-	35,475,337	0.85%~2.56%

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

(j) Inventories

	December 31, 2018	**December 31, 2017**
Finished goods	$ 33,463,627	22,403,402
Work in progress	6,830,625	7,710,311
Raw materials	38,526,674	38,453,542
Raw materials in transit	327,996	945,457
	$ 79,148,922	69,512,712

(i) During the years ended December 31, 2018 and 2017, inventory cost recognized as cost of sales amounted to $937,139,320 and $855,692,390, respectively.

(ii) The write-down of inventories to net realizable value amounted to $263,774 in the year ended December 31, 2018. The Group reversed its allowance for inventory valuation loss amounting to $1,447,842 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 Group did not provide any inventories as collaterals for its loans.

(k) Investments accounted for using equity method

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

		December 31, 2018	December 31, 2017
Associates	$	7,469,153	11,894,859
Joint venture		16,180	29,963
		7,485,333	11,924,822
Less: unrealized profits or losses		(120,848)	(117,200)
	$	7,364,485	11,807,622

(i) 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”)	$	1,061,543	1,370,293
Avalue Technology Inc. (“Avalue”)		586,743	696,471
	$	1,648,286	2,066,764

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

		2018	2017
The Group’s share of the gain of associates	$	813,796	620,837

3) The Group’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	$	7,469,153	11,894,859

		2018	2017
The Group’s share of the net income (loss) of associates:			
Profit from continuing operations	$	813,796	620,837
Other comprehensive income (loss)		(287,138)	(30,637)
Total comprehensive income	$	526,658	590,200

4) In August 2018, the Group has sold all of its shares held in LC Future Center Limited Ltd. (LCFC), with consideration (net of costs of disposal) amounting to USD 246,792 thousands. The transaction has been completed and the price has been fully recovered. The Group recognized a gain of $2,511,085 (USD 83,925 thousands), which was accounted for as other gain and loss.

(ii) Joint venture

In April 2010, the Group and another company established a jointly controlled entity, Compal Connector Manufacture Ltd. ("CCM"), and obtained an ownership interest of 51%. CCM's actual paid-in capital amounted to USD10,000 thousands. Moreover, in May 2014, the Group and another company established a jointly controlled entity, Zheng Ying Electronics (Chongqing) Co., Ltd., ("Zheng Ying"), and obtained an ownership interest of 51%. Zheng Ying's actual paid-in capital amounted to USD2,500 thousands.

The Group's financial information for investment accounted for using the equity method that are individually insignificant was as follows:

	December 31, 2018	December 31, 2017
The carrying amount of the Group's interests in all individually insignificant joint ventures	$ 16,180	29,963

	2018	2017
The Group's share of the net income (loss) of joint ventures:		
Losses from continuing operations (also the total comprehensive losses)	$ (16,428)	(14,270)

(iii) As of December 31, 2018 and 2017, the Group 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 Group purchased 3% ownership of HengHao from non-controlling interest with an amount of $25,203 in 2017; therefore, the Group acquired 100% ownership of HengHao.

The Group purchased shares of TTI 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:

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		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 Group disposed 23% of CBN's interest 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.

(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 Group's ownership of CBN by 0.41% and 2.80%, respectively.

2) Issuance of new shares for cash of subsidiaries

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

3) Issuance of subsidiaries' restricted shares

Arcadyan issued 4,500 thousand restricted new shares in the year ended December 31, 2018, which resulted in reducing 0.84% interest of the Group's 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)**

(Continued)

(m) Material non-controlling interests of subsidiaries

The material non-controlling interests of subsidiaries were as follows:

Subsidiaries	Main operation place	Percentage of non-controlling interests December 31, 2018	December 31, 2017
Arcadyan Technology Corporation	Taiwan	65%	64%

The following information of the aforementioned subsidiaries has been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers. Included in these information are the fair value adjustment made during the acquisition and relevant difference in accounting principles between the Group as at the acquisition date. Intra-group transactions were not eliminated in this information.

Arcadyan’ s collective financial information

	December 31, 2018	December 31, 2017
Current assets	$ 18,638,678	13,121,132
Non-current assets	2,614,802	2,460,716
Current liabilities	(11,620,412)	(6,495,495)
Non-current liabilities	(159,270)	(161,946)
Net assets	$ 9,473,798	8,924,407
Non-controlling interests	$ 6,330,768	5,896,398

	2018	2017
Sales revenue	$ 26,621,262	20,110,209
Net income	$ 880,183	650,310
Other comprehensive income	31,652	(67,902)
Comprehensive income	$ 911,835	582,408
Profit, attributable to non-controlling interests	$ 567,101	431,444
Comprehensive income, attributable to non-controlling interests	$ 587,791	387,988
Net cash flows from operating activities	$ 1,815,108	1,075,838
Net cash flows from investing activities	(369,128)	304,029
Net cash flows from financing activities	702,117	(49,580)
Effect of exchange rate changes on cash and cash equivalents	16,667	(49,844)
Net increase (decrease) in cash and cash equivalents	$ 2,164,764	1,280,443

(Continued)

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(n) Property, plant and equipment

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

		Land	Buildings and building improvement	Machinery	Other equipment	Under construction and prepayment for purchase of equipment	Total
Cost or deemed cost:							
Balance on January 1, 2018	$	1,769,326	15,100,906	23,268,462	9,759,017	1,136,868	51,034,579
Additions		-	1,787,027	3,354,838	1,467,955	83,609	6,693,429
Disposals and derecognitions		-	(55,743)	(109,254)	(423,779)	-	(588,776)
Reclassifications		-	5,030	104,891	104,690	(214,611)	-
Effect of movements in exchange rates		2,888	183,050	(417,340)	(264,979)	(2,376)	(498,757)
Balance on December 31, 2018	$	1,772,214	17,020,270	26,201,597	10,642,904	1,003,490	56,640,475
Balance on January 1, 2017	$	1,776,857	15,616,310	24,000,626	10,457,550	1,059,323	52,910,666
Additions		-	68,284	1,613,726	1,454,959	427,977	3,564,946
Disposals and derecognitions		-	(63,174)	(214,256)	(1,975,885)	-	(2,253,315)
Reclassifications		-	21,634	179,435	73,036	(274,105)	-
Effect of movements in exchange rates		(7,531)	(542,148)	(2,311,069)	(250,643)	(76,327)	(3,187,718)
Balance on December 31, 2017	$	1,769,326	15,100,906	23,268,462	9,759,017	1,136,868	51,034,579
Depreciation and impairments loss:							
Balance on January 1, 2018	$	-	9,239,452	17,548,800	6,066,960	-	32,855,212
Depreciation for the period		-	738,622	2,309,302	1,547,601	-	4,595,525
Disposals and derecognitions		-	(22,941)	(95,177)	(399,077)	-	(517,195)
Effect of movements in exchange rates		-	150,520	(1,321,222)	459,407	-	(711,295)
Balance on December 31, 2018	$	-	10,105,653	18,441,703	7,674,891	-	36,222,247
Balance on January 1, 2017	$	-	9,116,263	15,782,175	7,059,551	-	31,957,989
Depreciation for the period		-	718,593	2,321,546	1,761,108	-	4,801,247
Disposals and derecognitions		-	(55,122)	(157,629)	(1,968,157)	-	(2,180,908)
Effect of movements in exchange rates		-	(540,282)	(397,292)	(785,542)	-	(1,723,116)
Balance on December 31, 2017	$	-	9,239,452	17,548,800	6,066,960	-	32,855,212
Carrying amounts:							
Balance on December 31, 2018	$	1,772,214	6,914,617	7,759,894	2,968,013	1,003,490	20,418,228
Balance on January 1, 2017	$	1,776,857	6,500,047	8,218,451	3,397,999	1,059,323	20,952,677
Balance on December 31, 2017	$	1,769,326	5,861,454	5,719,662	3,692,057	1,136,868	18,179,367

As of December 31, 2018 and 2017, part of the Group's property, plant and equipment were provided as collateral for long-term borrowings. Please refer to note (8).

(o) Short-term borrowings

The details of short-term borrowings were as following:

	December 31, 2018	December 31, 2017
Unsecured bank loans	$ 72,350,197	56,515,525
Unused credit line for short-term borrowings	$ 83,720,000	83,710,000
Range of interest rates	0.45%~5.87%	0.60%~4.30%

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

(p) Long-term borrowings

The details of long-term borrowings were as follows:

	December 31, 2018			
	Currency	Annual range of interest rate	Maturity year	Amount
Unsecured bank loans	TWD	0.79%~1.22%	2019~2021	$ 28,396,250
Secured bank loans	TWD	1.67%	2022	137,813
Less: current portion				(17,535,625)
Total				$ 10,998,438
Unused credit lines for long-term borrowings				$ 5,443,000

	December 31, 2017			
	Currency	Annual range of interest rate	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
Secured bank loans	TWD	1.67%~1.92%	2018~2022	319,688
Less: current portion				(6,200,625)
Total				$ 21,252,263
Unused credit lines for long-term borrowings				$ 4,377,000

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

The Group pledged property, plant and equipment as collateral for its partial long-term borrowings. Please refer to note (8).

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(q) Provisions

		Warranties	Sales returns and allowances	Total
Balance on January 1, 2018	$	387,147	1,440,292	1,827,439
Adjustment on initial application of IFRS 15		-	(1,440,292)	(1,440,292)
Balance on January 1, 2018 per IFRS 15		387,147	-	387,147
Provisions made during the period		398,735	-	398,735
Provisions used during the period		(313,832)	-	(313,832)
Provisions reversed during the period		(45,069)	-	(45,069)
Balance on December 31, 2018	**$**	**426,981**	**-**	**426,981**
Balance on January 1, 2017	$	309,844	1,532,250	1,842,094
Provisions made during the period		410,214	1,078,600	1,488,814
Provisions used during the period		(245,130)	(219,727)	(464,857)
Provisions reversed during the period		(87,781)	(950,831)	(1,038,612)
Balance on December 31, 2017	**$**	**387,147**	**1,440,292**	**1,827,439**

Provisions relate 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 to refund liabilities.

(r) Refund liabilities

	December 31, 2018
Refund liabilities	**$ 1,579,832**

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.

(s) Operating lease

(i) The Group 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	$ 569,275	565,999
Between one and five years	598,996	859,489
More than five years	116,349	130,664
	$ 1,284,620	1,556,152

The Group leased several office areas under operating leases with the leasing terms from 1 to 19 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 $612,239 and $565,190, 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 Group, the Group recognized the lease as operating lease.

2) Long-term prepaid rent – land leasehold rights

The Group acquired land leasehold rights under operating lease and was expensed equally over 50 years. As of December 31, 2018 and 2017, land leasehold rights accounted as long-term prepaid rents amounted to $891,147 and $571,133, respectively.

For the years ended December 31, 2018 and 2017, expenses recognized in profit or loss under operating lease amounted to $13,302 and $13,135, respectively.

(ii) The Group as lessor

The Group leased out a few offices buildings, plants and equipment 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 $5,504 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

(t) 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	$ (1,447,375)	(1,418,645)
Fair value of plan assets	737,229	712,835
Net defined benefit liabilities	$ (710,146)	(705,810)

The Group 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 Group 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 Group’s labor pension reserve account in the Bank of Taiwan amounted to $735,206 (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 Group were as follows:

	2018	2017
Defined benefit obligations on January 1	$ (1,418,645)	(1,362,362)
Benefit paid by the plan	33,560	53,622
Current service costs and interest	(26,745)	(29,493)
Remeasurements of net benefit liabilities	(35,545)	(80,412)
Defined benefit obligations on December 31	$ (1,447,375)	(1,418,645)

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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 Group were as follows:

		2018	2017
Fair value of plan assets on January 1	$	712,835	734,412
Expected return on plan assets		9,841	11,107
Remeasurements of net benefit plan assets		19,280	(3,982)
Contributions paid by the employer		28,833	24,920
Benefits paid by the plan		(33,560)	(53,622)
Fair value of plan assets on December 31	$	737,229	712,835

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the years ended December 31, 2018 and 2017, were as follows:

		2018	2017
Current service cost	$	7,023	8,712
Net interest on the net defined benefit liability (asset)		9,881	10,255
	$	16,904	18,967
Cost of sales	$	817	1,338
Selling expenses		986	1,200
Administrative expenses		3,880	4,736
Research and development expenses		11,221	11,693
	$	16,904	18,967

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

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

		2018	2017
Cumulative amount on January 1	$	487,327	402,933
Recognized during the period		16,265	84,394
Cumulative amount on December 31	$	503,592	487,327

6) Actuarial assumptions

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

	December 31, 2018	December 31, 2017
Discount rate	1.30%~1.375%	1.40%~1.63%
Future salary increasing rate	3.00%	3.00%

The expected allocation payment made by the Group to the defined benefit plans for the one year period after the reporting date is $29,033.

The weighted-average lifetime of the defined benefit plan is 10.3~15.58 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	(37,146)	38,572
Future salary increasing rate	37,746	(36,552)
December 31, 2017		
Discount rate	(37,392)	38,773
Future salary increasing rate	37,985	(36,738)

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.

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(ii) Defined contribution plans

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

The Company and all subsidiaries in domestic recognized the pension costs under the defined contribution method amounting to \$381,455 and \$358,153 for the years ended December 31, 2018 and 2017, respectively. Payment was made to the Bureau of Labor Insurance.

Other subsidiaries recognized the pension expenses, basic endowment insurance expenses, and social welfare expenses amounting to \$1,319,260 and \$1,175,565 for the years ended December 31, 2018 and 2017, respectively.

(u) 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	$	2,092,686	2,304,142
10% surtax on unappropriated earnings		27,288	217,616
Tax credit of investment		(183,384)	(337,603)
		1,936,590	2,184,155
Deferred tax expense			
Recognition and reversal of temporary differences		393,967	-
Adjustment in tax rate		(130,273)	(227,915)
		263,694	(227,915)
Income tax expense	$	2,200,284	1,956,240

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 the defined benefit obligation	$	(33,202)	(14,348)
Unrealized gains (losses) on equity comprehensive income		(42,630)	-
	$	(75,832)	(14,348)
Items that will be reclassified subsequently to profit or loss:			
Foreign currency translation differences of foreign operations	$	3,293	(12,305)
Unrealized gain (loss) of available-for-sale financial assets		-	33,658
	$	3,293	21,353

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	$	11,789,585	8,114,277
Income tax calculated based on tax rate	$	3,454,689	2,329,155
Adjustment in tax rate		(130,273)	-
Estimated tax effect of tax exemption on investment income, net		(984,537)	(71,001)
Realized investment loss		(133,869)	(142,901)
Investment tax credit		(183,384)	(337,603)
Changes in temporary differences		(11,635)	(317,852)
Adjustment of estimated difference and other		162,005	278,826
10% surtax on unappropriated earnings		27,288	217,616
	$	2,200,284	1,956,240

(Continued)

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(ii) Deferred tax assets and liabilities

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

	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	$ 259,546	176,283	411,518	504,024	1,351,371
Recognized in profit or loss	(81,521)	(11,328)	(248,253)	(16,683)	(357,785)
Recognized in other comprehensive income	-	-	-	30,362	30,362
Balance on December 31, 2018	**$ 178,025**	**164,955**	**163,265**	**517,703**	**1,023,948**
Balance on January 1, 2017	$ 296,061	214,787	277,308	474,830	1,262,986
Recognized in profit or loss	(36,515)	(38,504)	134,210	2,517	61,708
Recognized in other comprehensive income	-	-	-	26,677	26,677
Balance on December 31, 2017	**$ 259,546**	**176,283**	**411,518**	**504,024**	**1,351,371**

	Unrealized exchange gains, net	Others	Total
Deferred tax liabilities:			
Balance on January 1, 2018	$ (171,868)	(442,569)	(614,437)
Recognized in profit or loss	171,868	(77,777)	94,091
Recognized in other comprehensive income	-	42,177	42,177
Balance on December 31, 2018	**$ -**	**(478,169)**	**(478,169)**
Balance on January 1, 2017	(340,343)	(406,619)	(746,962)
Recognized in profit or loss	168,475	(2,268)	166,207
Recognized in other comprehensive income	-	(33,682)	(33,682)
Balance on December 31, 2017	**$ (171,868)**	**(442,569)**	**(614,437)**

(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	**$ 716,848**	**660,167**
Tax effect of loss carryforward	**$ 1,249,171**	**993,562**

The Group assesses and considers that some of the income tax reduction items may be unrealized, hence they are not recognized as deferred tax assets. In addition, according to Income Tax Act, the loss carryforward are the losses incurred in past 10 years assessed by ROC tax authorities which can be deducted from the net profit of current year before levied. The items are not recognized as deferred income tax assets due to the fact that the Group may not have sufficient taxable income in the future for the losses.

As of December 31, 2018, the tax effects on loss carryforward that have not been recognized as deferred tax assets were as follows:

Year of loss	Expiry year	Deductible amount
2009 (Assessed)	2019	$ 846,347
2010 (Assessed)	2020	14,492
2011 (Assessed)	2021	399,926
2012 (Assessed)	2022	689,013
2013 (Assessed)	2023	234,445
2014 (Assessed)	2024	41,534
2015 (Assessed)	2025	645,620
2016 (Assessed)	2026	1,495,220
2017 (Assessed/Filed)	2027	950,585
2018 (Estimated)	2028	928,674
		$ 6,245,856

(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 $54,732,941 and $47,799,571, respectively.

(v) 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.

The ROC tax authorities have assessed the income tax returns of Zhaopal, Yongpal, Palcom, Kaipal, Acbel Telecom, Zhipal, Rayonnant Technology and Ripal through 2017, of UCGI, TTI, CBN, Panpal, Gempal, Hong Ji, Hong Jin, GLB, RBL, HengHao and Mactech Through 2016, of Arcadyan through 2015, of ATK through June 2009.

(v) 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 Dollars per shares, 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.

(Continued)

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.

(Continued)

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(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)**

(w) Share-based payment

(i) The Company – employee restricted shares

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 shares 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 year, 3 years and 4 years from the registration and effective date and in the mean-time, 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.

(Continued)

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 years ended December 31, 2018, due to the failure in meeting the vested requirements of the employee restricted shares, the Group 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 Group 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 years ended December 31, 2017.

(ii) Arcadyan – employee restricted shares

At the meeting held on June 21, 2018, Arcadyan's shareholders adopted a resolution to issue 4,500 thousand new shares of employee restricted shares to those Arcadyan's full-time employees who meet certain requirements. The issuance of restricted shares had been approved by the FSC. The Board of Directors resolved to issue all the restricted shares on November 6, 2018, which is also the effective date of the share issuance.

3,500 thousand shares of the aforementioned restricted shares are issued without consideration. 30%, 30% and 40% of the aforementioned restricted shares will be vested, respectively, when the employees continue to provide service for at least 2 year, 3 years and 4 years from the registration and the effective date, and at the same time, meet the performance requirement. In addition, when earnings per share in two continuous and complete fiscal years from the registration and effective date are no less than 4 New Taiwan Dollars and at the same time, the employees with the restricted shares meet the performance requirement, the other 1,000 thousand shares of the restricted shares are vested 100% at the date the shareholders approved the financial statements for the second fiscal year. If the earnings per share in continuous and complete fiscal years from the registration and effective date are between 3 to 4 New Taiwan dollars and at the same time, the employees with the restricted shares meet the performance requirement, the restricted shares are vested 75%. If the earnings per share in two continuous and complete fiscal years from the registration and effective date are less than 3 New Taiwan dollars, the employees with the restricted shares whether or not meet the performance requirement, the restricted shares are vested 0%. The earnings per share mentioned above is calculated based on the profit approved by the shareholders, and the weighted average number of ordinary shares outstanding at the date of the restricted shares being approved by the authority.

After the issuance, the restricted shares are kept by trustee, which is designated by Arcadyan, before they are vested. These restricted shares shall not be sold, pledged, transferred, gifted or created other rights or encumbrances, or otherwise disposed in any other means during the custody period. Before the vesting conditions are fully satisfied, the shareholder 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, Arcadyan will redeem the shares without consideration and cancel the shares thereafter. Restricted shares could participate in cash and stock dividends, and could join cash injection. The aforementioned new shares arising from dividends are not considered as restricted shares.

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

	2018
Outstanding shares on January 1	-
Granted during the period	4,500
Outstanding shares on December 31	**4,500**

The fair value of the restricted employee shares are evaluated by using the market price of $57.4 on the grant date, and Arcadyan recognized capital surplus-employ restricted shares amounted to $252,856. As of December 31, 2018, the unearned employee benefit was $219,616.

The compensation cost related to the restricted shares amounted to $33,240 for the year ended December 31, 2018.

(iii) TTI – employee stock options

The information about share-based payment of TTI in 2018 and 2017 was as follows:

	Employee stock options
Grant date	2015.10.29
Granted shares (in thousand)	1,000
Contract period	7 years
Recipients	Employees of TTI
Vested condition	Please refer to the issuance terms of the stock options as follows

The issuance terms of the stock options are as follows:

1) Exercise price: NT$13.5 per share.

2) Exercisable duration: The employees who received stock options that exceed two years and meet the performance requirements can exercise a specific percentage in each period as below. The exercisable duration of the options is seven years. No transfer is allowed except for inheritance.

Exercisable	Period and performance requirements to exercise options
40％	The share purchase right is effectively vested after the satisfaction of 2 conditions: (1) Years of service must exceed 2 years after the issuance of the right. (2) Upon vesting, the average earnings per share of TTI for the past 2 years must exceed NT$3. If the criteria for the said earnings per share are not fulfilled, then the measurement period will be extended to 3 years; under this extension, the average of the earnings per share of any 2 years within the 3 year period must exceed NT$3.
30％	The share purchase right is effectively vested after the satisfaction of 2 conditions: (1) Years of service must exceed 3 years after the issuance of the right. (2) Upon vesting, the performance requirements need to be met, otherwise, the earnings per share of TTI for the following year must exceed NT$3. If the criteria for the said earnings per share are not fulfilled, then the measurement period will be extended to another 1 year; the earnings per share must exceed NT$3 during the extension period.
30％	The share purchase right is effectively vested after the satisfaction of 2 conditions: (1) Years of service must exceed 4 years after the issuance of the right. (2) Upon vesting, the performance requirements need to be met, otherwise, the earnings per share of TTI for the following year must exceed NT$3. If the criteria for the said earnings per share are not fulfilled, then the measurement period will be extended to another 1 year; the earnings per share must exceed NT$3 during the extension period. The total measurement periods mentioned above may not exceed 6 years.

The earnings per share mentioned above are based on the financial statements that had been audited and certified by a certified public accountant.

3) Exercise method: TTI would issue new shares as the options are exercised.

4) Exercise procedure: In accordance with TTI’s issuance and exercise rules. After receiving the payment for share options, the entitlement certification of share options exercised is registered as ordinary shares.

The information on total options issued was as follows:

	2018		2017	
	Shares (in thousands)	**Weighted-average exercise price (NT dollars)**	**Shares (in thousands)**	**Weighted-average exercise price (NT dollars)**
Outstanding shares on January 1	1,000	$ 13.5	1,000	$ 13.5
Canceled during the period	(400)	13.5	-	-
Outstanding shares on December 31	600	13.5	1,000	13.5
Exercisable shares on December 31	-	-	-	-

The exercise price range of TTI's outstanding employee stock options and weighted-average remaining contractual life of the outstanding options are as follows:

	December 31, 2018	December 31, 2017
Exercise price range	13.5	13.5
Weighted average remaining contract period	3.83	4.83

The expenses (reverse) related to the share-based payment amounted to $(496) and $1,289 for the years ended December 31, 2018 and 2017, respectively.

(iv) CBN－employee stock options

At the meeting held on May 30, 2012, May 26, 2014 and May 17, 2016, CBN's Board of Directors resolved to issue 1,000,000, 800,000 and 1,500,000 units of employee stock options, respectively, with an exercisable right of one share of CBN's ordinary shares per unit. The information on total options issued was as follows:

1) The first employee stock option plan

	2017	
	Shares	**Weighted-average exercise price (NT dollars)**
Outstanding shares on January 1	101,800	$ 10
Exercised during the period	(101,800)	10
Outstanding shares on December 31	-	-
Exercisable shares on December 31	-	-

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The employee stock options above have been fully exercised in 2017.

2) The second employee stock option plan

	2018		2017	
	Shares	**Weighted-average exercise price (NT dollars)**	**Shares**	**Weighted-average exercise price (NT dollars)**
Outstanding shares on January 1	283,767	$ 10	376,812	$ 10
Aborted during the period	-	-	(16,500)	10
Expired during the period	(2,565)	10	(22,905)	10
Exercised during the period	(272,292)	10	(53,640)	10
Outstanding shares on December 31	**8,910**	10	**283,767**	10
Exercisable shares on December 31	**8,910**	**10**	**131,967**	10

As of December 31, 2018 and 2017, the weighted-average remaining contractual life of the outstanding options was 2.67 and 3.67 years, respectively.

3) The third employee stock option plan

	2018		2017	
	Shares	**Weighted-average exercise price (NT dollars)**	**Shares**	**Weighted-average exercise price (NT dollars)**
Outstanding shares on January 1	234,000	$ 10	1,490,000	$ 10
Aborted during the period	-	-	(15,000)	10
Expired during the period	-	-	(30,000)	10
Exercised during the period	(80,400)	10	(1,211,000)	10
Outstanding shares on December 31	**153,600**	10	**234,000**	10
Exercisable shares on December 31	**153,600**	10	**234,000**	10

As of December 31, 2018 and 2017, the weighted-average remaining contractual life of the outstanding options was 2.67 and 3.67 years, respectively.

The issuance terms of the share options are as follows:

1) Exercise price: NT$10 per share.

2) Exercisable duration:

a) The first employee stock options plan:

The employees who received share options being granted over two years can exercise a specific percentage in each period as below. The exercisable duration of the options is seven years. No transfer is allowed except for inheritance. After the expiration of the exercisable duration, the unexercised options will be canceled by CBN and not be re-issued anymore.

Period to exercise options	Exercisable percentage (cumulative)
2 years after options received	40 %
3 years after options received	70 %
4 years after options received	100 %

b) The second employee stock option plan:

The employees who received share options being granted over two years and are still employed by CBN and meet requirements can exercise a specific percentage in each period as stated below. The exercisable duration of the options is seven years. No transfer is allowed except for inheritance. After the expiration of the exercisable duration, the unexercised options will be canceled by CBN and not re-issued anymore.

Period to exercise options	Exercisable percentage (cumulative)
2 years after options received	40 %
3 years after options received	70 %
4 years after options received	100 %

c) The third employee stock option plan:

The employees who received share options being granted over five months and are still employed by CBN and meet requirements can exercise a specific percentage in each period as stated below. The exercisable duration of the options is five years. No transfer is allowed except for inheritance. After the expiration of the exercisable duration, the unexercised options will be canceled by CBN and not re-issued anymore.

Period to exercise options	Exercisable percentage (cumulative)
5 months after options received	100 %

d) Exercise method: CBN would issue new shares as the options are exercised.

e) Exercise procedure: In accordance with CBN’ s issuance and exercise rules, after receiving the consideration of share options, the entitlement certification of share options exercised is registered as ordinary shares once a quarter.

The compensation cost for the years ended December 31, 2018 and 2017 were $657 and $6,210, respectively.

CBN adopted the Black-Scholes model to estimate the fair value on the grant date, and the assumptions are summarized as follows:

A. The first employee stock option plan:

Original exercise price (NT dollars)	10
Current price (NT dollars)	25
Expected dividend yield rate	0%
Expected volatility	38.25~38.64%
Risk-free interest rate	0.91~1.02%
Expected life of the option	4.5~5.5 years
Weighted average fair value (NT dollars per share)	16.10~16.49

B. The second employee stock option plan:

Original exercise price (NT dollars)	10
Current price (NT dollars)	37.02
Expected dividend yield rate	0%
Expected volatility	31.07~32.77%
Risk-free interest rate	1.17~1.33%
Expected life of the option	4.5~5.5 years
Weighted average fair value (NT dollars per share)	27.62~27.92

C. The third employee stock option plan:

Original exercise price (NT dollars)	10
Current price (NT dollars)	24.62
Expected dividend yield rate	0%
Expected volatility	35.87%
Risk-free interest rate	0.56%
Expected life of the option	2.55 years
Weighted average fair value (NT dollars per share)	14.96

(v) CBN－Cash injection reserved for employees

CBN's Board of Directors resolved to implement cash injection on June 27, 2018, of which 917 thousand shares were reserved for employees. As of December 31, 2018, the relevant information was as follows:

Grant date	2018.11.14
Number of shares granted (in thousands)	917
Recipients	(Note 1)
Vested condition	Vest immediately

(Note 1) Those CBN' s full-time employees who meet certain requirements.

The compensation cost recorded as operating expense related to the cash injection reserved for employees amounted to $1,053 in 2018.

(x) Earnings per share

The Group' 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

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(y) Revenue from contracts with customers

(vi) Disaggregation of revenue

	2018		
	IT Product Segment	**Strategically Integrated Product Segment**	**Total**
Primary geographical markets:			
United states	$ 362,250,918	1,701,587	363,952,505
China	120,591,947	437,494	121,029,441
Netherlands	109,628,794	1,242,067	110,870,861
United Kingdom	43,595,382	2,181,037	45,776,419
Germany	30,999,459	7,269,974	38,269,433
Japan	29,805,482	1,703,425	31,508,907
Others	244,234,624	12,064,221	256,298,845
	$ 941,106,606	26,599,805	967,706,411

	2018		
	IT Product Segment	**Strategically Integrated Product Segment**	**Total**
Major products:			
5C related electronic products	$ 939,105,238	26,112,499	965,217,737
Others	2,001,368	487,306	2,488,674
	$ 941,106,606	26,599,805	967,706,411

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

(vii) Contract balances

	December 31, 2018	**January 1, 2018**
Notes and accounts receivable (including related parties)	$ 207,794,674	181,487,633
Less: allowance for impairment	(4,020,603)	(4,021,894)
Total	$ 203,774,071	177,465,739
Contract liabilities	$ 1,476,304	1,665,321

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

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 $1,633,141.

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.

(z) Revenue

The revenue of the Group were as follows:

	2017
Sale of goods	$ 886,180,529
Rendering of services and other	1,476,430
	$ 887,656,959

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

(aa) 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, 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 approves 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 meeting of the Board of Directors', the related information can be accessed through the Market Observation Post System website. There is no difference between the amount approved in the Board of Directors' meeting and those recognized in the financial statements in 2018 and 2017.

There is no difference 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.

(ab) 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		1,444,952	845,293
Others		8,714	16,274
Dividend revenue		279,044	169,839
Overdue payable reversed as other income		41,116	251,838
Other revenue		349,046	267,428
	$	2,132,864	1,566,475

(ii) Other gains and losses

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

		2018	2017
Gains (losses) on disposal of investments	$	2,513,207	(4,252)
Gains (losses) on financial assets and liabilities at fair value through profit or loss, net		640,835	(421,148)
Foreign currency exchange gains (losses), net		(873,855)	(1,582,518)
Gains (losses) on disposal of property, plant, and equipment		(23,229)	110,846
	$	2,256,958	(1,897,072)

(ac) 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
Cash flow hedge:			
Profit (loss) recognized	$	3,655	(141,364)
Less: reclassified to profit or loss		3,655	(141,364)
Profit (loss) recognized in other comprehensive income	$	-	-
Available-for-sale financial assets:			
Net change in fair value (net of tax)	$	-	292,381
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)	$	-	292,381

(ad) Financial instruments

(i) Credit risk

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

The Group’ s customers are mainly from the high-tech industry. The Group 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 Group 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)(i).

Other financial assets at amortized cost include 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)(g)). Due to the counter parties and the performing parties of the Group’ s time deposits are financial institutions with investment grade and above, these time deposits are considered to have low credit risk.

The movement in the allowance for the years ended December 31, 2018 was as follows:

	Other receivables
Balance on January 1, 2018 per IAS 39	$ 82,014
Adjustment on initial application of IFRS 9	-
Balance on January 1, 2018 per IFRS 9	82,014
Impairment losses reversed	(16,364)
The write-off of the amount which was not be recovered in the period	(62,071)
Effect of changes in exchange rates	(2)
Balance on December 31, 2018	**$ 3,577**

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(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					
Secured borrowings	$ 137,813	(137,813)	(39,375)	(39,375)	(59,063)
Unsecured borrowings	100,746,447	(100,746,447)	(89,846,447)	(8,600,000)	(2,300,000)
Notes and accounts payable	154,276,713	(154,276,713)	(154,276,713)	-	-
Other payables	14,790,757	(14,790,757)	(14,790,757)	-	-
Derivative financial liabilities					
Forward exchange contracts:	26,913				
Outflow		(5,016,249)	(5,016,249)	-	-
Inflow		4,978,708	4,978,708	-	-
	$ 269,978,643	(269,989,271)	(258,990,833)	(8,639,375)	(2,359,063)
December 31, 2017					
Non-derivative financial liabilities					
Secured borrowings	$ 319,688	(319,688)	(181,875)	(39,375)	(98,438)
Unsecured borrowings	83,648,725	(83,648,725)	(62,534,275)	(13,514,450)	(7,600,000)
Notes and accounts payable	142,017,824	(142,017,824)	(142,017,824)	-	-
Other payables	12,023,718	(12,023,718)	(12,023,718)	-	-
Derivative financial liabilities					
Forward exchange contracts:	21,841				
Outflow		(1,565,077)	(1,565,077)	-	-
Inflow		1,549,062	1,549,062	-	-
Currency swap contracts:	2,622				
Outflow		(882,086)	(882,086)	-	-
Inflow		880,896	880,896	-	-
	$ 238,034,418	(238,027,160)	(216,774,897)	(13,553,825)	(7,698,438)

The Group 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 Group'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	$ 7,189,719	30.715	220,832,219	6,843,437	29.76	203,660,685
USD to CNY	3,986	6.8672	122,430	7,035	6.5128	209,157
EUR to TWD	95,397	35.2	3,357,974	78,869	35.57	2,805,370
CNY to USD	1,726,768	0.1456	7,722,286	1,909,447	0.1535	8,722,659
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	7,145,553	30.715	219,475,660	6,369,012	29.76	189,541,797
USD to CNY	5,451	6.8672	167,427	9,803	6.5128	291,452
USD to BRL	140,772	3.872	4,323,812	114,225	3.308	3,399,336
EUR to TWD	31,186	35.2	1,097,747	19,335	35.57	687,746
CNY to USD	2,778,232	0.1456	12,424,542	2,033,177	0.1535	9,287,878

2) Sensitivity analysis

The Group'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 Group entities' 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%	$ 67,828	705,944
Weakening 5%	(67,828)	(705,944)
USD (against the CNY)		
Strengthening 5%	(2,250)	(4,115)
Weakening 5%	2,250	4,115
USD (against the BRL)		
Strengthening 5%	(216,191)	(169,967)
Weakening 5%	216,191	169,967

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	December 31, 2018	December 31, 2017
EUR (against the TWD)		
Strengthening 5%	113,011	105,882
Weakening 5%	(113,011)	(105,882)
CNY (against the USD)		
Strengthening 5%	(235,113)	(28,261)
Weakening 5%	235,113	28,261

3) Exchange gains and losses of monetary items

As the Group 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 $873,855 and $1,582,518, 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 Group’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%	$ (10,551)	(36,326)
Interest decreased by 0.25%	10,551	36,326

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(v) Fair value information

1) The categories and fair value of financial instruments

The Group'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					
Derivative financial assets for non-hedging	$ 12,213	-	12,213	-	12,213
Non-derivative financial assets mandatorily measured at fair value through profit or loss	4,668,311	633,859	3,965,062	69,390	4,668,311
Subtotal	4,680,524				
Financial assets at fair value through other comprehensive income					
Stocks listed on domestic markets	$ 2,730,648	2,730,648	-	-	2,730,648
Stocks listed on foreign markets	400,184	400,184	-	-	400,184
Stocks unlisted on domestic markets	1,990,100	-	-	1,990,100	1,990,100
Stocks unlisted on foreign markets	51,363	-	-	51,363	51,363
Accounts receivable	23,020,497	-	23,020,497	-	23,020,497
Subtotal	28,192,792				
Financial assets measured at amortized cost					
Cash and cash equivalents	70,296,545	-	-	-	-
Corporate bonds－current	350,000	-	-	-	-
Notes and accounts receivable, net	180,695,468	-	-	-	-
Notes and accounts receivable due from related parties, net	58,106	-	-	-	-
Other receivables	1,665,249	-	-	-	-
Guarantee deposits	401,753	-	-	-	-
Subtotal	253,467,121				
Total	**$ 286,340,437**				

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	December 31, 2018				
		Fair Value			
	Book value	Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities for non-hedging	$ 26,913	-	26,913	-	26,913
Financial liabilities measured at amortized cost					
Short-term borrowings	72,350,197	-	-	-	-
Notes and accounts payable	152,300,093	-	-	-	-
Notes and accounts payable to related parties	1,976,620	-	-	-	-
Other payables	14,790,757	-	-	-	-
Long-term borrowings current portion	17,535,625	-	-	-	-
Long-term borrowings	10,998,438	-	-	-	-
Subtotal	269,951,730				
Total	$ 269,978,643				

	December 31, 2017				
		Fair Value			
	Book value	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Derivative financial assets for non-hedging	$ 40,706	-	40,706	-	40,706
Available-for-sale financial assets					
Stocks listed on domestic markets	4,617,045	4,617,045	-	-	4,617,045
Stocks listed on foreign markets	654,192	654,192	-	-	654,192
Stocks unlisted on domestic markets	2,295,576	-	-	2,295,576	2,295,576
Stocks unlisted on foreign markets	126,333	-	-	126,333	126,333
Subtotal	7,693,146				
Financial assets at cost (non-current)	53,982	-	-	-	-
Loans and receivables					
Cash and cash equivalents	70,062,713	-	-	-	-
Bond investment without active market-including current and non-current	700,000	-	-	-	-
Notes and accounts receivable, net	177,272,731	-	-	-	-
Notes and accounts receivable due from related parties, net	113,994	-	-	-	-
Other receivables	988,008	-	-	-	-
Guarantee deposits	234,493	-	-	-	-
Subtotal	249,371,939				
Total	$ 257,159,773				

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	December 31, 2017				
		Fair Value			
	Book value	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities for non-hedging	$ 24,463	-	24,463	-	24,463
Financial liabilities measured at amortized cost					
Short-term borrowings	56,515,525	-	-	-	-
Notes and accounts payable	140,381,168	-	-	-	-
Notes and accounts payable to related parties	1,636,656	-	-	-	-
Other payables	12,023,718	-	-	-	-
Long-term borrowings current portion	6,200,625	-	-	-	-
Long-term borrowings	21,252,263	-	-	-	-
Subtotal	238,009,955				
Total	$ 238,034,418				

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

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

a) Bond investment without active market and financial liabilities 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.

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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 consolidated balance sheet date.

The measurement of fair value of a non-active market financial instruments held by the Group 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)	Total
Balance on January 1, 2018	$ -	2,421,909	2,421,909
Effects of retrospective application	48,709	5,273	53,982
Adjusted balance on January 1, 2018	48,709	2,427,182	2,475,891
Total gains and losses recognized:			
In profit or loss	(3,064)	-	(3,064)
In other comprehensive income	-	(475,442)	(475,442)
Purchased	23,745	107,877	131,622
Proceeds of capital reduction of investment	-	(15,082)	(15,082)
Disposal	-	(3,072)	(3,072)
Balance on December 31, 2018	$ 69,390	2,041,463	2,110,853

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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)	Total
Balance on January 1, 2017	$ -	4,511,044	4,511,044
Total gains and losses recognized:			
In other comprehensive income	-	149,300	149,300
Purchased	-	60,180	60,180
Proceeds of capital reduction of investment	-	(28,615)	(28,615)
Disposal	-	(2,270,000)	(2,270,000)
Balance on December 31, 2017	$ -	2,421,909	2,421,909

For the years ended December 31, 2018 and 2017, total gains and losses that were included in "other gains and losses, net", "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 profit or loss before tax (as "other gains and losses, net")	$ (3,064)	-
In other comprehensive income (as "other comprehensive income, before tax, available-for-sale financial assets")	$ -	149,300
In other comprehensive income (as "other comprehensive income, before tax, equity instruments at fair value through other comprehensive income")	$ (475,442)	-

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

The Group'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 Group 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 method and Earnings multiplier method)	Price-Book ratio multiples (1.33~5.86 and 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 (2.32~14.97 and 15, respectively, on December 31 2018 and 2017)	The higher the multiple is, the higher the fair value will be.
		Lack-of-Marketability discount rate (40%~82% and 20%~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)	Net asset value method	Net asset value	Inapplicable
Financial assets at fair value through profit or loss－investment in private placement and private equity fund	Net asset value method	Net asset value	Inapplicable

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

The Group’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:

	Input	Move up or down	Other comprehensive income: Favorable change	Other comprehensive income: Unfavorable change
December 31, 2018				
Financial assets at fair value through other comprehensive income	Price-Book ratio multiples	5%	$ 28,137	28,119
	Multiples of earnings	5%	$ 28,210	27,202
	Lack-of-Marketability discount rate	5%	$ 2,093	2,053
December 31, 2017				
Available-for-sale financial assets	Price-Book ratio multiples	5%	$ 2,656	2,774
	Multiples of earnings	5%	$ 5,112	5,097
	Lack-of-Marketability discount rate	5%	$ 5,944	6,047

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.

8) Offsetting financial assets and financial liabilities

The Group has financial instruments transactions applicable to the International Financial Reporting Standards No. 32 Sections 42 endorsed by the FSC which required for offsetting. Financial assets and liabilities relating to those transactions are recognized in the net amount of the balance sheets.

The following tables present the aforesaid offsetting financial assets and financial liabilities.

Unit: thousands of New Taiwan Dollars / thousands of US Dollars

December 31, 2018

Financial assets that are offset which have an exercisable master netting arrangement or similar agreement

Gross amounts of recognized financial assets (a)	Gross amounts of financial liabilities offset in the balance	Net amount of financial assets presented in the balance sheet	Amounts not offset in the balance sheet (d): Financial instrumen	Amounts not offset in the balance sheet (d): Cash collateral	Net amount (e)=(c)-(d)

(Continued)

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		sheet (b)	(c)=(a)-(b)	ts	received	
Other current assets	$ 306,259	306,259	-	-	-	-
	(USD 9,971)	(USD 9,971)				

	December 31, 2018					
	Financial liabilities that are offset which have an exercisable master netting arrangement or similar agreement					
				Amounts not offset in the balance sheet (d)		
	Gross amounts of recognized financial liabilities (a)	Gross amounts of financial assets offset in the balance sheet (b)	Net amount of financial liabilities presented in the balance sheet (c)=(a)-(b)	Financial instruments	Cash collateral received	Net amount (e)=(c)-(d)
Short-term borrowings	$ 306,259	306,259	-	-	-	-
	(USD 9,971)	(USD 9,971)				

(ae) Financial risk management

(i) Overview

The Group 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 Group. For detailed information, please refer to the related notes of each risk.

(ii) Structure of risk management

The Group'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.

The Group minimizes the risk exposure through derivative financial instruments. The Board of Directors regulated the use of derivative financial instruments in accordance with the Group'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 Group continue with the review of the amount of the risk exposure in accordance with the Group's policies and the risk management policies and procedures. The Group 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 Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

1) Accounts receivable and other receivables

The Group has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group'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 Group's finance department. Since the Group'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 Group's policies, it is only permissible to provide financial guarantees to subsidiaries and companies that the Group has business with. As of December 31, 2018 and 2017, the Group did not provide any guarantees to other companies besides its subsidiaries.

(iv) Liquidity risk

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

The Group 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 Group's management supervises the banking facilities and ensures in compliance with the terms of the loan agreements. Please refer to notes (6)(o) and (6)(p) for unused credit lines of short-term and long-term borrowings as of December 31, 2018 and 2017.

(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 Group'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 Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the functional currencies of the Group. The currencies used in these transactions are primarily denominated in TWD, USD, EUR and CNY.

As for other monetary assets and liabilities denominated in other foreign currencies, when short-term imbalance takes place, the Group 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 Group borrows funds on fixed and variable interest rates, which has a risk exposure to changes in fair value and cash flow. Therefore, the Group manages the interest rates risk by maintaining an adequate combination of fixed and variable interest rates.

3) Other price risk

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

(af) 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, retained earnings and non-controlling interests. The Board of Directors monitors the return on capital as well as the level of dividends to ordinary shareholders.

The Group 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	$ 286,632,975	254,708,449
Total assets	$ 399,794,823	363,356,421
Debt ratio	72 %	70 %

The Group 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 Group's approach of capital management.

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

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

Reconciliations of liabilities arising from financing activities were as follows:

	January 1, 2018	Cash flow	December 31, 2018
Long-term borrowings	$ 27,452,888	1,081,175	28,534,063
Short-term borrowings	56,515,525	15,834,672	72,350,197
Total liabilities from financing activities	$ 83,968,413	16,915,847	100,884,260

(Continued)

(7) Related-party transactions:

(a) Name and relationship with related parties

The followings are the entities that have had transactions with related party during the periods covered in the financial statement.

Name of related party	Relationship with the Group
Compal Precision Module (Jiangsu) Co., Ltd.	An associate
Changbao Electronic Technology (Chongqing) Co., Ltd.	An associate
LCFC (Note 1)	An associate
Avalue Technology Inc. (“Avalue”)	An associate
Crownpo Technology Inc. (“Crownpo”)	An associate
Allied Circuit Co., Ltd. (“Allied Circuit”)	An associate
Kinpo Group Management Consultant Company (“Kinpo Group Management”)	An associate
Compal Connector Manufacture Ltd. (“CCM”)	A joint venture company
AcBel Polytech Inc. (“AcBel”) and its subsidiaries	The same chairman of the board with the Company

Note 1: In August 2018, the Group had sold all its shares of LCFC and no longer had significant influence over it. Therefore LCFC is not a related party of the Group since September 2018.

(b) Transactions with key management personnel

Key management personnel remunerations comprised:

		2018	2017
Short-term employee benefits	$	660,609	508,624
Post-employment benefits		7,984	8,319
Share-based payments		(78,216)	71,545
	$	590,377	588,488

There are no termination benefits and other long-term benefits. Please refer to note (6)(w) 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 Group and related parties were as follows:

		2018	2017
Associates	$	323,587	529,006
Other related parties		4,455	2,020
	$	328,042	531,026

Sales prices for related parties were similar to those of the third-party customers. The collection period was 60~120 days for related parties.

(ii) Purchase of goods from related parties

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

		2018	2017
Associates	$	4,010,999	4,446,200
Other related parties		1,365,892	610,635
Joint venture		95,900	77,638
	$	5,472,791	5,134,473

Purchase prices and payment period from related parties were similar to those from third-party suppliers. The payment period was 60~165 days for related parties.

(iii) Receivables due from relate parties

The receivables arising from the transactions mentioned above and others on behalf of related parties were as follows:

Account	Related-party categories		December 31, 2018	December 31, 2017
Notes and accounts receivable	Associates	$	56,701	113,988
Notes and accounts receivable	Other related parties		1,405	6
Other receivables	Joint venture		120	179
		$	58,226	114,173

(Continued)

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(iv) Payables to related parties

The payables arising from the transactions mentioned above and rendering of services from other related parties were as follows:

Account	Related-party categories	December 31, 2018	December 31, 2017
Notes and accounts payable	Associates	$ 1,245,574	1,351,036
Notes and accounts payable	Other related parties	705,761	245,253
Notes and accounts payable	Joint venture	25,285	40,367
Other payables	Associates	1,019	154
		$ 1,977,639	1,636,810

(8) Pledged assets:

The carrying values of pledged assets were as follows:

Pledged Assets	Subject	December 31, 2018	December 31, 2017
Other current assets	Bail for court mandatory execution	$ 41,090	26,510
Property, plant and equipment	Long-term borrowings (including current portion) (note)	715,913	1,151,730
Other non-current assets	Guarantee of post-release duty payment to the customs and guarantee of the customs	500	14,241
		$ 757,503	1,192,481

Note: Part of long-term borrowings had been settled in 2018, but the assets of property－land still were pledged as collaterals.

(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 Group for not paying the royalties of the patent license agreement. The Group has filed counterclaims against Qualcomm Inc. based on the antitrust law in the same court on July 19, 2017. The Group 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 Group's business and financial performance in the current year.

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

(c) As of December 31, 2018 and 2017, the Group's signed commitments to purchase property, plant and equipment amounted to $187,872 and $395,217, respectively.

(d) Please refer to note (6)(s) for the rental payables in the future years, which are calculated based on the agreements signed by the Group for the office areas and plants under operating leases.

(10) Losses due to major disasters: None

(11) Subsequent events: None

(12) Other:

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

By function	2018			2017		
By item	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salary	17,181,336	11,515,507	28,696,843	14,724,727	10,308,761	25,033,488
Labor and health insurance	826,628	744,593	1,571,221	770,050	723,811	1,493,861
Pension	1,242,331	475,288	1,717,619	1,101,172	451,513	1,552,685
Others	2,641,948	578,881	3,220,829	2,598,425	558,734	3,157,159
Depreciation	4,100,520	495,005	4,595,525	4,331,671	469,576	4,801,247
Amortization	55,897	289,250	345,147	16,274	367,151	383,425

(Continued)

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(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 Group 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 Item	Collateral Value	Individual funding loan limits	Maximum limit of fund financing
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	900,177 (Note 3)
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%~2.76%	〃	-	〃	-	-	-	20,445,466	20,445,466 (Note 6)
5	CIT	Rayonnant (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	-	Operating 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.

Note 10. The transactions had been eliminated in the consolidated financial statements.

(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	The highest holding in the period: Shares/ Units (thousands)	The highest holding in the period: Holding percentage (%)	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	98,046	3%	
	Kinpo Electronics, Inc. ("Kinpo")	The same chairman of the Company	〃	124,044	1,252,842	9%	1,252,842	124,044	9%	
	Cal-Comp Electronics ("Thailand") Public Co., Ltd.	〃	〃	239,631	400,184	5%	400,184	239,631	5%	
	Innolux Corporation (“Innolux”)	-	〃	109,227	1,061,690	1%	1,061,690	134,877	1%	

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Name of holder	Category and name of security	Relationship with security issuer	Account name	Ending balance				The highest holding in the period		Note
				Shares/Units (thousands)	Carrying value	Holding percentage (%)	Fair value	Shares/ Units (thousands)	Holding percentage (%)	
	Chipbond Technology Corp. (“Chipbond”)	-	Financial assets at fair value through profit or loss-current	4,593	284,768	1%	284,768	13,542	2%	
	HWA VI Venture Capital Corp.	-	Financial assets at fair value through other comprehensive income-non-current	290	20,551	10%	20,551	290	10%	
	HWA Chi Venture Capital Corp.	-	〃	1,053	22,926	11%	22,926	1,053	11%	
	mProbe Ltd.	-	〃	4,000	50,040	3%	50,040	4,000	3%	
	Global BioPharma, Inc.	-	〃	2,000	40,740	3%	40,740	2,000	3%	
	Chen Feng Optoelectronics	-	〃	5,829	22,909	13%	22,909	5,829	13%	
	PrimeSensor Technology Inc.	-	〃	1,357	14,542	3%	14,542	2,009	4%	
	Macroblock, Inc.	-	〃	749	67,903	2%	67,903	749	2%	
	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	31,648	1%	(Note 2)
	Kinpo	The same chairman of the Company	〃	23,172	234,042	2%	234,042	23,172	2%	
	CDIB Partners Investment Holding Corp.	-	〃	54,000	817,020	5%	817,020	54,000	5%	
	AcBel	The same chairman of the Company	〃	5,677	107,289	1%	107,289	5,677	1%	
	Chipbond	-	Financial assets at fair value through profit or loss-current	5,251	325,560	1%	325,560	5,251	1%	
	Taiwan Biotech Co., Ltd.	-	Financial assets at fair value through other comprehensive income-non-current	4,897	119,589	3%	119,589	4,897	3%	
	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	18,369	-	(Note 2)
	Lian Hong Art. Co., Ltd.	-	〃	2,140	34,921	8%	34,921	2,140	8%	
	Global BioPharma, Inc.	-	〃	2,000	40,740	3%	40,740	2,000	3%	
	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	380	1%	
Hong Jin	SUYIN Optronics	-	Financial assets at fair value through other comprehensive income-non-current	332	160	1%	160	332	1%	
Arcadyan	GeoThings Inc.	-	Financial assets at fair value through profit or loss-non current	200	-	9%	-	200	9%	(Note 1)
	AirHop Communication Inc.	-	〃	1,152	-	7%	-	1,152	7%	〃
	Adant Technologies Inc.	-	〃	349	-	6%	-	349	6%	〃
	IOT EYE, Inc.	-	〃	60	-	6%	-	60	6%	〃
	TIEF Fund, L.P	-	〃	-	45,645	7%	45,645	-	7%	

(Continued)

COMPAL ELECTRONICS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Name of holder	Category and name of security	Relationship with security issuer	Account name	Ending balance: Shares/Units (thousands)	Carrying value	Holding percentage (%)	Fair value	The highest holding in the period: Shares/ Units (thousands)	Holding percentage (%)	Note
	Hitron Technologies Inc.	-	Financial assets at fair value through profit or loss-current	543	10,426	-	10,426	543	-	
	RichWare Technology Corp.	-	〃	110	5,115	-	5,115	110	-	
	Wistron NeWeb Corp.	-	〃	100	7,990	-	7,990	100	-	
	Total				69,176					
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%	-	-	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.
Note 2: The transaction had been eliminated in the consolidated financial statements.

COMPAL ELECTRONICS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(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		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
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)	-	-
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)	-	328,275 (RMB$ 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)

COMPAL ELECTRONICS, INC. AND SUBSIDIARIES

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 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
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)
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 YieldPlus 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

COMPAL ELECTRONICS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(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)

			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	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 %	(Note 2)
	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 %	〃
	Just and its subsidiaries	〃	Purchase	132,833	-	〃	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	-	〃

(Continued)

COMPAL ELECTRONICS, INC. AND SUBSIDIARIES

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
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) %	(Note 2)
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 %	〃
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	393,948	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 %	(Note 2)
	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 %	(Notes 1 and 2)
〃	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) %	〃
Arcadyan Germany	Arcadyan	The Company's subsidiaries	Purchase	2,457,020	100.0 %	Net 120 days from delivery	-	-	(805,017)	(100.0) %	(Note 2)
Arcadyan USA	Arcadyan	The Company's subsidiaries	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) %	(Notes 1 and 2)

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

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COMPAL ELECTRONICS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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)	

Note 2: The transactions had been eliminated in the consolidated financial statements.

(Continued)

COMPAL ELECTRONICS, INC. AND SUBSIDIARIES

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 Amount	Overdue Action taken	Amounts received in subsequent period	Allowance for bad debts	Note
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 THAC.

(Continued)

COMPAL ELECTRONICS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

(x) Business relationships and significant intercompany transactions:

(In Thousands of New Taiwan Dollars)

No. (Note 1)	Company name	Counter party	Relationship (Note 2)	Intercompany transactions			
				Accounts name	Amount	Terms	Percentage of the consolidated net revenue or total assets
0	The Company	Bizcom	1	Sales Revenue	121,850	There is no significant difference of price to non-related parties. The credit period is net 45~180 days.	-
				Accounts Receivable	99,370	〃	-
0	The Company	CEP	1	Product warranty service expenses	230,911	There is no significant difference of price to non-related parties. The credit period is net 120 days.	-
0	The Company	Auscom	1	Technical service expense	154,412	The price is based on the operating cost of Auscom. The credit period is net 120 days.	-
				Accrued expenses payable	167,329	〃	-
0	The Company	CBN	1	Sales Revenue	2,138,005	There is no significant difference of price to non-related parties. The credit period is net 90 days.	0.2%
				Accounts Receivable	739,065	〃	0.2%
0	The Company	UCGI	1	Sales Revenue	238,388	There is no significant difference of price to non-related parties. The credit period is net 120 days.	-
				Accounts Receivable	89,586	〃	-
1	CIH and its subsidiaries	The Company	2	Sales Revenue	113,457,780	There is no significant difference of price to non-related parties. The credit period is net 120 days, and will be adjusted if necessary.	11.7%
				Accounts Receivable	49,114,165	〃	12.3%
1	CIH and its subsidiaries	Just and its subsidiaries	3	Sales Revenue	387,992	There is no significant difference of price to non-related parties. The credit period is net 60 days from delivery, and will be adjusted if necessary.	-
				Accounts Receivable	308,041	〃	0.1%

COMPAL ELECTRONICS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

No. (Note 1)	Company name	Counter party	Relationship (Note 2)	Intercompany transactions			
				Accounts name	Amount	Terms	Percentage of the consolidated net revenue or total assets
1	CIH and its subsidiaries	Forever	3	Sales Revenue	29,538,636	The price is based on the operating cost. The credit period is net 60 days from delivery, and will be adjusted if necessary.	3.1%
				Accounts Receivable	8,931,246	〃	2.2%
2	Just and its subsidiaries	Webtek	3	Sales Revenue	68,265,549	The price is based on the operating cost. The credit period is net 60 days from delivery, and will be adjusted if necessary.	7.1%
				Accounts Receivable	20,177,943	〃	5.0%
2	Just and its subsidiaries	Forever	3	Sales Revenue	30,470,633	There is no significant difference of price to non-related parties. The credit period is net 60 days from delivery, and will be adjusted if necessary.	3.1%
				Accounts Receivable	6,472,633	〃	1.6%
2	Just and its subsidiaries	The Company	2	Sales Revenue	132,833	There is no significant difference of price to non-related parties. The credit period is net 120 days, and will be adjusted if necessary.	-
				Accounts Receivable	504,568	〃	0.1%
3	BCI and its subsidiaries	The Company	2	Sales Revenue	783,081	There is no significant difference of price to non-related parties. The credit period is net 120 day, and will be adjusted if necessary.	0.1%
				Accounts Receivable	758,108	〃	0.2%
3	BCI and its subsidiaries	CIH and its subsidiaries	3	Sales Revenue	30,045,061	There is no significant difference of price to non-related parties. The credit period is net 120 days, and will be adjusted if necessary.	3.1%
				Accounts Receivable	9,852,148	〃	2.5%
3	BCI and its subsidiaries	CEB	3	Sales Revenue	1,892,352	There is no significant difference of price to non-related parties. The credit period is net 120 days.	0.2%
				Accounts Receivable	562,737	〃	0.1%

(Continued)

COMPAL ELECTRONICS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

No. (Note 1)	Company name	Counter party	Relationship (Note 2)	Intercompany transactions			
				Accounts name	Amount	Terms	Percentage of the consolidated net revenue or total assets
4	Webtek	The Company	2	Sales Revenue	108,584,993	The price is based on the operating cost. The credit period is net 60 days from delivery, and will be adjusted if necessary.	11.2%
				Accounts Receivable	7,073,274	〃	1.8%
5	Forever	The Company	2	Sales Revenue	66,812,621	The price is based on the operating cost. The credit period is net 60 days from delivery, and will be adjusted if necessary.	6.9%
				Accounts Receivable	20,843,862	〃	5.2%
6	Etrade and its subsidiaries	Webtek	3	Sales Revenue	40,334,951	The price is based on the operating cost. The credit period is net 60 days from delivery, and will be adjusted if necessary.	4.2%
				Accounts Receivable	4,489,304	〃	1.1%
7	Arcadyan	Arcadyan Germany	3	Sales Revenue	2,457,020	There is no significant difference of price to non-related parties. The credit period is net 120 days from delivery.	0.3%
				Accounts Receivable	805,017	〃	0.2%
7	Arcadyan	TTI	3	Other Receivable	172,161	The price is based on the operating cost. The credit period is net 90 days from the end of month of delivery.	-
7	Arcadyan	Arcadyan USA	3	Sales Revenue	496,199	There is no significant difference of price to non-related parties. The credit period is net 60 days from the end of the month of delivery.	0.1%
				Accounts Receivable	104,031	〃	-
7	Arcadyan	Arcadyan AU	3	Sales Revenue	1,329,743	There is no significant difference of price to non-related parties. The credit period is net 45 days from delivery.	0.1%
				Accounts Receivable	727,600	〃	0.2%
8	CNC	Arcadyan	3	Processing Revenue	11,249,751	The price is based on the operating cost. The credit period is net 45 days from the end of the month of delivery and depended on funding demand.	1.2%
				Accounts Receivable	3,404,030	〃	0.9%

(Continued)

COMPAL ELECTRONICS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

No. (Note 1)	Company name	Counter party	Relationship (Note 2)	Intercompany transactions: Accounts name	Amount	Terms	Percentage of the consolidated net revenue or total assets
8	CNC	THAC	3	Processing Revenue	164,591	The price is based on the operating cost. The credit period is net 90 days from the end of the month of delivery.	-
				Accounts Receivable	64,808	〃	-
9	TTI	THAC	3	Other Receivable	207,119	There is no significant difference of price between non-related parties. The credit period is net 90 days from delivery and depended on funding demand.	0.1%
10	THAC	TTI	3	Processing Revenue	383,948	The price is based on the operating cost. The credit period is net 60 days from invoice date.	-
				Accounts Receivable	351,268	〃	0.1%
11	CBN	Speedlink	3	Other Receivable	242,069	The credit period is net 60 days from the end of the month.	0.1%
12	CBN	CBNB	3	Sales Revenue	3,274	There is no significant difference of price to non-related parties. The credit period is net 60 days from the end of the month, and will be adjusted if necessary.	-

Note 1: The numbers filled in as follows:
1.0 represents the Company.
2. Subsidiaries are sorted in a numerical order starting from 1.

Note 2: Transactions labeled as follows:
1. represents transactions between the parent company and its subsidiaries.
2. represents transactions between the subsidiaries and the parent company.
3. represents transactions between subsidiaries.

(b) Information on investees:

The following is the information on investees for the year 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: December 31, 2018	Original Investment Amount: December 31, 2017	Ending Balance: Shares (thousands)	Ending Balance: Percentage of Ownership	Ending Balance: Carrying Value	The highest holdings in the period: Shares/ Units (thousands)	The highest holdings in the period: Holding percentage (%)	Net income (losses) of investee	Share of profits/losses of investee	Note
The Company	Bizcom	Milpitas, USA	Warranty services and marketing of LCD TV s and notebook PCs	36,369	36,369	100	100%	440,755	100	100%	8,082	8,082	(Note 2)
	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	48,010	100%	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	53,001	100%	1,081,596	1,081,596	〃
	Panpal	Taipei City	Investment	5,171,837	5,171,837	500,000	100%	4,890,099 (Note 1)	500,000	100%	135,442	97,464	〃
	Gempal	Taipei City	Investment	900,036	900,036	90,000	100%	1,580,854 (Note 1)	90,000	100%	88,488	66,445	〃

COMPAL ELECTRONICS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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	The highest holdings in the period Shares/ Units (thousands)	The highest holdings in the period Holding percentage (%)	Net income (losses) of investee	Share of profits/losses of investee	Note
	Kinpo Group management consultant company (“Kinpo Group management”)	Taipei City	Consultation, training services, etc.	3,000	3,000	300	38%	4,538	300	38%	371	139	
	Ripal	Tainan City	Manufacturing of electric appliance and audiovisual electric products	60,000	60,000	6,000	100%	51,798	6,000	100%	20,946	20,942	(Note 2)
	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	15,240	22%	244,100	53,166	
	Unicore	Taipei City	Animal medication retail and wholesale	200,000	200,000	20,000	100%	164,648	20,000	100%	(21,756)	(20,162)	(Note 2)
	CEH	British Virgin Islands	Investment	34	34	1	100%	3,619,817	1	100%	-	-	〃
	Allied Circuit	Taoyuan City	Production and sales of PCB boards	395,388	395,388	10,158	20%	331,092	10,158	20%	366,180	74,756	
	Maxima Ventures I, Inc. (“Maxima”)	Taipei City	Investment	1,260	1,260	126	23%	3,174	126	23%	(203)	(9,552)	
	Lipo Holding Co., Ltd. (“Lipo”)	Cayman Islands	Investment	489,450	489,450	98	49%	652,532	98	49%	617,951	302,796	
	CPE	Netherlands	Investment	197,463	197,463	6,427	100%	827,329	6,427	100%	284,489	130,819	(Note 2)
	ATK	Hsinchu City	Design, research & development, and selling of DVD, Combo, CD-RW Drives	202,908	202,908	899	28%	10,371	899	28%	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	3,739	33%	71,765	23,849	
	Hong Ji	Taipei City	Investment	1,000,000	1,000,000	100,000	100%	1,067,825	100,000	100%	46,621	45,946	(Note 2)
	Hong Jin	Taipei City	Investment	295,000	295,000	29,500	100%	328,852	29,500	100%	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	3,000	100%	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	41,305	21%	871,519	189,715	〃
	FGH	British Virgin Islands	Investment	2,754,741	2,754,741	89,755	100%	4,545,364	89,755	100%	275,557	275,557	〃
	HSI	British Virgin Islands	Investment	1,346,814	1,346,814	42,700	100%	734,227	42,700	100%	(35,898)	(35,898)	〃
	CEP	Poland	Maintenance and warranty services of notebook PCs	90,156	90,156	136	100%	15,589	136	100%	(16,749)	(21,694)	〃
	Zhaopal	Taipei City	Investment	1,358,000	1,358,000	135,800	100%	6,190	135,800	100%	(183)	(183)	〃
	Yongpal	Taipei City	Investment	1,188,500	1,188,500	118,850	100%	5,509	118,850	100%	(184)	(184)	〃
	Kaipal	Taipei City	Investment	510,500	510,500	51,050	100%	3,110	51,050	100%	(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%	-	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	42	27%	12	3	
	HengHao	Taipei City	Manufacturing of PCs, computer periphery devices, and electronic components	5,329,757	5,329,757	63,815	100%	(118,482)	131,498	100%	(737,747)	(736,708)	(Note 2)
	Mactech	Taichung City	Manufacturing of equipment and lighting, retailing of equipment and international trading	219,601	219,601	21,756	53%	246,787	21,756	53%	76,500	39,053	〃
	BCI	British Virgin Islands	Investment	2,636,051	2,636,051	90,820	100%	6,037,985	90,820	100%	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	29,060	43%	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	29,500	100%	(51,684)	(48,528)	〃
	CRH	British Virgin Islands	Investment	377,328	377,328	12,500	100%	107,301	12,500	100%	(72,347)	(72,347)	〃

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COMPAL ELECTRONICS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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	The highest holdings in the period Shares/ Units (thousands)	The highest holdings in the period Holding percentage (%)	Net income (losses) of investee	Share of profits/losses of investee	Note
	Ascendant Private Equity Investment Ltd. ("APE")	British Virgin Islands	Investment	943,922	943,922	31,253	35%	935,555	31,253	35%	111,326	38,655	
	CORE	British Virgin Islands	Investment	4,318,860	4,318,860	147,000	100%	7,625,407	147,000	100%	2,604,284	2,604,284	(Note 2)
	Etrade	British Virgin Islands	Investment	1,532,029	1,532,029	46,900	65%	(298,023)	46,900	65%	(225,609)	(124,210)	〃
	Webtek	British Virgin Islands	Selling of mobile phones	3,340	3,340	100	100%	583,463	100	100%	(101,398)	(101,398)	〃
	Forever	British Virgin Islands	Selling of mobile phones	1,575	1,575	50	100%	1,488,011	50	100%	33	33	〃
	UCGI	Taipei City	Manufacturing and retail sale of computers and electronic components	100,000	100,000	10,000	100%	(376,263)	10,000	100%	(139,243)	(144,069)	〃
	Palcom	Taipei City	Selling of mobile phones	100,000	100,000	10,000	100%	109,663	10,000	100%	1,465	1,465	〃
	GLB	New Taipei City	Manufacturing and wholesale of medical equipment	246,860	246,860	15,000	50%	260,934	15,000	50%	46,429	23,218	〃
	Shennona	Delaware. USA	Medical care IOT business	14,598	-	2,500	100%	5,438	2,500	100%	(24,820)	(24,820)	〃
								82,070,125				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))	25,000	35%	(225,609) (US$(7,482))	Investment gain(losses) recognized by Webtek	(Note 2)
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	6,827	4%	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	2,927	6%	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	7,846	4%	871,519	Investment gain(losses) recognized by Gempal	(Note 2)
	Allied Circuit	Taoyuan City	Production and selling of PCB boards	53,645	53,645	3,220	6%	104,948	3,220	6%	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)	62,298	100%	75,505 (US$2,504)	Investment gain(losses) recognized by Just	(Note 2)
	CII	British Virgin Islands	Investment	283,960 (US$9,245)	283,960 (US$9,245)	9,245	100%	220,282 (US$7,172)	9,245	100%	(22,263) (US$(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$29,212)	500	100%	- (US$-)	〃	〃
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$1,610)	1,000	100%	(577) (US$(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$8,427)	-	100%	(16,489) (US$(547))	〃	〃
	MTL	U.S.A	Investment	31 (US$1)	31 (US$1)	-	100%	31 (US$1)	-	100%	- (US$-)	〃	〃
	Smart	British Virgin Islands	Sales of electronic products and related components	31 (US$1)	31 (US$1)	1	100%	400 (US$13)	1	100%	(11) (US$-)	〃	〃
MEL and 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$8,427)	32,903	100%	(16,489) (US$(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)	74,803	100%	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)	7,350	100%	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$1,849)	5,100	51%	(2,521) (US$(84))	〃	
	PFG	British Virgin Islands	Sales of notebook PCs and related components	31 (US$1)	31 (US$1)	1	100%	421,800 (US$13,733)	1	100%	- (US$-)	〃	(Note 2)
	FWT	British Virgin Islands	Investment	457,654 (US$14,900)	457,654 (US$14,900)	14,900	100%	457,964 (US$14,910)	14,900	100%	79 (US$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	The highest holdings in the period Shares/ Units (thousands)	The highest holdings in the period Holding percentage (%)	Net income (losses) of investee	Share of profits/losses of investee	Note
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	7,846	4%	871,519	Investment gain(losses) recognized by Hong Ji	(Note 2)
	Allied Circuit	Taoyuan City	Production and selling of PCB boards	12,274	12,274	1,041	2%	27,977	1,041	2%	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	4,340	2%	871,519	Investment gain(losses) recognized by Hong Jin	(Note 2)
Arcadyan	Arcadyan Holding	British Virgin Islands	Investment	1,240,526	962,291	32,780	100%	1,221,252	32,780	100%	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	1	100%	4,547	〃	〃
	Arcadyan Germany	Germany	Technology support and sales of wireless network products	1,125	1,125	0.5	100%	64,388	0.5	100%	11,439	〃	〃
	Arcadyan Korea	Korea	Sales of wireless network products	2,879	2,879	20	100%	7,789	20	100%	3,116	〃	〃
	Zhi-Pal	Taipei City	Investment	48,000	48,000	34,980	100%	450,366	34,980	100%	40,042	〃	〃
	TTI	Taipei City	R&D and sales of household digital products	308,726	306,925	25,028	61%	583,890	25,028	61%	45,883	〃	〃
	AcBel Telecom	Taipei City	Investment	23,000	23,000	4,494	51%	33,952	4,494	51%	(18,989)	〃	〃
	Arcadyan UK	UK	Technical support of wireless network products	1,988	1,988	50	100%	2,683	50	100%	317	〃	(Note 2)
	Arcadyan AU	Australia	Sales of wireless network products	1,161	1,161	50	100%	6,200	50	100%	5,296	〃	〃
	CBN	Hsinchu County	Sales of communication and electronic components	11,925	11,925	533	1%	14,460	533	1%	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%	-	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	968	100%	(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)	9,050	100%	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)	35	100%	52,580 (US$1,744)	〃	〃
TTI	Quest	Samoa	Investment	36,858 (US$1,200)	36,858 (US$1,200)	1,200	100%	65,774	1,200	100%	25,977	Investment gain(losses) recognized by TTI	(Note 2)
	TTJC	Japan	Sales of household digital electronic products	1,341	1,341	-	100%	765	-	100%	(610)	〃	〃
Quest	Exquisite	Samoa	Investment	35,937 (US$1,170)	35,937 (US$1,170)	1,170	100%	72,272 (US$2,353)	1,170	100%	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$50)	50	100%	9,931	50	100%	(18,420)	Investment gain(losses) recognized by AcBel Telecom	〃
	Great Arch	British Virgin Islands	Sales of wireless network products	- (US$-)	1,536 (US$50)	-	-	-	50	100%	(6)	〃	Note 2
Leading Images	Astoria GmbH	Germany	Sales of wireless network products	880 (EUR25)	880 (EUR25)	25	100%	9,522 (US$310)	25	100%	(60) (US$(2))	Investment gain(losses) recognized by Leading Images	(Note 2)
Zhi-pal	CBN	Hsinchu county	Produces and sales of communication and electronic components	36,272	38,032	13,140	20%	356,317	13,640	23%	184,370	Investment gain(losses) recognized by Zhi-pal	〃

(Continued)

COMPAL ELECTRONICS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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	The highest holdings in the period: Shares/ Units (thousands)	The highest holdings in the period: Holding percentage (%)	Net income (losses) of investee	Share of profits/losses of investee	Note
HSI	IUE	British Virgin Islands	Investment	921,450 (US$30,000)	921,450 (US$30,000)	30,000	100%	455,400 (US$14,827)	30,000	100%	(38,498) (US$(1,277))	Investment gain(losses) recognized by H SI	(Note 2)
	Goal	British Virgin Islands	Investment	390,081 (US$12,700)	390,081 (US$12,700)	12,700	100%	306,789 (US$9,988)	12,700	100%	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$15,630)	30,000	100%	(38,498) (US$(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)	12,700	100%	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	8,651	41%	(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%	-	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$3,493)	12,500	59%	(132,974) (US$(4,410))	Investment gain(losses) recognized by CRH	(Note 2)
HHT	HHA	British Virgin Islands	Investment	1,429,235	1,429,235	46,882	100%	251,850	46,882	100%	(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$8,772)	46,882	100%	(229,820) (US$(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)	10	100%	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	50	100%	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	20	100%	(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)	95,862	37%	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)	147,000	100%	2,604,284 (US$86,372)	Investment gain(losses) recognized by CORE	(Note 2)
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$1,745)	3,151	100%	(11,161) (US$(370))	Investment gain(losses) recognized by APH	(Note 2)
	Rayonnant (HK)	Hong Kong	Investment	552,870 (US$18,000)	552,870 (US$18,000)	18,000	100%	113,797 (US$3,705)	18,000	100%	(121,813) (US$(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)	80,820	100%	112,153 (US$3,720)	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)	10,000	100%	149,653 (US$4,963)	〃	〃
GLB	Rapha	New Taipei City	Detectors and test strip	6,500	6,500	1,275	100%	460	1,275	100%	(98)	Investment gain(losses) recognized by GLB	〃
Unicore	Raycore	Taipei	Animal medication retail and wholesale	25,500	25,500	1,275	51%	22,307	1,275	51%	(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: The transactions had been eliminated in the consolidated financial statements.
Note 3: It was liquidated in April 2018.

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COMPAL ELECTRONICS, INC. AND SUBSIDIARIES

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:

(Unit: Thousands of CNY/thousands of US Dollars)

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, 2018	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2018	Net income (losses) of the investee	Percentage of ownership	The highest holding in the period		Investment income (losses)	Book value	Accumu-lated remittance of earnings in current period
					Outflow	Inflow				Shares/ Units (thousands)	Holding percentage (%)			
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 %	-	100 %	(272,595) (US$(9,041))	2,048,874 (US$66,706)	-
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 %	-	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 %	-	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 %	-	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 %	-	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 %	-	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 %	-	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 %	-	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 %	-	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 %	-	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 %	-	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 %	-	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)	-	-	49 %	-	-	-

(Continued)

COMPAL ELECTRONICS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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, 2018	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	The highest holding in the period: Shares/ Units (thousands)	The highest holding in the period: Holding percentage (%)	Investment income (losses)	Book value	Accumu-lated remittance of earnings in current period
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 %	-	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)	61,430 (US$2,000)	-	-	61,430 (US$2,000)	(29) (US$(1))	100 %	-	100 %	(29) (US$(1))	755 (US$25)	-
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 %	-	51 %	734 (US$24)	59,231 (US$1,928)	-
CIJ	Investment and consulting services	479,154 (US$15,600)	(Note 2)	479,154 (US$15,600)	-	-	479,154 (US$15,600)	339,351 (US$11,255)	100 %	-	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 %	-	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)	2,482,386 (US$80,820)	-	-	2,482,386 (US$80,820)	112,153 (US$3,720)	100 %	-	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 %	-	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 %	-	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 %	-	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 %	-	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)	351,871 (US$11,456)	-	-	351,871 (US$11,456)	110,851 (US$3,676)	37 %	-	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)	383,938 (US$12,500)	-	-	383,938 (US$12,500)	(121,811) (US$(4,040))	100 %	-	100 %	(121,811) (US$(4,040))	114,396 (US$3,724)	-
CCI Nanjing	Manufacturing and processing of mobile phones and tablet PCs	675,730 (US$22,000)	(Note 1)	675,730 (US$22,000)	-	-	675,730 (US$22,000)	(102,215) (US$(3,390))	100 %	-	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)	178,147 (US$5,800)	-	-	178,147 (US$5,800)	754 (US$25)	100 %	-	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)	583,585 (US$19,000)	-	-	583,585 (US$19,000)	(210,490) (US$(6,981))	100 %	-	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)	61,430 (US$2,000)	-	-	61,430 (US$2,000)	30 (US$1)	100 %	-	100 %	30 (US$1)	3,133 (US$102)	-

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COMPAL ELECTRONICS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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, 2018	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2018	Net income (losses) of the investee	Percentage of ownership	The highest holding in the period		Investment income (losses)	Book value	Accumu-lated remittance of earnings in current period
					Outflow	Inflow				Shares/ Units (thousands)	Holding percentage (%)			
Arcadyan														
SVA Arcadyan	R&D and sales of wireless network products	402,367 (US$13,100)	(Note 1)	565,770 (US$18,420) (Note 7)	-	-	565,770 (US$18,420)	7,175 (US$238)	100 %	-	100 %	7,175 (US$238)	126,607 (US$4,122)	-
CNC	Manufacturing and wireless network products	382,402 (US$12,450)	(Note 1)	338,203 (US$11,011) (Note 8)	-	-	338,203 (US$11,011)	52,580 (US$1,744)	100 %	-	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)	35,322 (US$1,150)	-	-	35,322 (US$1,150)	25,958 (US$861)	100 %	-	100 %	23,958 (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)	1,222,549 (US$39,803)	-	-	1,222,549 (US$39,803)	(230,717) (US$(7,652))	100 %	-	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 %	-	100 %	849 (US$28)	134,882 (US$4,391)	-

(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 (USD544,537) (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 years 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:

(a) General information

The Group's information technology product segment is primarily engaged in the development, manufacture and sale of information technology products and mobile communication products. The strategy integrate product segment is primarily engaged in the research, development, manufacture and sale of networking products.

(b) Reportable segments and operating segment information

Accounting policies for the operating segments correspond to those stated in note 4. The profit and loss of the operating segment of the Group is measured by earnings before taxes and as the basis for performance measurement. The amount of the Group's reportable segments is consistent with the report that the operating decision maker would use, and the Group does not allocate assets and liabilities to the reportable segments for the purpose of operating decisions to measure assets and liabilities of segments.

The operating segment information was as follows:

	For the year ended December 31, 2018			
	Information technology product segment	**Strategy integrated product segment**	**Adjustment and elimination**	**Total**
Revenue				
Revenue from external customers	$ 941,106,606	26,599,805	-	967,706,411
Interest revenue	1,420,529	43,129	-	1,463,658
Total revenue	**$ 942,527,135**	**26,642,934**	**-**	**969,170,069**
Interest expense	$ 2,599,996	36,447	-	2,636,443
Depreciation and amortization	4,692,636	248,036	-	4,940,672
Investment gain (loss)	797,368	-	-	797,368
Other significant non-cash items:				
Impairment of assets	-	-	-	-
Reportable segment profit	**$ 10,714,350**	**1,075,235**	**-**	**11,789,585**
Reportable segment assets				$ 399,794,823
Reportable segment liabilities				$ 286,632,975

(Continued)

COMPAL ELECTRONICS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

	For the year ended December 31, 2017			
	Information technology product segment	**Strategy integrated product segment**	**Adjustment and elimination**	**Total**
Revenue				
Revenue from external customers	$ 867,546,750	20,110,209	-	887,656,959
Interest revenue	857,450	19,920	-	877,370
Total revenue	$ 868,404,200	20,130,129	-	888,534,329
Interest expense	$ 1,284,833	13,132	-	1,297,965
Depreciation and amortization	4,932,969	251,703	-	5,184,672
Investment gain (loss)	610,738	(4,171)	-	606,567
Other significant non-cash items:				
Impairment of assets	-	(19,405)	-	(19,405)
Reportable segment profit	$ 7,496,635	617,642	-	8,114,277
Reportable segment assets				$ 363,356,421
Reportable segment liabilities				$ 254,708,449

(c) Products information

The information of revenue from external customers:

Products and services	**2018**	**2017**
5C related electronic products	$ 965,217,737	885,276,070
Others	2,488,674	2,380,889
	$ 967,706,411	887,656,959

(Continued)

(d) Geographic information

Stated below are the geographic information on the Group's sales presented by destination of sales and non-current assets presented by location.

(i) Revenue from external customers:

Country	2018	2017
United States	$ 363,952,505	334,716,487
China	121,029,441	112,830,897
Netherlands	110,870,861	100,397,742
United Kingdom	45,776,419	39,644,227
Germany	38,269,433	37,059,476
Japan	31,508,907	30,217,778
Others	256,298,845	263,008,130
	$ 967,706,411	**887,656,959**

(ii) Non-current assets:

Country	2018	2017
China	$ 15,023,523	11,621,004
Taiwan	7,345,390	7,603,298
Others	1,050,542	1,139,823
	$ 23,419,455	**20,364,125**

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

(e) The details of sales revenue from external customers more than 10% of the amount in the consolidated statements of comprehensive income are as follows:

	2018	2017
D Company	$ 414,474,616	353,750,583
F Company	187,925,666	154,122,521
A Company	128,790,649	126,400,242
E Company	66,783,151	97,284,723
	$ 797,974,082	**731,558,069**

Attachment II

Stock Code:2324

COMPAL ELECTRONICS, INC.

Parent Company Only Financial Statements

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

Address: No.581 & 581-1, Ruiguang Rd., Neihu District, Taipei, Taiwan
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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)

	Assets	December 31, 2018 Amount	%	December 31, 2017 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.

	Liabilities and Equity	December 31, 2018 Amount	%	December 31, 2017 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)

	Ordinary shares	Capital surplus	Retainedearnings: Legal reserve	Retainedearnings: Special reserve	Retainedearnings: Unappropriated retained earnings	Retainedearnings: Total retained earnings	Total other equity interest: Exchange differences on translation of foreign financial statements	Total other equity interest: Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Total other equity interest: Unrealized gains (losses) on available-for-sale financial assets	Total other equity interest: Unearned employee benefit and others	Total other equity interest: 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)

COMPAL ELECTRONICS, INC.

Notes to Parent-Company-Only Financial Statements

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:

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.

COMPAL ELECTRONICS, INC.

Notes to Parent-Company-Only Financial Statements

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.

・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

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 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.

(Continued)

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.

(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.

(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.

(Continued)

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.

(Continued)

(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.

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)

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(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.

(Continued)

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.

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.

(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

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

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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.

(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

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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.

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(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

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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).

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(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.

(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

(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.

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**

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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

(Continued)

		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.

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(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.

(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.

(Continued)

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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(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.

(Continued)

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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(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

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)

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Notes to Parent-Company-Only Financial Statements

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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Notes to Parent-Company-Only Financial Statements

	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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Notes to Parent-Company-Only Financial Statements

	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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Notes to Parent-Company-Only Financial Statements

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	Other comprehensive income 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.

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.

(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	70 %	69 %

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

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COMPAL ELECTRONICS, INC.

Notes to Parent-Company-Only Financial Statements

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

(Continued)

COMPAL ELECTRONICS, INC.

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.

(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.

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Notes to Consolidated Financial Statements

(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 Item	Collateral Value	Individual funding loan limits	Maximum limit of fund financing
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	900,177 (Note 3)
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%~2.76%	〃	-	〃	-	-	-	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	-	Operating 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.

COMPAL ELECTRONICS, INC.

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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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Name of holder	Category and name of security	Relationship with security issuer	Account name	Ending balance Shares/Units (thousands)	Carrying value	Holding percentage (%)	Fair value	Note
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			

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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)	-	328,275 (RMB$ 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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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 %	

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Notes to Consolidated Financial Statements

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	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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Notes to Consolidated Financial Statements

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)	
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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(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 Amount	Overdue Action taken	Amounts received in subsequent period	Allowance for bad debts	Note
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 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
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	

(Continued)

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			
	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 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
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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COMPAL ELECTRONICS, INC.

Notes to Consolidated Financial Statements

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		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
					Outflow	Inflow						
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))	2,048,874 (US$66,706)	-
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)	61,430 (US$2,000)	-	-	61,430 (US$2,000)	(29) (US$(1))	100 %	(29) (US$(1))	755 (US$25)	-

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COMPAL ELECTRONICS, INC.

Notes to Consolidated Financial Statements

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	 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)	479,154 (US$15,600)	-	-	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)	2,482,386 (US$80,820)	-	-	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)	351,871 (US$11,456)	-	-	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)	383,938 (US$12,500)	-	-	383,938 (US$12,500)	(121,811) (US$(4,040))	100 %	(121,811) (US$(4,040))	114,396 (US$3,724)	-
CCI Nanjing	Manufacturing and processing of mobile phones and tablet PCs	675,730 (US$22,000)	(Note 1)	675,730 (US$22,000)	-	-	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)	178,147 (US$5,800)	-	-	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)	583,585 (US$19,000)	-	-	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)	61,430 (US$2,000)	-	-	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)	565,770 (US$18,420) (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)	338,203 (US$11,011) (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)	35,322 (US$1,150)	-	-	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)	1,222,549 (US$39,803)	-	-	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 FA

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 ACCOUNTS 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.