Stock Code:2324

COMPAL ELECTRONICS, INC.
AND SUBSIDIARIES

Consolidated Financial Statements

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

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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

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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

	December 31, 2018			January 1, 2018		
Impacted line items on the consolidated balance sheets	**Carrying amount under IAS 18 and related standards and interpretations**	**Adjustments from changes in accounting policies**	**Carrying amount under IFRS 15**	**Carrying amount under IAS 18 and related standards and interpretations**	**Adjustments from changes in accounting policies**	**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	

	For the year ended December 31, 2018		
Impacted line items on the consolidated statement of cash flows	**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.

(Continued)

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.

－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)

COMPAL ELECTRONICS, INC. AND SUBSIDIARIES

Notes to Consolidated 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 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)

COMPAL ELECTRONICS, INC. AND SUBSIDIARIES

Notes to Consolidated 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 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.

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.

(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).

(Continued)

(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.

(Continued)

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.

(Continued)

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
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)

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
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)

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
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)

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
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%	

(Continued)

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.

(Continued)

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 distribution.

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.

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.

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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.

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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.

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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.

(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.

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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.

(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 benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

(Continued)

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.

(Continued)

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.

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.

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(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.

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:

(Continued)

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	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

(Continued)

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:

(Continued)

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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)**

(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**

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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).

(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**

(Continued)

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(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**

(Continued)

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.

(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

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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)

(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

(Continued)

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.

(Continued)

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.

(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)

(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.

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.

(Continued)

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.

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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	-	-

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.

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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

(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.

(Continued)

(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

(Continued)

(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

(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.

(Continued)

(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

(Continued)

	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

(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				

(Continued)

	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.

(Continued)

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

(Continued)

	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.

(Continued)

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:

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	Input	Move up or down	Other comprehensive income: Favorable change	Unfavorable change
December 31, 2018				
Financial assets at fair value through other comprehensive income	Price-Book ratio multiples	5%	$ 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 sheet (b)	Net amount of financial assets presented in the balance sheet (c)=(a)-(b)	Amounts not offset in the balance sheet (d): Financial instruments	Cash collateral received	Net amount (e)=(c)-(d)
Other current assets	$ 306,259	306,259	-	-	-	-
	(USD 9,971)	(USD 9,971)				

(Continued)

	December 31, 2018					
	Financial liabilities that are offset which have an exercisable master netting arrangement or similar agreement					
	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)	Amounts not offset in the balance sheet (d)		Net amount (e)=(c)-(d)
				Financial instruments	Cash collateral received	
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.

(Continued)

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		

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

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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.

(Continued)

(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)

COMPAL ELECTRONICS, INC. AND SUBSIDIARIES

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 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	-	Operat financing	-	-	-	970,670	970,670 (Note 9)

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

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

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

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

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

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%	

(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				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				The highest holding in the period		Note
				Shares/Units (thousands)	Carrying value	Holding percentage (%)	Fair value	Shares/ Units (thousands)	Holding percentage (%)	
	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		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
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.
Note 2: The transactions had been eliminated in the consolidated financial statements.

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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		Amounts received in subsequent period	Allowance for bad debts	Note
					Amount	Action taken			
The Company	CBN	The Company's subsidiary	739,065	1.98	-	-	434,844 (Note 1)	-	
Just and its subsidiaries	Forever	With the same ultimate parent company	6,472,633	6.32	-	-	6,277,163 (Note 1)	-	
〃	Webtek	With the same ultimate parent company	20,177,943	6.18	-	-	20,177,943 (Note 1)	-	
	Compal Electronic, Inc.	Parent company	504,568	0.27	-	-	- (Note 1)	-	
CIH and its subsidiaries	Compal Electronic, Inc.	Parent company	49,111,165	2.25	-	-	30,770, (Note 1)	-	
〃	Forever	With the same ultimate parent	8,931,246	4.05	-	-	8,05 (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, (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.

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(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%

(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
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)

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	〃

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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
	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)	〃

(Continued)

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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
	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	〃

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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
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 HSI	(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	Accumulated 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))	2,04 (US$66,7	-
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 %	-	-	-

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	Accumulated remittance of earnings in current period
					Outflow	Inflow				Shares/ Units (thousands)	Holding percentage (%)			
CST	International trade and distribution of computers and electronic components	43,001 (US$1,40	(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$2,00	(Note 2)	(US$2,(	-	-	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$10,00	(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$15,60	(Note 2)	(US$15,6	-	-	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$15,00	(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$80,82	(Note 1)	2,48 (US$80,8	-	-	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$80,00	(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$10,00	(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$60,00	(Note 2)	(US$11,4	-	-	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$18,00	(Note 2)	(US$12,5	-	-	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$22,00	(Note 1)	(US$22,0	-	-	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$5,80	(Note 1)	(US$5,	-	-	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)	(US$19,0	-	-	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)	(US$2,(	-	-	61,430 (US$2,000)	30 (US$1)	100 %	-	100 %	30 (US$1)	3,133 (US$102)	-

(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		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	Accumulated 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)

	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

(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