Stock Code:2324

COMPAL ELECTRONICS, INC.
AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2017 and 2016
(With Independent Auditor’s Report Thereon)

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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, 2017 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 endorsed by the Financial Supervisory Commission, "Consolidated and Separate Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, COMPAL ELECTRONICS, INC. and its subsidiaries do not prepare a separate set of combined financial statements.

Company name: COMPAL ELECTRONICS, INC.
Chairman: Sheng-Hisun Hsu (Rock Hsu)
Date: March 19, 2018

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Independent Auditor's 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 statements of financial position as of December 31, 2017 and 2016, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended December 31, 2017 and 2016, 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, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), interpretation as well as related guidance endorsed 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 other ethical responsibilities in accordance with the Code have been fulfilled. 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 accounts receivable valuation are shown in Note (6)(g) 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 analyzing the aging of accounts receivable, examining the historical recovery records, 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)(h) 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 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 the annual parent company only financial statements as of and for the years ended December 31, 2017 and 2016, 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 IFRSs, IASs, interpretation as well as the related guidance endorsed 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 members of the Audit committee) are responsible for overseeing the Group's financial reporting process.

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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 auditor's report are Kuan Ying Kuo and Yiu Kwan Au.

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Taipei, Taiwan (Republic of China)
March 19, 2018

Notes to Readers

The accompanying consolidated financial statements are intended only to present the consolidated statement 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 ITS SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

	Assets	December 31, 2017 Amount	%	December 31, 2016 Amount	%
	Current assets:				
1100	Cash and cash equivalents (note (6)(a))	$ 70,062,713	19.3	72,950,596	21.0
1110	Current financial assets at fair value through profit or loss (note (6)(b))	40,706	-	86,440	-
1125	Current available-for-sale financial assets (note (6)(d))	46,479	-	48,631	-
1147	Current bond investments without active market (note (6)(f))	350,000	0.1	350,000	0.1
1170	Notes and accounts receivable, net (note (6)(g))	177,272,731	48.8	175,318,313	50.5
1180	Notes and accounts receivable due from related parties, net (notes (6)(g) and 7)	113,994	-	70,972	-
1200	Other receivables, net (notes (6)(g), 6(k) and 7)	988,008	0.3	1,082,607	0.3
1310	Inventories (note (6)(h))	69,512,712	19.1	48,105,125	13.9
1470	Other current assets (note 8)	3,395,311	0.9	2,456,323	0.7
		321,782,654	88.5	300,469,007	86.5
	Non-current assets:				
1550	Investments accounted for using equity method (note (6)(i))	11,807,622	3.2	11,726,370	3.4
1523	Non-current available-for-sale financial assets (note (6)(d))	7,646,667	2.1	9,556,461	2.8
1543	Non-current financial assets at cost (note (6)(e))	53,982	-	71,820	-
1546	Non-current investments without active market (note (6)(f))	350,000	0.1	700,000	0.2
1600	Property, plant and equipment (notes (6)(m) and 8)	18,179,367	5.0	20,952,677	6.0
1780	Intangible assets	1,284,660	0.4	1,291,281	0.4
1840	Deferred tax assets (note (6)(s))	1,351,371	0.4	1,262,986	0.4
1985	Long-term prepaid rents (note (6)(q))	571,133	0.2	594,520	0.2
1990	Other non-current assets (notes (6)(r) and 8)	328,965	0.1	390,989	0.1
		41,573,767	11.5	46,547,104	13.5
	Total assets	$ 363,356,421	100.0	347,016,111	100.0

	Liabilities and Equity	December 31, 2017 Amount	%	December 31, 2016 Amount	%
	Current liabilities:				
2100	Short-term borrowings (note (6)(n))	$ 56,515,525	15.6	43,480,777	12.5
2120	Current financial liabilities at fair value through profit or loss (note (6)(b))	24,463	-	137,489	-
2170	Notes and accounts payable	140,381,168	38.6	127,523,732	36.7
2180	Notes and accounts payable to related parties (note 7)	1,636,656	0.5	1,958,211	0.6
2200	Other payables (note 7)	16,318,597	4.5	17,853,264	5.1
2230	Current tax liabilities	4,362,395	1.2	3,795,925	1.1
2250	Current provisions (note (6)(p))	1,827,439	0.5	1,842,094	0.5
2300	Other current liabilities	3,071,238	0.8	2,899,674	0.9
2313	Unearned revenue	1,617,626	0.4	1,774,158	0.5
2320	Long-term borrowings, current portion (note (6)(o))	6,200,625	1.7	7,966,875	2.3
		231,955,732	63.8	209,232,199	60.2
	Non-Current liabilities:				
2540	Long-term borrowings (note (6)(o))	21,252,263	5.8	23,954,688	7.0
2570	Deferred tax liabilities (note (6)(s))	614,437	0.2	746,962	0.2
2640	Non-current net defined benefit liabilities (note (6)(r))	705,810	0.2	631,821	0.2
2670	Non-current liabilities	180,207	-	166,626	-
		22,752,717	6.2	25,500,097	7.4
	Total liabilities	254,708,449	70.0	234,732,296	67.6
	Equity attributable to owners of parent:				
3110	Ordinary share (note (6)(t))	44,191,916	12.2	44,241,606	12.8
3200	Capital surplus (note (6)(t))	10,938,773	3.0	11,779,274	3.4
3300	Retained earnings (note (6)(t))	56,557,146	15.6	55,289,409	15.9
3400	Other equity interest (notes (6)(t) and (6)(u))	(8,911,004)	(2.5)	(4,624,653)	(1.3)
3500	Treasury shares (note (6)(t))	(881,247)	(0.2)	(881,247)	(0.3)
		101,895,584	28.1	105,804,389	30.5
36XX	**Non-controlling interests**	6,752,388	1.9	6,479,426	1.9
	Total equity	108,647,972	30.0	112,283,815	32.4
	Total liabilities and equity	$ 363,356,421	100.0	347,016,111	100.0

See accompanying notes to financial statements.

COMPAL ELECTRONICS, INC. AND ITS SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2017 and 2016

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

		2017		2016	
		Amount	%	Amount	%
4000	**Net sales revenue (notes (6)(w) and 7)**	$887,656,959	100.0	766,810,035	100.0
5000	**Cost of sales (notes (6)(h), (6)(r), 7 and 12)**	855,692,390	96.4	733,973,065	95.7
	Gross profit	31,964,569	3.6	32,836,970	4.3
	Operating expenses: (notes (6)(q), (6)(r), 6 and 12)				
6100	Selling expenses	7,167,461	0.8	5,270,267	0.7
6200	Administrative expenses	4,050,028	0.5	4,541,630	0.6
6300	Research and development expenses	11,538,651	1.3	11,961,428	1.6
		22,756,140	2.6	21,773,325	2.9
	Net operating income	9,208,429	1.0	11,063,645	1.4
	Non-operating income and expenses:				
7020	Other gains and losses (notes (6)(d), (6)(i), (6)(k) and (6)(y))	(1,897,072)	(0.2)	(1,042,285)	(0.1)
7050	Finance costs	(1,297,965)	(0.1)	(946,893)	(0.1)
7190	Other income (notes (6)(q) and (6)(y))	1,566,475	0.2	1,961,554	0.3
7590	Miscellaneous disbursements	(52,752)	-	(54,672)	-
7670	Impairment loss (notes (6)(d), (6)(e) and (6)(m))	(19,405)	-	(239,989)	-
7770	Share of profit of associates and joint ventures accounted for using equity method (note (6)(i))	606,567	-	1,071,985	0.1
	Total non-operating income and expenses	(1,094,152)	(0.1)	749,700	0.2
7900	**Profit before tax**	8,114,277	0.9	11,813,345	1.6
7950	**Less: Tax expense (note (6)(s))**	1,956,240	0.2	2,845,339	0.4
	Profit	6,158,037	0.7	8,968,006	1.2
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	(84,394)	-	(97,739)	-
8320	Share of other comprehensive income of associates and joint ventures accounted for using equity method	(561)	-	(1,673)	-
8349	Income tax relating to items that will not be reclassified (note (6)(s))	14,348	-	16,616	-
	Items that will be reclassified subsequently to profit or loss	(70,607)	-	(82,796)	-
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	(4,808,866)	(0.5)	(938,426)	(0.1)
8362	Other comprehensive income, before tax, available-for-sale financial assets	326,490	-	458,015	-
8363	Gains (losses) on effective portion of cash flow hedges	-	-	(21,360)	-
8370	Share of other comprehensive income of associates and joint ventures accounted for using equity method	(30,076)	-	(702,159)	(0.1)
8399	Income tax relating to items that will be reclassified to profit or loss (note (6)(s))	(21,353)	-	21,180	-
	Items that will be reclassified subsequently to profit or loss	(4,533,805)	(0.5)	(1,182,750)	(0.2)
8300	**Other comprehensive income, net**	(4,604,412)	(0.5)	(1,265,546)	(0.2)
8500	**Comprehensive income**	**$ 1,553,625**	**0.2**	**7,702,460**	**1.0**
	Profit, attributable to:				
8610	Profit, attributable to owners of parent	$ 5,749,525	0.7	8,130,890	1.2
8620	Profit, attributable to non-controlling interests	408,512	-	837,116	-
		$ 6,158,037	**0.7**	**8,968,006**	**1.2**
	Comprehensive income attributable to:				
8710	Comprehensive income, attributable to owners of parent	$ 1,189,818	0.1	6,916,562	1.0
8720	Comprehensive income, attributable to non-controlling interests	363,807	-	785,898	-
		$ 1,553,625	**0.1**	**7,702,460**	**1.0**
	Earnings per share (note 6(v))				
9750	**Basic earnings per share**	**$**	**1.32**		**1.88**
9850	**Diluted earnings per share**	**$**	**1.31**		**1.84**

See accompanying notes to financial statements.

COMPAL ELECTRONICS, INC. AND ITS SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent													
			Retained earnings				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 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, 2016	$ 44,711,266	12,838,638	16,571,311	3,139,021	32,167,179	51,877,511	2,803,061	(6,010,432)	(719,510)	(3,926,881)	(1,724,739)	103,775,795	5,822,321	109,598,116
Profit for the year ended December 31, 2016	-	-	-	-	8,130,890	8,130,890	-	-	-	-	-	8,130,890	837,116	8,968,006
Other comprehensive income	-	-	-	-	(74,452)	(74,452)	(1,478,779)	346,602	(7,699)	(1,139,876)	-	(1,214,328)	(51,218)	(1,265,546)
Total comprehensive income	-	-	-	-	8,056,438	8,056,438	(1,478,779)	346,602	(7,699)	(1,139,876)	-	6,916,562	785,898	7,702,460
Appropriation and distribution of retained earnings:														
Legal reserve appropriated	-	-	868,461	-	(868,461)	-	-	-	-	-	-	-	-	-
Special reserve appropriated	-	-	-	60,653	(60,653)	-	-	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(4,426,671)	(4,426,671)	-	-	-	-	-	(4,426,671)	-	(4,426,671)
Cash dividends from capital surplus	-	(885,334)	-	-	-	-	-	-	-	-	-	(885,334)	-	(885,334)
Changes in ownership interests in subsidiaries	-	22	-	-	(658)	(658)	-	-	-	-	-	(636)	-	(636)
Changes in equity of associates and joint ventures accounted for using equity method	-	1,723	-	-	(10,527)	(10,527)	-	-	-	-	-	(8,804)	-	(8,804)
Share-based payments transaction	(31,500)	(40,846)	-	-	3,671	3,671	-	-	442,104	442,104	-	373,429	-	373,429
Adjustments of capital surplus for company's cash dividends received by subsidiaries	-	60,048	-	-	-	-	-	-	-	-	-	60,048	-	60,048
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(128,793)	(128,793)
Retirement of treasury share	(438,160)	(194,977)	-	-	(210,355)	(210,355)	-	-	-	-	843,492	-	-	-
Balance at December 31, 2016	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 of subsidiaries acquired or disposed	-	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

See accompanying notes to financial statements.

COMPAL ELECTRONICS, INC. AND ITS SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

	2017	2016
Cash flows from (used in) operating activities:		
Profit before tax	$ 8,114,277	11,813,345
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation and amortization	5,184,672	5,668,112
Increase (decrease) in allowance for uncollectible accounts	3,007,185	643,362
Finance cost	1,297,965	946,893
Interest income	(877,370)	(561,897)
Dividend income	(169,839)	(191,333)
Compensation cost of share-based payment	110,855	398,302
Share of profit of associates and joint ventures accounted for using equity method	(606,567)	(1,071,985)
Loss (gain) on disposal of property, plant and equipment	(110,846)	(87,995)
Loss (gain) on disposal of investments	4,252	(112,448)
Impairment loss on financial assets	19,405	239,989
Long-term prepaid rents	13,135	14,171
Adjustments to reconcile profit (loss)	7,872,847	5,885,171
Changes in operating assets and liabilities:		
Changes in operating assets:		
Changes in financial assets at fair value through profit or loss	45,734	(61,028)
Decrease (increase) in notes and accounts receivable	(4,986,899)	(11,651,155)
Decrease (increase) in other receivable	(59,604)	(306,896)
Decrease (increase) in inventories	(21,407,587)	(1,605,047)
Decrease (increase) in other current assets	(974,717)	127,598
Decrease (increase) in other non-current assets	(90,471)	153,782
Total changes in operating assets	(27,473,544)	(13,342,746)
Changes in operating liabilities:		
Changes in financial liabilities at fair value through profit or loss	(113,026)	108,274
Increase (decrease) in notes and accounts payable	12,535,881	953,860
Increase (decrease) in other payable	(1,776,989)	(52,699)
Increase (decrease) in provisions	(14,655)	(546,616)
Increase (decrease) in unearned revenue	(156,532)	26,584
Increase (decrease) in other current liabilities	171,564	(607,250)
Others	109,229	197,107
Total changes in operating liabilities	10,755,472	79,260
Total changes in operating assets and liabilities	(16,718,072)	(13,263,486)
Total adjustments	(8,845,225)	(7,378,315)
Cash flows from (used in) operations	(730,948)	4,435,030
Interest received	884,079	552,344
Dividends received	313,738	313,080
Interest paid	(1,242,536)	(905,672)
Income taxes paid	(1,405,335)	(3,107,120)
Net cash flows from (used in) operating activities	(2,181,002)	1,287,662
Cash flows from (used in) investing activities:		
Acquisition of investments accounted for using equity method, available-for-sale financial assets and financial assets at cost	(97,009)	(186,052)
Proceeds from disposal of investments accounted for using equity method and available-for-sale financial assets	2,265,745	345,026
Redemption from bond investments without active market	350,000	350,000
Net cash flow from disposal of subsidiaries	129,000	(139,401)
Proceeds from capital reduction and liquidation of investments	28,615	47,695
Acquisition of property, plant and equipment	(3,378,053)	(3,595,770)
Proceeds from disposal of property, plant and equipment	183,253	519,243
Acquisition of intangible assets	(386,935)	(579,740)
Others	30,451	57,033
Net cash flows from (used in) investing activities	(874,933)	(3,181,966)
Cash flows from (used in) financing activities:		
Increase (decrease) in short-term borrowings	13,034,748	13,999,601
Proceeds from long-term borrowings	12,664,420	23,515,000
Repayments of long-term borrowings	(17,133,095)	(20,166,617)
Cash dividends paid	(5,246,557)	(5,251,957)
Acquisition of non-controlling interests	(35,699)	(8,643)
Proceed of disposal of ownership interests in subsidiaries (without losing control)	413,257	-
Change in non-controlling interests	(447,794)	(153,961)
Others	13,581	(20,238)
Net cash flows from (used in) financing activities	3,262,861	11,913,185
Effect of exchange rate changes on cash and cash equivalents	(3,094,809)	180,173
Net increase (decrease) in cash and cash equivalents	(2,887,883)	10,199,054
Cash and cash equivalents at beginning of period	72,950,596	62,751,542
Cash and cash equivalents at end of period	**$ 70,062,713**	**72,950,596**

See accompanying notes to financial statements.

COMPAL ELECTRONICS, INC. AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2017 and 2016

(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 reports were authorized for issuance by the Board of Directors and issued on March 19, 2018.

(3) New standards, amendments and interpretations adopted:

(a) Impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. (“FSC”).

The Group conform to the IFRSs which were endorsed by the FSC on January 1, 2017 in preparing their financial statements. The related new standards, interpretations and amendments are as follows:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception"	January 1, 2016
Amendments to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"	January 1, 2016
IFRS 14 "Regulatory Deferral Accounts"	January 1, 2016
Amendment to IAS 1 " Disclosure Initiative"	January 1, 2016
Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"	January 1, 2016
Amendments to IAS 16 and IAS 41 "Agriculture: Bearer Plants"	January 1, 2016
Amendments to IAS 19 "Defined Benefit Plans: Employee Contributions"	July 1, 2014
Amendment to IAS 27 "Equity Method in Separate Financial Statements"	January 1, 2016
Amendments to IAS 36 "Recoverable Amount Disclosures for Non Financial Assets"	January 1, 2014

(Continued)

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

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IAS 39 "Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014
Annual Improvements to IFRSs 2010-2012 Cycle and 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016
IFRIC 21 "Levies"	January 1, 2014

Except for the following items, the Group believes that the adoption of the above IFRSs did not have a material impact on its consolidated financial statements.

(i) Amendments to IAS 36 "Recoverable Amount Disclosures for Non Financial Assets"

Under the amendments, the recoverable amount is required to be disclosed only when an impairment loss has been recognized or reversed. In such cases, the amendments also require that the following be disclosed if the recoverable amount is based on fair value, less costs of disposal:

1) the level of the fair value hierarchy within which the fair value measurement is categorized; and

2) the valuation technique(s) used for fair value measurements categorized within Levels 2 and 3 of the fair value hierarchy, and the key valuation assumptions made.

The Group has included the required disclosures according to the aforementioned amendments.

(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, 2018 in accordance with Ruling No. 1060025773 issued by the FSC on July 14, 2017:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendment to IFRS 2 "Clarifications of 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 signification changes are as follows:

(i) 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.

1) Classification- Financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. 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 standard eliminates the existing 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 assets in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification. In addition, IAS 39 has an exception to the measurement requirements for investments in unquoted equity instruments that do not have a quoted market price in an active market (and derivatives on such an instrument) and for which fair value cannot therefore be measured reliable. Such financial instruments are measured at cost. IFRS 9 removes this exception, requiring all equity investments (and derivatives on them) to be measured at fair value.

Based on its assessment, the Group believes that the new classification requirements would not have had a material impact on its accounting for trade receivables, investments in debt securities and investments in equity securities that are managed on a fair value basis. At December 31, 2017, the Group had equity investments classified as available-for-sale with a fair value of $7,693,146 and financial assets measured at cost of $53,982 that are held for long-term strategic purposes. At initial application of IFRS 9, the Group has designated these investments as measured at FVOCI or FVTPL. In the former case,, all fair value gains and losses would be reported in other comprehensive income, no impairment losses would be recognized in profit or loss and no gains or losses will be reclassified to profit or loss on disposal.

The Group estimated above changes would not have a material impact on other equity interest, retained earnings and non-controlling interests on January 1, 2018.

2) Impairment-Financial assets and contract assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. This will require considerable judgment as to how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to financial assets measured at amortized cost or FVOCI, except for investments in equity instruments, and to contract assets.

Under IFRS 9, loss allowances will be measured on either of the following bases:

- 12-month ECLs. These are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs. These are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component; In addition, the Group choose to apply this policy also for trade receivables and contract assets with a significant financing component.

Based on its assessment, the Group does not believe that the application of IFRS 9 will have a material impact.

3) Hedge accounting

When initially applying IFRS 9, the Group may choose as its accounting policy to continue to apply the hedge accounting requirements of IAS 39 instead of the requirements in IFRS 9. The Group has chosen to apply the new requirements of IFRS 39.

4) Disclosures

IFRS 9 will require extensive new disclosures, in particular about credit risk and expected credit losses. The Group's assessment included an analysis to identify data gaps against current processes and the Group plans to implement the system and controls changes that it believes will be necessary to capture the required data.

5) Transition

Changes in accounting policies resulting from the adoption of IFRS 9 will generally be applied retrospectively, except as described below.

· The Group plans to take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 generally will be recognized in retained earnings and other equity interest as at January 1, 2018.

·The following assessments have to be made on the basis of the facts and circumstances that exist at the date of initial application.

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

– The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.

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

(ii) IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 "Revenue" and IAS 11 "Construction Contracts".

For the sale of the Group’s products, revenue is currently 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. Revenue is recognized at this point provided that 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 has completed an initial assessment that the point of related risks and rewards of ownership transfer to the customer, and the point of control transfer are similar, there is not a significant impact on 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 intends to present a reconciliation between the opening and closing balances for liabilities with changes arising from financing activities.

COMPAL ELECTRONICS, INC. AND ITS SUBSIDIARIES
Notes to Consolidated 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 IASB, but not yet endorsed by the FSC:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
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 16 "Leases"	January 1, 2019
IFRS 17 "Insurance Contracts"	January 1, 2021
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 28 "Long-term interests in associates and joint ventures"	January 1, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019
Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019

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

Issuance / Release Dates	Standards or Interpretations	Content of amendment
January 13, 2016	IFRS 16 "Leases"	The new standard of accounting for lease is amended as follows: · For a contract that is, or contains, a lease, the lessee shall recognize a right of use asset and a lease liability in the balance sheet. In the statement of profit or loss and other comprehensive income, a lessee shall present interest expense on the lease liability separately from the depreciation charge for the right of-use asset during the lease term. ·A lessor classifies a lease as either a finance lease or an operating lease, and therefore, the accounting remains similar to IAS 17.

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

Issuance / Release Dates	Standards or Interpretations	Content of amendment
June 7, 2017	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 and 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 or 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.

The Group is evaluating the impact on its consolidated financial position and consolidated financial performance upon the initial adoption of the abovementioned 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 presented periods 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 by the FSC (hereinafter referred to as the IFRS endorsed by the FSC).

(b) Basis of preparation

(i) Basis of measurement

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

1) Financial instruments (including derivative financial instruments) measured at fair value through profit or loss are measured at fair value;

2) Available-for-sale financial assets are measured at fair value;

3) Hedged derivative financial instruments are measured at fair value:

4) The defined benefit asset (or liability) 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)(s).

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

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

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

COMPAL ELECTRONICS, INC. AND ITS 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, 2017	Percentage of ownership December 31, 2016	Description
The Company	Panpal Technology Corp. ("Panpal")	Investment	100%	100%	Panpal held 31,648 thousand shares of the Company as of December 31, 2017, 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, 2017, 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	36%	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%	97%	
〃	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 Medical Co., Ltd. (Unicore)	Management consulting, leasing services and wholesale of medical appliances	100%	-	Unicore was established in January 2017.
〃	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%	

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

Investor	Name of Subsidiary	Nature of Operation	Percentage of ownership December 31, 2017	Percentage of ownership December 31, 2016	Description
The Company	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%	
CPC	Compal Smart Device (Chongqing) Co., Ltd. ("CSD")	Research, manufacture and sales of communication devices, mobile phones, electronic computer, smart watch, and provide related technology service.	100%	-	CSD was established in April 2017
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%	

COMPAL ELECTRONICS, INC. AND ITS SUBSIDIARIES
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Investor	Name of Subsidiary	Nature of Operation	Percentage of ownership December 31, 2017	Percentage of ownership December 31, 2016	Description
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%	
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 Internatioanl Corporation (“Palcom”)	Sales of mobile phones	100%	100%	
Etrade	Compal Communication (Nanjing) Co., Ltd. (“CCI Nanjing”)	Manufacturing and processing of mobile phones	100%	100%	
〃	Compal Digital Communication (Nanjing) Co., Ltd. (“CDCN”)	〃	100%	100%	
〃	Compal Wireless Communication (Nanjing) Co., Ltd. (“CWCN”)	〃	100%	100%	

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

Investor	Name of Subsidiary	Nature of Operation	Percentage of ownership December 31, 2017	Percentage of ownership December 31, 2016	Description
Forever	Hanhelt Communication (Nanjing) Co., Ltd. (“Hanlelt”)	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 UK was established in December 2016.
〃	Arcadyan Technology Australia Pty Ltd ("Arcadyan AU")	Sales of wireless network products	100%	-	Arcadyan AU was established in March 2017
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%	60%	
〃	AcBel Telecom Inc. (“AcBel Telecom”)	Investment	51%	51%	
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	72%	95%	
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%	-	
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%	

COMPAL ELECTRONICS, INC. AND ITS SUBSIDIARIES
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Investor	Name of Subsidiary	Nature of Operation	Percentage of ownership December 31, 2017	Percentage of ownership December 31, 2016	Description
AcBel Telecom	Leading Images Ltd. (“Leading Images”)	Investment	100%	100%	
〃	Great Arch Group Ltd. (“Great Arch”)	Sales of wireless network products	100%	100%	
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%	-	TTJC was established in November 2017.
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%	
APH	Primetek Enterprises Limited (“PEL”)	〃	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”)	Manufacturing of touch panels and related components	100%	100%	
〃	Lucom Display Technology (KunShan) Limited (“Lucom”)	Manufacturing of touch panels and LCD TVs	100%	100%	

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Investor	Name of Subsidiary	Nature of Operation	Percentage of ownership December 31, 2017	Percentage of ownership December 31, 2016	Description
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%	-	Raycore was established in October 2017.

(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) 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.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planed 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.

(g) Financial instruments

Financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instruments.

(i) Financial assets

The Group classifies financial assets 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

Except for financial assets at fair value through profit or loss, financial assets are assessed for impairment at each reporting date.

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.

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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.

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.

(ii) 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.

(iii) Derivative financial instruments, including hedge accounting

The Group holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Derivatives are recognized initially at fair value and attributable transaction costs 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 non-operating income and expenses.

When a derivative is designated as 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, and when the fair value is negative, it is classified as a financial liability.

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

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

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The Group designates its derivatives instruments as cash flow hedge. On initial designation of a derivative as a hedging instrument, the Group formally documents the relationship between the hedging instrument and the hedged item, including the risk management objectives and the strategy in undertaking the hedge transaction and hedged risk, and whether the hedging instrument is expected to be highly effective in offsetting the changes in the fair value or cash flows of the hedged item attributable to the hedged risk.

When a derivative is designated as a cash flow hedge, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income and presented in other equity – effective portion of cash flow hedge gain (loss). Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss, and is included in statement of comprehensive income.

When a 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 periods during which the hedged item affects profit or loss, and it is presented in the same accounting caption with the hedged item recognized in the consolidated statement of comprehensive income.

(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) Non-current assets held for sale

When non-current assets are expected to be recovered primarily through sale rather than through continuing use are reclassified as held for sale. And it is available for immediate sale in its present condition subject only to terms that are usual and customary for the sale. The sale is highly probable and shall take place within one year. Those classified as non-current assets held for sale are measured at the lower of their carrying value or fair value less costs to sell. An entity shall recognize an impairment loss for write-downs of non-current assets held for sale to fair value less costs to sell in the statements of income. If the fair value less costs to sell increases later on, a gain from such subsequent increase shall be recognized in the statements of income, but not in excess of the cumulative impairment loss that has been recognized. When the assets classified as held for sale, those assets are no longer amortized or depreciated, and any equity-accounted investee is no longer equity accounted.

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COMPAL ELECTRONICS, INC. AND ITS SUBSIDIARIES
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(j) Investment in associates

Associates are those entities in which the Group has significant influence, but not 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 (as a reclassification adjustment) when the equity method is discontinued. If an entity's ownership interest in an associate or a joint venture is reduced while the entity continues to apply the equity method, the entity shall reclassify the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interest to profit or loss.

If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the 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.

(k) 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.

(l) Property, plant and equipment

(i) Recognition and measurement

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

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately, unless the useful life and the depreciation method of a significant part of an item of property, plant and equipment are the same as the useful life and depreciation method of another significant part of that same item.

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

(ii) Subsequent cost

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

(iii) Depreciation

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

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

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

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

1) Buildings: 9~50 years

2) Building improvement: 0.5~20 years

3) Machinery and equipment: 1~10 years

4) Research equipment: 2~10 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.

(m) 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.

(n) 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)(v).

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.

(Continued)

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.

(o) Impairment – non-derivative financial assets

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

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

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

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

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

(p) 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.

(q) 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.

(r) Revenue

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.

(s) 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.

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When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense 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, change in the present value of defined benefit obligation and any related actuarial gains or losses and past service cost that had not previously been recognized.

(iii) Short term employee benefits

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

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the 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.

(t) 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.

(u) 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.

(Continued)

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

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

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

(iii) Initial recognition of goodwill.

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

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

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

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

1) levied by the same taxing authority; or

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

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

The 10% 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.

(v) 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.

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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.

(w) 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.

(x) 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.

(Continued)

(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 provisions

Because of the sales returns and allowances, the Group records a provision for estimated returns and other allowances in the same period the related revenue is recorded. The estimate is made based on historical experience 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) for further description of the recognition of provisions.

(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)(h) for further description of the valuation of inventories.

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2017	December 31, 2016
Cash on hand	$ 12,144	12,678
Checking accounts and demand deposits	6,155,475	11,765,328
Time deposits	63,752,594	57,829,886
Bonds purchased under resale agreements	142,500	3,342,704
	$ 70,062,713	**72,950,596**

Please refer to note (6)(aa) 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, 2017	December 31, 2016
Financial assets at fair value through profit or loss:		
Financial assets held-for-trading:		
Derivative instruments not used for hedging	$ 40,706	86,440
Financial liabilities at fair value through profit or loss:		
Financial liabilities held-for-trading:		
Derivative instruments not used for hedging	$ 24,463	137,489

The Group uses derivative instruments to hedge foreign currency risk the Group is exposed to arising from its operating activities. The Group held the following derivative instruments not designated as hedging instruments presented as held-for-trading financial assets as of December 31, 2017 and 2016 (foreign currencies were expressed in thousands):

	December 31, 2017		
	Contract amount (in thousand)	Currency	Maturity date
Derivative financial assets:			
Foreign exchange contracts:			
Forward exchange purchased	USD 2,000	USD to MXN	January 30, 2018
Forward exchange purchased	USD 66,500	USD to BRL	January 9~ Feb 23, 2018
Forward exchange sold	EUR 2,000	EUR to USD	January 10, 2018
Derivative financial liabilities:			
Foreign exchange contracts:			
Forward exchange sold	EUR 44,000	EUR to USD	January 12~April 17, 2018
Swap contracts:			
Currency swap	USD 29,600	EUR to TWD	January 25~April 25, 2018

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	December 31, 2016			
	Contract amount (in thousand)		Currency	Maturity date
Derivative financial assets:				
Foreign exchange contracts:				
Forward exchange sold	EUR	42,000	EUR to USD	January 10~April 13, 2017
Forward exchange sold	GBP	3,000	GBP to USD	January 13~March 14, 2017
Forward exchange purchased	USD	13,000	USD to MXN	February 24~March 14, 2017
Swap contracts:				
Currency swap	USD	31,600	USD to TWD	January 20~April 25, 2017
Derivative financial liabilities:				
Foreign exchange contracts:				
Forward exchange sold	EUR	9,000	EUR to USD	March 14~April 7, 2017
Forward exchange purchased	USD	42,000	USD to BRL	January12~April 17, 2017

The credit risk exposure related to the financial instruments please refer to note (6)(aa).

As of December 31, 2017 and 2016, the Group did not provide any aforementioned financial assets as collaterals for its loans.

(c) Derivative financial instruments used for hedging

(i) Cash flow hedge

The Group's strategy is to enter into forward exchange contracts to hedge its foreign currency exposure risk in relation to the forecast sales. As of December 31, 2017 and 2016, respectively, the Group did not enter into any hedge contract.

(ii) For the years ended December 31, 2017 and 2016, 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)(z).

(iii) For the years ended December 31, 2017, and 2016, the ineffective portion of cash flow hedge are recognized as a gain (loss) of $(53,182) and $1,049, respectively, which is under "Gains(losses) on financial assets and liabilities at fair value through profit or loss".

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(d) Available-for-sale financial assets

	December 31, 2017	December 31, 2016
Stocks listed in domestic markets (including stocks acquired via private placement)	$ 4,617,045	6,781,745
Stocks listed in foreign markets	654,192	582,303
Stocks unlisted in domestic markets	2,295,576	2,172,000
Stocks unlisted in foreign markets	126,333	69,044
	$ 7,693,146	**9,605,092**
Current	$ 46,479	48,631
Non-current	7,646,667	9,556,461
	$ 7,693,146	**9,605,092**

(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 all 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, SmartCloud 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 on 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 LeEco Group has changed significantly, CIT has determined to terminate this investment.

(Continued)

(iii) Except for the stocks acquired via private placement mentioned in(i), which are measured at the arbitration award, if there is an increase (decrease) in the market price of the equity securities by 5% on the reporting date, the increase (decrease) in other comprehensive income (pre-tax) for the years ended December 31, 2017 and 2016, will be $384,657 and $366,755, respectively. These analyses are performed on the same basis for both periods and assume that all other variables remain the same.

(iv) Parts of the value of the Group's available-for-sale financial assets had declined materially and permanently; therefore, the Group recognized the impairment losses of $22,987 for the year ended December 31, 2016.

(v) As of December 31, 2017 and 2016, the Group did not provide any available-for-sale financial assets as collaterals for its loans.

(e) Financial assets at cost

		December 31, 2017	December 31, 2016
Unlisted common stock in domestic markets	$	5,273	5,273
Unlisted fund in domestic markets		48,709	48,709
Unlisted preferred stock in foreign markets		-	17,838
	$	**53,982**	**71,820**

(i) The aforementioned unlisted stock, fund and preferred stocks 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 and $81,258 for the years ended December 31, 2017 and 2016, respectively.

(iii) As of December 31, 2017 and 2016, the Group did not provide any financial assets at cost as collaterals for its loans.

(f) Bond investment without active market

		December 31, 2017	December 31, 2016
Common bonds – Taiwan Star Telecom Corporation Limited (Taiwan Star)	**$**	**700,000**	**1,050,000**
Current	$	350,000	350,000
Non-current		350,000	700,000
	$	**700,000**	**1,050,000**

The Group subscribed a 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.

As of December 31, 2017 and 2016, the Group did not provide the aforementioned financial assets as collaterals for its loans.

(g) Notes and accounts receivable and other receivables

	December 31, 2017	December 31, 2016
Notes receivable	$ 158,436	69,745
Accounts receivable	181,283,397	176,362,482
Other receivables	1,070,022	1,146,127
	182,511,855	177,578,354
Less: allowance for uncollectible accounts	(4,103,908)	(1,095,955)
allowance for sales returns and discounts	(33,214)	(10,507)
	$ 178,374,733	**176,471,892**
Notes and account receivable	**$ 177,272,731**	**175,318,313**
Notes and account receivable – related parties	**$ 113,994**	**70,972**
Other receivables – current	**$ 988,008**	**1,082,607**

The aging analysis of accounts receivable and other receivables which were past due but not impaired was as follows:

	December 31, 2017	December 31, 2016
Overdue 1 to 180 days	$ 1,293,581	7,572,905
Overdue 181 to 365 days	15,611	3,714
Overdue 365 days and over	457	-
	$ 1,309,649	**7,576,619**

The change of allowance for accounts receivable and other receivables for the years ended December 31, 2017 and 2016, were as follows:

	Individually assessed impairment	Collectively assessed impairment	Total
Balance on January 1, 2017	$ 237,143	858,812	1,095,955
Assessment category reclassified	695,014	(695,014)	-
Impairment loss recognized (reversed)	2,930,188	76,997	3,007,185
Effect of changes in exchange rates	-	768	768
Balance on December 31, 2017	**$ 3,862,345**	**241,563**	**4,103,908**

	Individually assessed impairment	Collectively assessed impairment	Total
Balance on January 1, 2016	$ 277,378	175,704	453,082
Impairment loss recognized (reversed)	(40,235)	683,597	643,362
Effect of changes in exchange rates	-	(489)	(489)
Balance on December 31, 2016	**$ 237,143**	**858,812**	**1,095,955**

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 accounts receivable, therefore, no allowance recognized. The Group had recognized full loss for the uncollectible accounts receivable of Leshi Group, 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, 2017 and 2016, except for the amount used under the actual sales amount in accordance with certain agreements, the factoring amount granted by the banks was USD985,000 thousand and EUR32,000 thousand, and USD265,000 thousand and EUR9,000 thousand, 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 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, 2017 and 2016, the factored accounts receivable with no advance amounting to $61,888 and $36,488, respectively, are accounted for as other receivables.

The Group, customers, and banks signed the three-way contracts in which the banks purchase accounts receivable from the Group. The total amount of the accounts receivable should not exceed the facility limit provided by the banks to the Group's customers. Based on the contracts, the banks have no right to request the Group to repurchase the accounts receivable. Thus, this is a non-recourse accounts receivable transfer. As of December 31, 2017 and 2016, accounts receivable factored were recovered and derecognized since the conditions of amount recognition were met.

As of December 31, 2017 and 2016, the details of the factored accounts receivable were as follows:

	December 31, 2017				
	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%

	December 31, 2016				
	Accounts receivable factored (gross)	Advanced amount	Collateral	Amount derecognized	Interest rate
Financial Institution	$ 28,246,777	28,210,289	-	28,246,777	0.80%~1.80%

As of December 31, 2017 and 2016, the Group did not provide any aforementioned notes and accounts receivable as collaterals.

(h) Inventories

	December 31, 2017	December 31, 2016
Finished goods	$ 22,403,402	10,495,438
Work in progress	7,710,311	2,974,340
Raw materials	38,453,542	33,353,608
Raw materials in transit	945,457	1,281,739
	$ 69,512,712	48,105,125

(i) During the years ended December 31, 2017 and 2016, inventory cost recognized as cost of sales amounted to $855,692,390 and $733,973,065, respectively.

(ii) 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. The write-down of inventories to net realizable value amounted to $487,982 in the year ended December 31, 2016.

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(iii) As of December 31, 2017 and 2016, the Group did not provide any inventories as collaterals for its loans.

(i) 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, 2017	December 31, 2016
Associates	$ 11,894,859	11,804,006
Joint venture	29,963	49,076
	11,924,822	11,853,082
Less: unrealized profits or losses	(117,200)	(126,712)
	$ 11,807,622	11,726,370

(i) Associates

1) The fair value of investments in associates of the Group for which there are public price quotations were as follow:

	December 31, 2017	December 31, 2016
Allied Circuit Co., Ltd. (Allied Circuit)	$ 1,370,293	487,408
Avalue Technology Inc. (Avalue)	696,471	909,584
	$ 2,066,764	1,396,992

2) For the years ended December 31, 2017 and 2016, the Group's share of the net gain (loss) of associates was as follows:

	2017	2016
The Group's share of the gain (loss) of associates	$ 620,837	1,086,779

3) In the year 2016, the Group sold part of the equity-accounted investment with the selling price of $345,026. The gain or loss of the disposal was a gain of $71,882, which was recorded under other gains and losses.

4) The Group's share of the operating results for equity-accounted investments in all individually immaterial associates are summarized below:

	December 31, 2017	December 31, 2016
The carrying amount of individually immaterial associates	$ 11,894,859	11,804,006

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The Group's share of the net income (loss) of associates:

		2017	2016
Profit (loss) from continuing operations	$	620,837	1,086,779
Other comprehensive income		(30,637)	(703,832)
Total comprehensive income	$	**590,200**	**382,947**

(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 share of the operating results for equity-accounted investment in all individually immaterial joint ventures are summarized below:

		December 31, 2017	December 31, 2016
The carrying amount of the Group's interests in all individually immaterial joint ventures	$	**29,963**	**49,076**

The Group's share of the net income (loss) of joint ventures:

		2017	2016
Losses from continuing operations (also the total comprehensive losses)	$	**(14,270)**	**(14,794)**

(iii) As of December 31, 2017 and 2016, the Group did not provide any investments accounted for using equity method as collaterals for its loans.

(j) Changes in subsidiaries' equity

(i) Changes in ownership interests while retaining control

The Group purchased 3% ownership of HengHao from non-controlling interest with an amount of $25,203 in 2017, therefore, the Group has acquired 100% ownership of HengHao.

The Group purchased shares of other subsidiaries from non-controlling interest amounting to $10,496 and $ 8,643, respectively, in 2017 and 2016.

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The Group purchased newly issued shares of CBN amounting to $447,702 in the fourth quarter of 2016, and reduced its ownership of CBN by 2.65%, due to the investment not purchased in accordance with the original shareholding percentage.

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

	2017	2016
Acquisition of non-controlling interest (carrying amount)	$ 30,117	455,358
Consideration paid for the non-controlling interest	(35,699)	(456,345)
Difference	**$ (5,582)**	**(987)**
Capital surplus – difference between consideration and carrying amount of subsidiaries acquired or disposed	$ (3,492)	-
Capital surplus – changes in ownership interests in subsidiaries	89	(329)
Retained earnings	(2,179)	(658)
	$ (5,582)	**(987)**

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

The Group disposed of 23% of CBN'S interest, and the total disposal price was $413,257. The capital surplus－ difference between consideration and carrying amount of subsidiaries acquired or disposal related to the aforementioned 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 1,612 thousand and 249 thousand new shares because of its employees' exercised stock options in 2017 and 2016, respectively, which resulted in the reduce of the Group's ownership of CBN by 2.80% and 0.74%, respectively.

2) Cancellation of subsidiaries' restricted shares

Arcadyan cancelled 25 thousand restricted shares in the year ended December 31, 2016, which resulted in the increase of 0.0047% of the Group' s ownership interest of Arcadyan.

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

		2017	2016
Capital surplus – changes in ownership interest in subsidiaries	$	53	351
Retained earnings		(424)	-
	$	**(371)**	**351**

(k) Loss control of subsidiaries

The Group disposed 100% of CEE's equity ownership in December 2016 and lost its control over CEE. The disposal price was $225,750, of which $129,000 was not received based on the contract, and was recorded as the other receivables as of December 31, 2016. The other receivables were fully collected in 2017. The gain on disposal amounted to $40,566 and were recorded as the other gains and losses.

The book value of CEE's assets and liabilities are as follows:

Cash and cash equivalents	$	236,151
Notes and accounts receivable, net		480,985
Other current financial assets		31
Other current assets		2,306
Inventories		19,943
Property, plant and equipment		372,694
Deferred tax assets and others		110,167
Notes and accounts payable		(98,461)
Expense payable		(825,223)
Other current liabilities		(62,001)
Other liabilities		(51,408)
Total amount of the net assets of the subsidiary recognized before the disposal	$	**185,184**

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(l) Material non-controlling interests of subsidiaries

The material non-controlling interests of subsidiaries were as follows:

		Percentage of non-controlling interests	
Subsidiaries	**Main operation place**	**December 31, 2017**	**December 31, 2016**
Arcadyan Technology Corporation	Taiwan	64 %	64 %

The following information of the aforementioned subsidiaries have 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, 2017	**December 31, 2016**
Current assets	$ 13,121,132	12,350,196
Non-current assets	2,460,716	2,866,941
Current liabilities	(6,495,495)	(5,987,291)
Non- current liabilities	(161,946)	(134,683)
Net assets	**$ 8,924,407**	**9,095,163**
Non-controlling interests	**$ 5,896,398**	**5,995,834**

	2017	**2016**
Sales revenue	**$ 20,110,209**	**23,910,479**
Net income	$ 650,310	1,373,002
Other comprehensive income	(67,902)	(78,332)
Comprehensive income	**$ 582,408**	**1,294,670**
Profit, attributable to non-controlling interests	**$ 431,444**	**883,774**
Comprehensive income, attributable to non-controlling interests	**$ 387,988**	**832,872**
Net cash flows from operating activities	$ 1,075,838	2,103,854
Net cash flows from investing activities	304,029	(540,103)
Net cash flows from financing activities	(49,580)	(299,660)
Effect of exchange rate changes on cash and cash equivalents	(49,844)	(45,513)
Net increase (decrease) in cash and cash equivalents	**$ 1,280,443**	**1,218,578**

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(m) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Group for the years ended December 31, 2017 and 2016, 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, 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 changes 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**
Balance on January 1, 2016	$ 1,985,448	15,982,036	23,694,268	10,119,725	2,426,146	54,207,623
Acquisition through business combination	-	-	470	355	-	825
Additions	-	194,311	1,709,984	1,719,936	160,168	3,784,399
Disposal and derecognitions	(197,716)	(1,281,199)	(1,484,329)	(775,419)	(287)	(3,738,950)
Reclassifications	-	696,906	496,941	300,308	(1,494,155)	-
Effect of movements in exchange rates	(10,875)	24,256	(416,708)	(907,355)	(32,549)	(1,343,231)
Balance on December 31, 2016	$ **1,776,857**	**15,616,310**	**24,000,626**	**10,457,550**	**1,059,323**	**52,910,666**
Depreciation and impairments loss:						
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**
Balance on January 1, 2016	$ -	9,498,441	14,761,422	5,639,129	-	29,898,992
Acquisition through business combination	-	-	87	75	-	162
Depreciation for the period	-	799,618	2,249,255	2,154,382	-	5,203,255
Impairment loss	-	-	131,200	-	-	131,200
Disposals and derecognitions	-	(1,010,880)	(1,287,204)	(562,052)	-	(2,860,136)
Effect of changes in exchange rates	-	(170,916)	(72,585)	(171,983)	-	(415,484)
Balance on December 31, 2016	$ **-**	**9,116,263**	**15,782,175**	**7,059,551**	**-**	**31,957,989**
Carrying amounts:						
Balance on December 31, 2017	$ **1,769,326**	**5,861,454**	**5,719,662**	**3,692,057**	**1,136,868**	**18,179,367**
Balance on January 1, 2016	$ **1,985,448**	**6,483,595**	**8,932,846**	**4,480,596**	**2,426,146**	**24,308,631**
Balance on December 31, 2016	$ **1,776,857**	**6,500,047**	**8,218,451**	**3,397,999**	**1,059,323**	**20,952,677**

In order to build a research and development center and operational headquarters, Arcadyan entered into an agreement with non-related parties to construct an office building during March 2012 to September 2014 for $941,900. As of December 31, 2017 and 2016, all the payments have been completed and the total capitalized borrowing costs amounted to $15,591.

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As of December 31, 2017 and 2016, part of the Group's property, plant and equipment were provided as collateral for long-term borrowings. Please refer to note (8).

(n) Short-term borrowings

The details of short-term borrowings were as following:

	December 31, 2017	December 31, 2016
Credit loans	$ **56,515,525**	**43,480,777**
Unused credit line for short-term borrowings	$ **83,710,000**	**98,320,000**
Annual range of interest rates	**0.60%~4.30%**	**0.67%~13.90%**

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

(o) Long-term borrowings

The details of long-term borrowings were as follows:

	December 31, 2017			
	Currencies	**Annual interest rate**	**Expiration 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%	2022	319,688
				$ **27,452,888**
Current				$ 6,200,625
Non-current				21,252,263
Total				$ **27,452,888**
Unused credit line for long-term borrowings				$ **4,377,000**

	December 31, 2016			
	Currencies	**Annual interest rate**	**Expiration year**	**Amount**
Unsecured bank loans	TWD	1.08%~1.35%	2017~2020	$ 31,335,000
Secured bank loans	TWD	1.67%~1.92%	2017~2022	586,563
				$ **31,921,563**
Current				$ 7,966,875
Non-current				23,954,688
Total				$ **31,921,563**
Unused credit line for long-term borrowings				$ **5,069,800**

(Continued)

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

The Group pledged property, plant and equipment as collateral for its partial long-term borrowings. Please refer to note (8).

(p) Provisions

	Warranties	Sales returns and allowances	Total
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**

	Warranties	Sales returns and allowances	Total
Balance on January 1, 2016	$ 354,033	2,034,677	2,388,710
Provisions made during the period	376,306	1,551,439	1,927,745
Provisions used during the period	(374,798)	(205,730)	(580,528)
Provisions reversed during the period	(45,697)	(1,848,136)	(1,893,833)
Balance on December 31, 2016	**$ 309,844**	**1,532,250**	**1,842,094**

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.

(q) Operating lease

(i) The Group as lessee

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

	December 31, 2017	December 31, 2016
Less than one year	$ 565,999	504,189
Between one and five years	859,489	726,725
More than five years	130,664	146,386
	$ 1,556,152	**1,377,300**

The Group leased several office areas and plants 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, 2017 and 2016, expenses recognized in profit or loss under operating leases amounted to $565,190 and $622,103, 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

Just’s and CIH’s subsidiaries in Mainland China have contracted with the government authority of Kunshan City, Jiangsu Province, People's Republic of China, to acquire land leasehold rights for buildings and dormitories. The contracts period extends from 1996 to 2061. According to the contracts, total expenditures for obtaining land leasehold rights both amounted to CNY 149,202 thousand for the years ended in December 31, 2017 and 2016.

CDM has contracted with the People’s Committee of Vinh Phuc Province of Vietnam to acquire land leasehold rights for buildings. The contract period extends from 2008 to 2057.

CCI Nanjing and CWCN have contracted with the government authority of Nanjing City, Jiangsu Province, People’s Republic of China, to acquire lands leasehold rights for buildings. The contracts period extends from 2003 to 2056. According to the contracts, total expenditures for obtaining land leasehold rights amounted to CNY 2,090 thousand.

For the years ended December 31, 2017 and 2016, expenses recognized in profit or loss under operating lease amounted to $13,135 and $14,171, respectively.

(ii) The Group as lessor

The Group leased out a few offices buildings, plants and equipments to third parties under operating lease with lease terms of 3 to 5 years. For the years ended December 31, 2017 and 2016, rentals recognized in profit or loss amounted to $8,630 and $13,670, respectively. The future minimum lease receivables under non-cancellable leases are as follows:

	December 31, 2017	December 31, 2016
Less than one year	$ 2,426	10,218
Between one and five years	2,455	2,357
More than five years	880	-
	$ 5,761	**12,575**

(r) Employee benefits

(i) Defined benefit plans

The present value of the defined benefit obligations and fair value of plan assets of the Group were as follows:

		December 31, 2017	December 31, 2016
Present value of defined benefit obligations	$	(1,418,645)	(1,362,362)
Fair value of plan assets		712,835	734,412
Net defined benefit obligations	**$**	**(705,810)**	**(627,950)**

		December 31, 2017	December 31, 2016
Net defined benefit assets－non-current	$	-	3,871
Net defined benefit obligations－non-current		(705,810)	(631,821)
	$	**(705,810)**	**(627,950)**

The Group makes defined benefit plan contributions to the pension fund account at the Bank of Taiwan that provides pensions for employees upon retirement. The plans entitle a retired employee to receive an annual payment 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 $710,719 excluding the ending balance of interest receivable as of December 31, 2017. 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.

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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:

		2017	2016
Balance on January 1	$	(1,362,362)	(1,346,706)
Benefit paid by the plan		53,622	104,060
Current service costs and interest		(29,493)	(29,551)
Remeasurements of net benefit liabilities		(80,412)	(90,165)
Balance on December 31	$	**(1,418,645)**	**(1,362,362)**

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:

		2017	2016
Fair value of plan assets on January 1	$	734,412	804,145
Expected return on plan assets		11,107	12,903
Remeasurements of net benefit plan assets		(3,982)	(7,574)
Contributions made		24,920	28,998
Benefits paid by the plan assets		(53,622)	(104,060)
Fair value of plan assets on December 31	$	**712,835**	**734,412**

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the years ended December 31, 2017 and 2016, were as follows:

		2017	2016
Current service cost	$	8,712	9,683
Net interest on the net defined benefit liability (asset)		10,255	8,558
	$	**18,967**	**18,241**
Cost of sales	$	1,338	1,319
Selling expenses		1,200	1,178
Administrative expenses		4,736	4,396
Research and development expenses		11,693	11,348
	$	**18,967**	**18,241**

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5) The remeasurements 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 for the years ended December 31, 2017 and 2016, were as follows:

		2017	2016
Cumulative amount on January 1	$	402,933	305,194
Recognized during the period		84,394	97,739
Cumulative amount on December 31	**$**	**487,327**	**402,933**

6) Actuarial assumptions

The following are the Group's principal actuarial assumptions at the reporting date:

	December 31, 2017	December 31, 2016
Discount rate on December 31	1.40%~1.63%	1.60%~1.88%
Future salary increases	3.00%	2.50%~3.00%

The expected allocation payment made by the Group to the defined benefit plans for the one year period after the reporting date was $29,573.

The weighted-average duration of the defined benefit obligation is 10.6~16.11 years.

7) Sensitivity analysis

On December 31, 2017 and 2016, 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, 2017		
Discount rate	(37,292)	38,773
Future salary increasing rate	37,985	(36,738)
December 31, 2016		
Discount rate	(35,985)	37,442
Future salary increasing rate	36,887	(35,633)

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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 this defined contribution plan, 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 $358,153 and $343,803 for the years ended December 31, 2017 and 2016, 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 $1,175,565 and $1,121,486 for the years ended December 31, 2017 and 2016, respectively.

(s) Income taxes

(i) Income tax expenses

1) The amount of income tax for the years ended December 31, 2017 and 2016, was as follows:

		2017	2016
Current tax expense			
Recognized during the period	$	2,304,142	2,420,142
10% surtax on unappropriated earnings		217,616	350,834
Tax credit of investment		(337,603)	(233,210)
		2,184,155	2,537,766
Deferred tax expense			
Recognition and reversal of temporary differences		(227,915)	307,573
Income tax expense	$	**1,956,240**	**2,845,339**

2) The amount of income tax recognized in other comprehensive income for the years ended December 31, 2017 and 2016, was as follows:

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	2017	2016
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement of the defined benefit liability	$ (14,348)	(16,616)
Items that will be reclassified subsequently to profit or loss:		
Foreign currency translation differences of foreign operations	(12,305)	(8,812)
Unrealized gain (loss) of available-for-sale financial assets	33,658	(12,368)
	$ 21,353	(21,180)

3) The income tax expense that was reconciled between the actual income tax expense and profit before tax for the years ended December 31, 2017 and 2016, was as follows:

	2017	2016
Profit before tax	$ 8,114,277	11,813,345
Income tax calculated based on tax rate	$ 2,329,155	3,204,183
Estimated tax effect of tax exemption on investment income, net	(71,001)	(80,296)
Realized investment loss	(142,901)	(202,085)
Investment tax credit	(337,603)	(233,210)
Changes in temporary differences	(317,852)	(595,993)
Adjustment of estimated difference and other	278,826	401,906
10% surtax on unappropriated earnings	217,616	350,834
	$ 1,956,240	2,845,339

(ii) Deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2017 and 2016 were as follows:

	Provision-sales return and allowance	Unearned revenue	Unrealized exchange losses, net	Others	Total
Deferred tax assets:					
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

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	Provision-sales return and allowance	Unearned revenue	Unrealized exchange losses, net	Others	Total
Balance on January 1, 2016	$ 552,895	220,399	64,893	539,278	1,377,465
Amount decreased due to disposal of subsidiary	-	-	-	(110,167)	(110,167)
Recognized in profit or loss	(256,834)	(5,612)	212,415	42,263	(7,768)
Recognized in other comprehensive income	-	-	-	3,456	3,456
Balance on December 31, 2016	**$ 296,061**	**214,787**	**277,308**	**474,830**	**1,262,986**

	Unrealized exchange gains, net	Others	Total
Deferred tax liabilities:			
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)**
Balance on January 1, 2016	$ (64,405)	(417,092)	(481,497)
Recognized in profit or loss	(275,938)	(23,867)	(299,805)
Recognized in other comprehensive income	-	34,340	34,340
Balance on December 31, 2016	**$ (340,343)**	**(406,619)**	**(746,962)**

(iii) Unrecognized deferred tax assets

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

	December 31, 2017	December 31, 2016
Tax effect of deductible temporary differences	**$ 660,167**	**614,215**
Tax effect of loss carry forward	**$ 993,562**	**975,815**

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.

The Group assesses the future taxable income 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.

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As of December 31, 2017, 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
2008 (Assessed)	2018	$ 530,777
2009 (Assessed)	2019	860,660
2010 (Assessed)	2020	14,492
2011 (Assessed)	2021	403,465
2012 (Assessed)	2022	759,921
2013 (Assessed)	2023	240,904
2014 (Assessed)	2024	43,980
2015 (Assessed)	2025	710,200
2016 (Assessed/Filed)	2026	1,473,894
2017 (Estimated)	2027	806,192
		$ 5,844,485

(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, 2017 and 2016, the aggregate deductible temporary differences relating to investments in subsidiaries not recognized as deferred tax assets amounted to $3,205,580 and $2,244,905, respectively.

As of December 31, 2017 and 2016, the aggregate taxable temporary differences relating to investments in subsidiaries not recognized as deferred tax liabilities amounted to $47,799,571 and $48,850,484, respectively.

(v) Examination and approval

The ROC tax authorities have assessed the Company’s income tax returns through 2014. The Company disagreed with the assessment and filed formal tax appeals for 2012. In accordance with the conservatism, the total amounts of the assessed additional income tax were recognized in the statements of income. Any differences will be reflected as an adjustment after the tax is resolved.

The ROC tax authorities have assessed the income tax returns of Zhaopal, Palcom, Yongpal, Kaipal, UCGI, Rayonnant Technology and Ripal through 2016, of Acbel Telecom, Zhipal, Panpal, Gempal, Hong Ji, Hong Jin, TTI, GLB, RBL, HengHao, Arcadyan, CBN and Mactech, through 2015, of CCI through February, 2014, of ATK through June 2009.

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(vi) The Company's information related to the integrated income tax system is summarized below:

	December 31, 2017	December 31, 2016
Unappropriated earnings retained after January 1, 1998	(Note)	$ 34,649,963
Balance of the imputation credit account	(Note)	$ 4,705,650

	2017	2016
Creditable ratio for earnings distribution to R.O.C residents	(Note)	12.33 % (actual)

The above stated information was prepared in accordance with the information letter No. 10204562810 announced by the Ministry of Finance of R.O.C. on October 17, 2013.

(Note): "Income Tax Act" had been enacted by the office of the President of the Republic of China (Taiwan) on February 7, 2018, effective from January 1, 2018, companies will no longer be required to establish, record, calculate and distribute their ICA due to the abolishment of the imputation tax system.

(t) Capital and other equities

As of December 31, 2017 and 2016, the Company's authorized common stock consisting of 6,000,000 thousand shares with a par value of 10 New Taiwan dollar per share amounted to $60,000,000 of which 4,419,192 thousand shares and 4,424,161 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 $49,690 and $31,500 had been cancelled due to failure in meeting the vested requirements for the years ended December 31, 2017 and 2016, respectively. As of December 31, 2017, except $10,890, the registration procedure had been completed.

(ii) Capital surplus

The balances of capital surplus were as follows:

	December 31, 2017	December 31, 2016
Additional paid-in capital	$ 7,898,905	8,561,027
Treasury share transactions	2,361,843	2,301,816
Difference between consideration and carrying amount arising from acquisition or disposal of subsidiaries	36,766	3,750
Recognition of changes in ownership interests in subsidiaries	48,348	48,206
Employee restricted shares	318,209	603,990
Changes in equity of associates and joint ventures accounted for using equity method	274,702	260,485
	$ 10,938,773	11,779,274

(Continued)

In accordance with the ROC Company Act, realized capital reserves can only be reclassified as share capital 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 percent of the actual share capital amount.

The Company's shareholders' meeting held on June 22, 2017 and June 24, 2016, approved to distribute the cash dividend of $884,431 and $885,334, respectively, representing 0.2 and 0.2 New Taiwan dollars per share by using the additional paid-in capital, respectively.

(iii) Retained earnings

Based on the Company's articles of incorporation amended on June 24, 2016, 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.

3) Earnings distribution

Earnings distribution for 2016 and 2015 was approved by the shareholders during their annual meeting held on June 22, 2017 and June 24, 2016, respectively. The relevant information was as follows:

	2016		2015	
	Amount per share	**Total amount**	**Amount per share**	**Total amount**
Cash dividends distributed to common shareholders	$ 1.0	4,422,153	1.0	4,426,671

The earnings distribution for the year ended December 31, 2017 had not yet been approved by the Board of Directors nor decided by the shareholders. The related information can be accessed through the Market observation Post System website after the shareholders' meeting.

4) Treasury stock

The subsidiaries of the Company did not sell the ordinary shares of the Company in the years ended December 31, 2017 and 2016. As of December 31, 2017, 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 as of December 31, 2017. The fair value of the ordinary shares of the Company was 21.30 and 18.45 New Taiwan dollars per share as of December 31, 2017 and 2016, respectively.

Pursuant to Article 28-2 of the Securities and Exchange Act, in order to transfer its own shares to employees, the Company purchased 58,516 thousand shares of treasury stock amounting to $1,126,478 in the year ended December 31, 2013. At a meeting held on August 13, 2014, the Company's Board of Directors decided to transfer 14,700 thousand shares of treasury stock, which were purchased in 2013, to employees. The Company cancelled the rest of the 43,816 thousand shares of treasury stock purchased in 2013 at the directors' meeting held on June 29, 2016 because the legal transfer period had matured. The registration procedure had been completed.

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.

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

	Exchange differences on transaction of foreign operation financial statements	Unrealized gain (loss) on available-for-sale financial assets	Unearned compensation for restricted employee shares and others	Total
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)**
Balance on January 1, 2016	$ 2,803,061	(6,010,432)	(719,510)	(3,926,881)
The Company	(1,004,076)	386,047	442,104	(175,925)
Subsidiaries	103,675	84,336	(7,699)	180,312
Associates	(578,378)	(123,781)	-	(702,159)
Balance on December 31, 2016	**$ 1,324,282**	**(5,663,830)**	**(285,105)**	**(4,624,653)**

(u) 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 years, 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.

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

	2017	2016
Outstanding shares on January 1	44,740	47,890
Vested during the period	(16,200)	-
Canceled during the period	(4,969)	(3,150)
Outstanding shares on December 31	**23,571**	**44,740**

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, 2017 and 2016, the unearned employee benefit were $79,856 and $285,104, respectively. The compensation cost related to the restricted shares amounted to $103,356 and $373,429, respectively, for the years ended December 31, 2017 and 2016.

(ii) Arcadyan – employee restricted shares

At the meeting held on June 25, 2013, Arcadyan's shareholders' Meeting adopted a resolution to issue 2,800,000 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 August 8, 2013, which was also the effective date of the share issuance.

2,100,000 shares of the aforementioned restricted shares are issued without consideration. 40%, 30% and 30% of the aforementioned restricted shares will be vested, respectively, when the employees continue to provide service for at least 1 year, 2 years and 3 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 in the mean time, the employees granted the restricted shares meet the performance requirement, the other 700,000 shares of the restricted stock are 100% vested at the date that the shareholders' meeting approved the financial statements for the second fiscal year. The earnings per share mentioned above is calculated based on the profit approved by the shareholders, and the weighted average number of ordinary shares outstanding at the date of the restricted shares being approved by the authority.

After the issuance, the restricted shares are kept by trustee, which is designated by Arcadyan, before they are vested. These restricted shares shall not be sold, pledged, transferred, gifted or created other rights or encumbrances, or otherwise disposed in any other means during the custody period. Before the vesting conditions are fully satisfied, the shareholder rights of these shares are executed by the custodian, and the custodian shall act based on law and regulations. If the shares remain unvested after the vesting period, Arcadyan will redeem the shares without consideration and cancel the shares thereafter. Restricted shares could participate in cash and stock dividends, and could join cash injection. The aforementioned new shares arising from dividends are not considered as restricted shares.

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

	2016
Outstanding shares on January 1	619
Vested during the period	(594)
Canceled during the period	(25)
Outstanding shares on December 31	-

The compensation cost related to the restricted shares amounted to $3,629 for the year ended December 31, 2016.

(iii) TTI – employee stock options

The information about share-based payment of TTI in 2017 and 2016 was as follows:

	Employee stock options
Grant date	2015.10.29
Number of shares granted (in thousands)	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.

Exercisable	Period and performance requirements to exercise options
30 %	The share purchase right is effectively vested after the satisfaction of 2 conditions: (1) Years of service must exceed 3 years after the issuance of the right. (2) Upon vesting, the performance requirements need to be met, otherwise, the earnings per share of TTI for the following year must exceed NT$3. If the criteria for the said earnings per share are not fulfilled, then the measurement period will be extended to another 1 year; the earnings per share must exceed NT$3 during the extension period.
30 %	The share purchase right is effectively vested after the satisfaction of 2 conditions: (1) Years of service must exceed 4 years after the issuance of the right. (2) Upon vesting, the performance requirements need to be met, otherwise, the earnings per share of TTI for the following year must exceed NT$3. If the criteria for the said earnings per share are not fulfilled, then the measurement period will be extended to another 1 year; the earnings per share must exceed NT$3 during the extension period. The total measurement periods mentioned above may not exceed 6 years.

The earnings per share mentioned above are based on the financial statements that had been audited and certified by a certified public accountant.

3) Exercise method: TTI would issue new shares as the options are exercised.

4) Exercise procedure: In accordance with TTI's issuance and exercise rules, after receiving the payment for share options, the entitlement certification of share options exercised is registered as ordinary shares.

The information on total options issued was as follows:

	2017		2016	
	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
Issued during the period	-	-	-	-
Outstanding shares on December 31	**1,000**	13.5	**1,000**	13.5
Exercisable shares on December 31	**-**	-	**-**	-

(Continued)

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, 2017	December 31, 2016
Range of exercise price	13.5	13.5
Weighted average of remaining contractual period	4.83	5.83

The expenses related to the share-based payment both amounted to $1,289 for the years ended December 31, 2017 and 2016.

(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		2016	
	Shares	Weighted-average exercise price (NT dollars)	Shares	Weighted-average exercise price (NT dollars)
Outstanding shares on January 1	101,800	$ 10	520,400	$ 10
Aborted during the period	-	-	(13,200)	10
Expired during the period	-	-	(10,700)	10
Exercised during the period	(101,800)	10	(394,700)	10
Outstanding shares on December 31	**-**	-	**101,800**	10
Exercisable shares on December 31	**-**	-	**101,800**	10

The aforementioned employee stock options have been totally exercised in 2017. As of December 31, 2016, the weighted-average remaining contractual life of the outstanding options was 2.83 years.

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2) The second employee stock option plan

	2017		2016	
	Shares	**Weighted-average exercise price (NT dollars)**	**Shares**	**Weighted-average exercise price (NT dollars)**
Outstanding shares on January 1	376,812	$ 10	580,000	$ 10
Aborted during the period	(16,500)	10	(42,482)	10
Expired during the period	(22,905)	10	(60,488)	10
Exercised during the period	(53,640)	10	(100,218)	10
Outstanding shares on December 31	**283,767**	10	**376,812**	10
Exercisable shares on December 31	**131,967**	**10**	**55,812**	10

As of December 31, 2017 and 2016, the weighted-average remaining contractual life of the outstanding options was 3.67 and 4.67 years, respectively.

3) The third employee stock option plan

	2017		2016	
	Shares	**Weighted-average exercise price (NT dollars)**	**Shares**	**Weighted-average exercise price (NT dollars)**
Outstanding shares on January 1	1,490,000	$ 10	-	$ -
Issued during the period	-	-	1,500,000	10
Aborted during the period	(15,000)	10	(10,000)	10
Expired during the period	(30,000)	10	-	-
Exercised during the period	(1,211,000)	10	-	-
Outstanding shares on December 31	**234,000**	10	**1,490,000**	10
Exercisable shares on December 31	**234,000**	10	**-**	-

As of December 31, 2017 and 2016, the weighted-average remaining contractual life of the outstanding options was 3.67 and 4.67 years, respectively.

The issuance terms of the share options are as follows.

1) Exercise price: 10 NT dollars 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, 2017 and 2016 were $6,210 and $19,925, 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
Share price at grant date (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
Share price at grant date (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
Share price at grant date (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

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(v) CBN－Cash injection reserved for employees

CBN's Board of Directors resolved to implement cash injection on October 28, 2016, of which 1,500,000 shares were reserved for employees. As of December 31, 2017, the relevant information was as follows:

	Cash injection reserved for employees
Grant date	2016.11.2
Number of shares granted (in thousands)	1,500 thousands
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 $30 in 2016.

(v) Earnings per share

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

	2017	2016
Basic earnings per share:		
Profit attributable to ordinary shareholders of the Company	$ 5,749,525	8,130,890
Weighted-average number of outstanding ordinary shares (in thousands)	4,344,646	4,329,404
Diluted earnings per share:		
Profit attributable to ordinary shareholders of the Company (after adjustment of potential diluted ordinary shares)	$ 5,749,525	8,130,890
Weighted-average number of outstanding ordinary shares of potential diluted ordinary shares		
Weighted-average number of outstanding ordinary shares (in thousands)	4,344,646	4,329,404
Effect of potential diluted common stock		
Employee compensation (in thousands)	39,737	59,347
Employee restricted shares (in thousands)	20,670	29,826
Weighted-average number of ordinary shares (in thousands) (after adjustment of potential diluted ordinary shares)	4,405,053	4,418,577

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(w) Revenue

The revenue for the years ended December 31, 2017 and 2016, were as follows:

	2017	2016
Sale of goods	$ 886,180,529	763,469,191
Rendering of services and others	1,476,430	3,340,844
	$ 887,656,959	**766,810,035**

(x) 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 $624,296 and $876,028, and directors' compensation of $33,102 and $46,323 for the years ended December 31, 2017 and 2016, respectively. The estimated amounts mentioned above are based on the net profit before tax without the compensations to employees and directors of each respective ending period, multiplied by the percentage of the compensation to employees and directors, which was approved by the management. The estimations are recorded under operating expenses and cost. The differences between the amounts estimated and recognized in the financial statements, if any, are accounted for as changes in accounting estimates and recognized as profit or loss in the distribution year. If the Board of Directors approve to distribute employee compensation in the form of stock, the number of the shares of the employee compensation is based on the closing price of the day before the Board of Directors' meeting, the related information can be accessed through the Market Observation Post System website. There is no differences between the amount approved in the Board of Directors' meeting and those recognized in the financial statements in 2017 and 2016.

There is no differences between the amount estimated and recognized in the financial statements in 2016, the related information can be accessed through the Market Observation Post System website.

(y) Non-operating income and expenses

(i) Other income

The other income for the years ended December 31, 2017 and 2016, were as follows:

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		2017	2016
Interest income			
Bond investment without an active market	$	15,803	23,992
Bank deposits		845,293	524,236
Others		16,274	13,669
Dividend revenue		169,839	191,333
Overdue payable reversed as other income		251,838	582,430
Other revenue		267,428	625,894
	$	**1,566,475**	**1,961,554**

(ii) Other gains and losses

The other gains and losses for the years ended December 31, 2017 and 2016, were as follows:

		2017	2016
Gains (losses) on disposal of investments	$	(4,252)	112,448
Gains (losses) on financial assets and liabilities at fair value through profit or loss, net		(421,148)	157,896
Foreign currency exchange losses, net		(1,582,518)	(1,400,624)
Gain on disposal of property, plant, and equipment		110,846	87,995
	$	**(1,897,072)**	**(1,042,285)**

(z) 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, 2017 and 2016, were as follows:

		2017	2016
Cash flow hedge:			
Profit (loss) recognized (net of tax)	$	(141,364)	107,945
Less: reclassified to profit or loss		(141,364)	129,305
Profit (loss) recognized in other comprehensive income (net of tax)	$	**-**	**(21,360)**
Available-for-sale financial assets:			
Net change in fair value (net of tax)	$	292,831	447,396
Net change in fair value reclassified to profit or loss (net of tax)		-	22,987
Net change in fair value recognized in other comprehensive income (net of tax)	$	**292,831**	**470,383**

(Continued)

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(aa) Financial instruments

(i) Credit risk

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.

(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, 2017					
Non-derivative financial liabilities					
Secured loans	$ 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)
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)**
December 31, 2016					
Non-derivative financial liabilities					
Secured loans	$ 586,563	(586,563)	(266,875)	(181,875)	(137,813)
Unsecured borrowings	74,815,777	(74,815,777)	(51,180,777)	(4,688,750)	(18,946,250)
Accounts payable	129,481,943	(129,481,943)	(129,481,943)	-	-
Other payables	12,730,178	(12,730,178)	(12,730,178)	-	-
Derivative financial liabilities					
Forward exchange contracts:	137,489				
Outflow		(1,813,182)	(1,813,182)	-	-
Inflow		1,659,679	1,659,679	-	-
	$ 217,751,950	**(217,767,964)**	**(193,813,276)**	**(4,870,625)**	**(19,084,063)**

(Continued)

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

(iii) Currency risk

1) Exposure to foreign currency risk

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

	December 31, 2017			December 31, 2016		
	Foreign Currency	**Exchange rate**	**TWD**	**Foreign Currency**	**Exchange rate**	**TWD**
Financial assets						
Monetary items						
USD to TWD	$ 6,843,437	29.76	203,660,685	6,593,457	32.25	212,638,988
USD to CNY	7,035	6.5128	209,157	17,842	6.9563	573,036
EUR to TWD	78,869	35.57	2,805,370	65,103	33.9	2,206,992
CNY to USD	1,909,447	0.1535	8,722,659	2,081,236	0.1438	9,651,836
Non-monetary items						
THB to TWD	712,938	0.9176	654,192	647,743	0.8990	582,303
Financial liabilities						
Monetary items						
USD to TWD	6,369,012	29.76	189,541,797	5,595,654	32.25	180,459,842
USD to CNY	9,803	6.5128	291,452	15,092	6.9563	484,713
EUR to TWD	19,335	35.57	687,746	5,417	33.9	183,636
CNY to USD	2,033,177	0.1535	9,287,878	2,166,955	0.1438	10,049,362

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, 2017 and 2016, would have increased (decreased) the net profit before tax as follows. The analysis is performed on the same basis for both periods.

	December 31, 2017	**December 31, 2016**
USD (against the TWD)		
Strengthening 5%	$ 705,944	1,608,957
Weakening 5%	(705,944)	(1,608,957)

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	December 31, 2017	December 31, 2016
USD (against the CNY)		
Strengthening 5%	(4,115)	4,416
Weakening 5%	4,115	(4,416)
EUR (against the TWD)		
Strengthening 5%	105,882	101,168
Weakening 5%	(105,882)	(101,168)
CNY (against the USD)		
Strengthening 5%	(28,261)	(19,876)
Weakening 5%	28,261	19,876

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. In 2017 and 2016, the foreign exchange losses, including both realized and unrealized, amounted to $1,582,518 and $1,400,624, 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, 2017 and 2016, which would be mainly resulted from the bank savings and borrowings with variable interest rates.

	2017	2016
Interest increased by 0.25%	$ (36,326)	(32,416)
Interest decreased by 0.25%	36,326	32,416

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(v) Fair value information

1) Valuation procedures

The Group's accounting policies and disclosure include fair value method on financial assets, financial liabilities, non-financial assets and non-financial liabilities. The Group's management is responsible in performing independent test on fair value by using independent source of information to obtain the fair value which is close to the market status. The management also confirms the independence, reliability and matching of the information source, and regularly test the valuation model, update the input and other information, and make necessary adjustment to ensure the output of valuation is reasonable.

2) Fair value hierarchy

The Group uses observable market data to evaluate assets and liabilities when it is possible. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the assets or liability that are not based on observable market data (unobservable inputs).

3) The categories and fair value of financial instruments

The Group's financial assets at fair value through profit or loss, derivative financial asset and liability for hedging and 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.

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	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 asset 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
	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	-	-	-	-
	249,371,939				
Total	$ 257,159,773				
Financial liabilities at fair value through profit or loss					
Financial liabilities held for trading	$ 24,463	-	24,463	-	24,463
Financial liabilities 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 payable	12,023,718	-	-	-	-
Long-term borrowings current portion	6,200,625	-	-	-	-
Long-term borrowings	21,252,263	-	-	-	-
	238,009,955				
Total	$ 238,034,418				

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	December 31, 2016				
		Fair Value			
	Book value	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or loss					
Derivative instruments not used for hedging	$ 86,440	-	86,440	-	86,440
Available-for-sale financial assets					
Stocks listed on domestic markets (including stocks acquired via private placement)	6,781,745	4,511,745	-	2,270,000	6,781,745
Stocks listed on foreign markets	582,303	582,303	-	-	582,303
Stocks unlisted on domestic markets	2,172,000	-	-	2,172,000	2,172,000
Stocks unlisted on foreign markets	69,044	-	-	69,044	69,044
	9,605,092				
Financial assets at cost (non-current)	71,820	-	-	-	-
Loans and receivables					
Cash and cash equivalents	72,950,596	-	-	-	-
Bond investment without active market-including current and non-current	1,050,000	-	-	-	-
Notes and accounts receivable, net	175,318,313	-	-	-	-
Notes and accounts receivable due from related parties, net	70,972	-	-	-	-
Other receivables	1,082,607	-	-	-	-
Guarantee deposits	280,404	-	-	-	-
	250,752,892				
Total	$ 260,516,244				
Financial liabilities at fair value through profit or loss					
Financial liabilities held for trading	$ 137,489	-	137,489	-	137,489
Financial liabilities at amortized cost					
Short-term borrowings	43,480,777	-	-	-	-
Notes and accounts payable	127,523,732	-	-	-	-
Notes and accounts payable to related parties	1,958,211	-	-	-	-
Other payable	12,730,178	-	-	-	-
Long-term borrowings current portion	7,966,875	-	-	-	-
Long-term borrowings	23,954,688	-	-	-	-
	217,614,461				
Total	$ 217,751,950				

4) 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

Fair value measurement is based on the latest quoted price and agreed-upon price if these prices are available in an active market. When market value is unavailable, fair value of financial assets and liabilities are evaluated based on the discounted cash flow of the financial assets and liabilities.

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

a) Non-derivative financial instruments

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

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

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

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

6) Transfer from one level to another

There was no transfer from one level to another in 2017 and 2016.

7) Changes in level 3

	Available-for-sale financial assets
Balance on January 1, 2017	$ 4,511,044
Total gains and losses recognized:	
In other comprehensive income	149,300
Purchased	60,180
Proceeds of capital reduction of investments	(28,615)
Sold	(2,270,000)
Balance on December 31, 2017	**$ 2,421,909**
Balance on January 1, 2016	$ 4,406,906
Total gains and losses recognized:	
In profit or loss	(22,987)
In other comprehensive income	49,573
Purchased	125,247
Proceeds of capital reduction of investments	(47,695)
Balance on December 31, 2016	**$ 4,511,044**

The aforementioned total gains and losses related to the assets held during the years ended December 31, 2017 and 2016, were as follows:

	2017	2016
Total gains and losses recognized:		
In profit or loss before tax (as "other income")	$ -	(22,987)
In other comprehensive income, before tax (as "unrealized gains and losses on available-for-sale financial assets ")	$ 149,300	49,573

8) 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 available-for-sale financial assets – equity investments and available-for-sale financial assets－privately equity fund.

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

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The quantified information for significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationships between significant unobservable inputs and fair value
Available-for-sale financial assets－equity investment without quoted price	Price-Book ratio method	Price-Book ratio multiples. (1.7671~2.63 and 1.7671~2.16 on December 31, 2017 and 2016, respectively)	The higher the multiple is, the higher the fair value will be.
		Lack-of-Marketability discount rate (45%~65% on December 31, 2017 and 2016)	The higher the Lack-of-Marketability discount rate is, the lower the fair value will be.
	Earnings multiplier method	Multiples of earnings (15 and 12.9 on December 31, 2017 and 2016, respectively)	The higher the multiples is, the higher the fair value will be.
		Lack-of-Marketability discount rate (20% on December 31, 2017 and 2016)	The higher the Lack-of-Marketability discount rate is, the lower the fair value will be.
Available-for-sale financial assets－investment in privately equity fund	Net asset value method	Net asset value	Inapplicable

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

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

	Input	Move up or down	Other comprehensive income Favorable change	Unfavorable change
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
December 31, 2016				
Available-for-sale financial assets	Price-Book ratio multiples	5%	$ 2,402	2,466
	Multiples of earnings	5%	$ 4,388	4,431
	Lack-of-Marketability discount rate	5%	$ 5,246	5,353

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.

(ab) Financial risk management

(i) Briefings

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. 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, 2017 and 2016, 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)(n) and (6)(o) for unused credit lines of short-term and long-term borrowings as of December 31, 2017 and 2016.

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(v) Market risk

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

1) Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the functional currencies of the Group. The currencies used in these transactions are primarily denominated in TWD, USD, EUR and CNY.

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

2) Interest rate risk

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

3) Other price risk

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

(ac) 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, 2017 and 2016, the debt ratio was as follows:

	December 31, 2017	December 31, 2016
Total liabilities	$ 254,708,449	234,732,296
Total assets	$ 363,356,421	347,016,111
Debt ratio	70%	68%

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, 2017, there were no changes in the Group's approach of capital management.

(7) Related-party transactions:

(a) Name and relationship with related parties

Name of related party	Relationship with the Group
Compal Precision Module (Jiangsu) CO.,LTD.	An associate
LC Future Center Limited (LCFC) and its subsidiaries	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
Compliance Certification Services (CCS)	Originally an associate, from August 2016, the Group did not have significant influence on CCS
Compal Connector Manufacture Ltd. (CCM)	A joint venture company
AcBel Polytech Inc. (AcBel) and its subsidiaries	Same chairman with the Company

(b) Transactions with key management personnel

Key management personnel remunerations comprised:

	2017	2016
Short-term employee benefits	$ 508,624	618,371
Post-employment benefits	8,319	9,587
Share-based payments	71,545	201,501
	$ 588,488	829,459

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

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(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:

	2017	2016
Associates	$ 529,006	397,360
Other related parties	2,020	-
	$ 531,026	**397,360**

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:

	2017	2016
Associates	$ 4,446,200	5,071,698
Other related parties	610,635	701,826
Joint venture	77,638	34,392
	$ 5,134,473	**5,807,916**

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) Receivable due from relate parties

The receivables arising from the transactions mentioned above and others on behalf of related parties as of December 31, 2017 and 2016, were as follows:

Account	Related party categories	December 31, 2017	December 31, 2016
Notes and accounts receivable	Associates	$ 113,988	70,972
Notes and accounts receivable	Other related parties	6	-
Other receivables	Joint venture	179	223
		$ 114,173	**71,195**

(iv) Payable to related parties

The payables arising from the transactions mentioned above and rendering of services from other related parties as of December 31, 2017 and 2016, were as follows:

Account	Related party categories	December 31, 2017	December 31, 2016
Notes and accounts payable	Associates	$ 1,351,036	1,586,829
Notes and accounts payable	Other related parties	245,253	350,199
Notes and accounts payable	Joint venture	40,367	21,183
Other payable	Associates	154	626
		$ 1,636,810	**1,958,837**

(8) Pledged assets:

The carrying values of pledged assets were as follows:

Pledged Assets	Subject	December 31, 2017	December 31, 2016
Other current assets – time deposits	Guarantee of administrative litigation	$ -	220,097
Other current assets	Bail for court mandatory execution	26,510	26,510
Property, plant and equipment	Long-term borrowings (including current portion, note)	1,151,730	1,410,724
Other non-current assets	Guarantee of post-release duty payment to the Customs and guarantee of the Customs	14,241	15,086
		$ 1,192,481	**1,672,417**

Note: Part of long-term borrowings had been settled in 2015, but the assets of property-land still were pledged as collaterals.

(9) Commitments and contingencies:

The details of commitments and contingencies were as follows:

(a) On May 17, 2017, Qualcomm Inc. filed a lawsuit to the Southern District Court of California, USA against the Group for not paying the royalties of the patent license agreement. The Group has filed counterclaims against Qualcomm Inc. based on the antitrust law in the same court on July 19, 2017. The Group has engaged counsels to defend the lawsuits. This case is still in progress; 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, 2017 and 2016, the Group’s signed commitments to purchase property, plant and equipment amounted to $395,217 and $880,942, respectively.

(d) Please refer to note (6)(q) 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.

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(10) Losses Due to Major Disasters: None

(11) Subsequent Events: None

(12) Other:

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

By function / By item	2017 Operating costs	2017 Operating expenses	2017 Total	2016 Operating costs	2016 Operating expenses	2016 Total
Employee benefits						
Salary	14,724,727	10,308,761	25,033,488	14,450,121	11,007,230	25,457,351
Labor and health insurance	770,050	723,811	1,493,861	790,687	706,079	1,496,766
Pension	1,101,172	451,513	1,552,685	1,040,401	443,129	1,483,530
Others	2,598,425	558,734	3,157,159	1,783,595	542,870	2,326,465
Depreciation	4,331,671	469,576	4,801,247	4,677,171	526,084	5,203,255
Amortization	16,274	367,151	383,425	21,052	443,805	464,857

(13) Other disclosures:

(a) Information on significant transactions:

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group:

(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	250,000	250,000	220,000	1.2%	Short-term financing	-	Operating demand	-	-	-	20,379,117	40,758,234 (Note 1)
0	The Company	HengHao	〃	Y	194,938	193,411	193,411	1.8%	〃	-	〃	-	-	-	20,379,117	40,758,234 (Note 1)
0	The Company	HengHao	〃	Y	203,712	-	-	1.5%	〃	-	〃	-	-	-	1,064,546	40,758,234 (Note 1)
1	CIH	CEP	〃	Y	109,708	104,160	53,568	2.50%	〃	-	〃	-	-	-	32,764,952	32,764,952 (Note 2)
2	CPI	CEB	〃	Y	470,175	446,400	446,400	2.50%	〃	-	〃	-	-	-	872,189	872,189 (Note 3)
3	CET	CDE	〃	Y	1,371,300	1,369,500	1,369,500	4.35%	〃	-	〃	-	-	-	4,559,864	4,559,864 (Note 4)
4	CEC	CCI Nanjing	〃	Y	2,194,150	-	-	2.50%	〃	-	〃	-	-	-	3,528,884	3,528,884 (Note 5)
5	CIT	CCI Nanjing	〃	Y	2,194,150	2,083,200	2,083,200	2.50%	〃	-	〃	-	-	-	19,050,098	19,050,098 (Note 6)
6	PFG	CEB	〃	Y	302,600	297,600	-	2.50%	〃	-		-	-	-	408,685	408,685 (Note 7)
7	Arcadyan	Arcadyan Brasil	〃	Y	250,760	238,080	47,616	1.00%	Transaction for business between two parties	297,600	-	-	-	-	238,080	3,401,359 (Note 8)

(Continued)

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

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 CEC's Procedures for Lending Funds to Other parties, the total amount of loans to others shall not exceed 40% of the net worth of CEC. When a short-term financing facility with CEC 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 CEC' 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 CEC, 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. 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)	25,473,896	62,690	59,520	59,520	-	0.06 %	50,947,792 (Note 1)	Y	-	-
0	〃	CEP	(Note 2)	25,473,896	332,045	313,443	313,443	-	0.31 %	50,947,792 (Note 1)	Y	-	-
1	Arcadyan	Arcadyan Brasil	(Note 5)	1,133,786	250,760	238,080	-	-	2.80 %	3,401,359 (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.

COMPAL ELECTRONICS, INC. AND ITS SUBSIDIARIES
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(iii) Securities held as of December 31, 2017 (excluding investment in subsidiaries, associates and joint ventures):

(In Thousands of New Taiwan Dollars)

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 (%)	
The Company	Common bond-Taiwan Star	－	Bond investments without an active market-current and non-current	-	700,000	-	-	-	-	
	Taiwan Star	－	Available- for-sale financial assets, non-current	98,046	980,465	3%	980,465	98,046	3%	
	Kinpo Electronics, Inc. (Kinpo)	The same chairman of the board of the Company	〃	124,044	1,308,662	9%	1,308,662	124,044	9%	
	Cal-Comp Electronics (Thailand) Public Co., Ltd.	〃	〃	239,631	654,192	5%	654,192	239,631	5%	
	Innolux Corporation (Innolux)	－	〃	134,877	1,672,479	1%	1,672,479	134,877	1%	
	Chipbond Technology Corp. (Chippond)	－	〃	13,542	763,771	2%	763,771	13,542	2%	
	HWA VI Venture Capital Corp.	－	〃	290	29,119	10%	29,119	290	10%	
	HWA Chi Venture Capital Corp.	－	〃	1,053	28,200	11%	28,200	1,053	11%	
	Global BioPharma, Inc.	－	〃	2,000	40,000	3%	40,000	2,000	3%	
	Chen Feng Optoelectronics	－	〃	5,829	47,566	13%	47,566	5,829	13%	
	Primesensor Technology Inc.	－	Financial assets at cost －non-current	233	2,333	1%	-	233	1%	(Note 1)
	Macroblock, Inc.	－	Available- for-sale financial assets－current	716	46,479	2%	46,479	716	2%	
	Others				210,880					
	Total				5,784,146					
Panpal	Compal Electronics, Inc.	The parent company	Available- for-sale financial assets－non-current	31,648	674,104	1%	674,104	31,648	1%	(Note 2)
	Kinpo	With the same chairman of the board	〃	23,172	244,470	2%	244,470	23,172	2%	
	CDIB Partners Investment Holding Corp.	－	〃	54,000	885,060	5%	885,060	54,000	5%	
	Innolux	－	〃	11,836	146,764	-	146,764	11,836	-	
	AcBel Polytech Inc.(AcBel)	With the same chairman of the board	〃	5,677	126,306	1%	126,306	5,677	1%	
	Chipbond	－	〃	5,251	296,155	1%	296,155	5,251	1%	
	Taiwan Biotech Co., Ltd.	－	〃	4,897	46,537	3%	46,537	4,897	3%	
	Others				88,376					
	Total				2,507,772					
Gempal	Compal Electronics, Inc.	The parent company	Available- for-sale financial assets－non-current	18,369	391,267	-	391,267	18,369	-	(Note 2)
	Lian Hong Art. Co., Ltd.	－	〃	2,140	33,573	8%	33,573	2,140	8%	
	Global BioPharma, Inc.	－	〃	2,000	40,000	3%	40,000	2,000	3%	
	Others				3,750					
	Total				468,590					
Hong Ji	SUYIN Optronics Co., Ltd. (SUYIN Optronics)	－	Available-for-sale financial assets－non-current	380	182	1%	182	380	1%	

(Continued)

COMPAL ELECTRONICS, INC. AND ITS 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 (%)	
Hong Jin	SUYIN Optronics	–	Available-for-sale financial assets－non-current	332	160	1%	160	332	1%	
Arcadyan	GeoThings Inc.	–	Financial assets carried at cost－non-current	200	-	9%	-	200	9%	(Note 1)
	AirHop Communication Inc.	–	〃	1,152	-	6%	-	1,152	6%	〃
	Adant Technologies Inc.	–	〃	349	-	6%	-	349	6%	〃
	IOT EYE, Inc.	–	〃	60	-	6%	-	60	6%	〃
	TIEF Fund, L.P	–	〃	-	48,709	7%	-	-	7%	〃
	Total				48,709					
Mactech	Taichung International Golf Country Club	–	Financial assets carried at cost－non-current	-	2,940	-	-	-	-	〃
CET	Changchun Trarrii Electronic Technology Co.,Ltd	–	Financial assets carried at cost－non-current	1,000	-	17%	-	1,000	17%	(Note 1)
HHB	HWALLAR OPTRONICS(FUZHOU) CO.,LTD.	–	Available- for-sale financial assets－non-current	-	-	19%	-	-	19%	

Note 1: The carrying value is the remaining amount after deducting accumulated impairment.
Note 2: The transactions had been eliminated in the 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)

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	CPT	Available-for-sale financial assets-noncurrent	Tatung	-	394,086	811,000	-	-	394,086	811,466	811,000	(1,804) (Note 1)	-	-	-	-
Zhaopal	CPT	Available-for-sale financial assets－non-current	Tatung		315,269	648,000	-	-	315,269	649,172	648,000	(643) (Note 1)	-	-	-	-
Yongpal	CPT	Available-for-sale financial assets－non-current	Tatung	-	275,860	568,000	-	-	275,860	568,026	568,000	(1,563) (Note 1)	-	-	-	-
Kaipal	CPT	Available-for-sale financial assets-non-current	Tatung		118,226	243,000	-	-	118,226	243,440	243,000	(241) (Note 1)	-	-	-	-
Arcadyan	CBN	Investments accounted for using equity method	Realsun Investment Co., Ltd, CDIB Capital Growth Partners L.P., KGI Securities and Yuanta Securities	-	8,735	219,723	-	-	8,750	303,088	224,051	79,037	548 (Note 2)	-	533	13,583

Note 1: The gain (loss) on disposal included securities transactions tax amounting to $6,356.
Note 2: CBN had distributed stock dividends amounted to 548 thousand shares on October 11, 2017.

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

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

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

(vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT$300 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	UCGI	The Company's subsidiary	Sale	(193,234)	- %	120 days	Similar to non-related parties	There is no significant difference	112,818	0.1 %	(Note 2)
	CBN	〃	Sale	(3,143,403)	(0.4)%	90 days	〃	〃	1,423,647	0.8 %	〃
	Bizcom	〃	Sale	(182,155)	- %	45~180 days	〃	〃	84,974	0.1 %	〃
	Palcom	〃	Sale	(158,666)	- %	Net 120 days from delivery	〃	〃	28,023	- %	〃
	CIH and its subsidiaries	Subsidiaries wholly owned by the Company	Purchase	111,942,617	13.4 %	120 days	Similar to non-related parties	There is no significant difference, and adjustments will be made based on demand for funding if necessary	(51,526,537)	(35.3)%	〃
	BCI and its subsidiaries	〃	Purchase	306,563	- %	〃	〃	〃	(192,307)	(0.1)%	〃
	Webtek	〃	Purchase	57,512,174	6.9 %	60 days from purchase	Markup based on Webtek's cost	〃	(7,393,028)	(5.1)%	〃
	Forever	〃	Purchase	53,425,864	6.4 %	〃	Markup based on Forever's cost	〃	(11,799,545)	(8.1)%	〃
Just and its subsidiaries	Webtek	With the same ultimate parent company	Sale	(7,122,506)	(27.8)%	〃	According to markup pricing	Adjustments will be made based on demand for funding	1,906,604	37.5 %	〃
	Forever	〃	Sale	(18,543,968)	(72.2)%	〃	Similar to non-related parties	〃	3,174,738	62.5 %	〃
	BCI and its subsidiaries	〃	Purchase	319,675	36.0 %	120 days from purchase	〃	〃	(159,256)	(0.7)%	〃
	CIH and its subsidiaries	〃	Purchase	324,416	38.0 %	60 days from purchase	〃	〃	(317,152)	(1.3)%	〃
CIH and its subsidiaries	The Company	Parent Company	Sale	(112,161,356)	(75.9)%	120 days	Similar to non-related parties	There is no significant difference, and adjustments will be made based on demand for funding if necessary	51,526,528	48.3 %	〃
	CEB	With the same ultimate parent company	Sale	(240,270)	(0.2)%	〃	〃	〃	69,979	0.1 %	〃
	Forever	〃	Sale	(37,393,853)	(23.7)%	Net 60 days from delivery	According to markup pricing	Adjustments will be made based on demand for funding	5,661,334	5.3 %	〃

(Continued)

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

Company Name	Counter party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/ (Sale)	Amount	Percentage of total purchases/ (sales)	Payment terms	Unit price	Payment Terms	Ending Balance	Percentage of total notes/ accounts receivable (payable)	
CIH and its subsidiaries	Just and its subsidiaries	〃	Sale	(323,229)	(0.2)%	〃	〃	〃	315,992	0.3 %	(Note 2)
CBN	The Company	Parent Company	Purchase	3,156,795	54.0 %	Net 90 days from delivery	-	There is no significant difference	(1,435,555)	(82.0)%	〃
BCI and its subsidiaries	The Company	〃	Sale	(305,977)	(1.6)%	120 days	Similar to non-related parties	There is no significant difference, and adjustments will be made based on demand for funding if necessary	192,307	1.5 %	〃
	CIH and its subsidiaries	With the same ultimate parent company	Sale	(17,264,305)	(89.1)%	〃	〃	〃	10,796,646	84.7 %	〃
	CEB	〃	Sale	(1,324,384)	(6.8)%	〃	〃	〃	581,570	4.6 %	〃
	Just and its subsidiaries	〃	Sale	(319,675)	(1.6)%	〃	〃	〃	159,256	1.2 %	〃
Webtek	The Company	Parent Company	Sale	(57,512,174)	(100.0)%	Net 60 days from delivery	According to markup pricing	Adjustments will be made based on demand for funding	7,393,028	100.0 %	〃
	Etrade and its subsidiaries	With the same ultimate parent company	Purchase	50,399,352	87.6 %	60 days from purchase	〃	〃	(5,975,838)	(75.8)%	〃
	Just and its subsidiaries	〃	Purchase	7,122,506	12.4 %	〃	〃	〃	(1,906,604)	(24.2)%	〃
CEB	BCI and its subsidiaries	〃	Purchase	1,337,791	16.0 %	120 days	Similar to non-related parties	There is no significant difference	(581,731)	(40.0)%	〃
	CIH and its subsidiaries	〃	Purchase	241,598	3.0 %	〃	〃	〃	(69,979)	(4.8)%	〃
CIH and its subsidiaries	BCI and its subsidiaries	〃	Purchase	17,264,305	14.1 %	〃	〃	〃	(10,796,646)	(25.6)%	〃
	AcBel and its subsidiaries	With the same chairman of the board	Purchase	438,666	0.4 %	60 days from purchase	〃	〃	(135,925)	(0.3)%	〃
	Wan Yuen Technology Holding Ltd. and its subsidiaries	Investee of FGH by using equity method	Purchase	3,898,277	3.2 %	〃	〃	〃	(1,116,511)	(2.7)%	〃
Etrade and its subsidiaries	Webtek	With the same ultimate parent company	Sale	(50,399,352)	(100.0)%	Net 60 days from delivery	According to markup pricing	Adjustments will be made based on demand for funding	5,975,838	100.0 %	(Note 2)
Forever	The Company	Parent Company	Sale	(53,425,864)	(87.1)%	〃	〃	〃	11,799,545	66.7 %	〃
	CIH and its subsidiaries	With the same ultimate parent company	Purchase	37,393,853	58.0 %	60 days from purchase	Similar to non-related parties	〃	(5,661,334)	(32.0)%	〃
	Just and its subsidiaries	〃	Purchase	18,543,968	29.0 %	〃	〃	〃	(3,174,738)	(18.0)%	〃
UCGI	The Company	Parent Company	Purchase	193,234	85.6 %	Net 120 days from delivery	〃	There is no significant difference	(112,818)	(90.3)%	〃
Palcom	The Company	〃	Purchase	158,666	100.0 %	〃	〃	〃	(28,023)	(100.0)%	〃
Bizcom	The Company	〃	Purchase	182,155	69.7 %	45~180 days	〃	〃	(88,804)	(80.8)%	〃

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COMPAL ELECTRONICS, INC. AND ITS SUBSIDIARIES
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			Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		
Company Name	Counter party	Nature of relationship	Purchase/ (Sale)	Amount	Percentage of total purchases/ (sales)	Payment terms	Unit price	Payment Terms	Ending Balance	Percentage of total notes/ accounts receivable (payable)	Note
THAC	TTI	With the same ultimate parent company	Sale	(524,173)	(40.0)%	Net 60 days from invoice date	According to markup pricing	-	593,517	100.0 %	(Note 1 and 2)
TTI	THAC	〃	Purchase	524,173	9.0 %	〃	-	-	(593,517)	(61.0)%	〃
THAC	CNC	With the same ultimate parent company	Purchase	134,969	10.0 %	Net 90 days from the end of the month of delivery	-	There is no significant difference	(42,842)	(7.0)%	〃
CNC	THAC	〃	Sale	(134,969)	(1.0)%	〃	According to markup pricing	〃	42,842	2.0 %	(Note 2)
Arcadyan	Arcadyan Germany	Arcadyan's subsidiaries	Sale	(2,324,292)	(16.0)%	Net 120 days from delivery	-	〃	788,304	23.0 %	〃
	Arcadyan USA	〃	Sale	(751,433)	(5.0)%	Net 60 days from the end of the month of delivery	-	-	56,400	2.0 %	〃
Sinoprime	Arcadyan	The Company's subsidiaries	Sale	(1,345,277)	(100.0)%	Net 45 days from the end of the month of delivery	According to markup pricing	〃	71,240	100.0 %	(Note 1 and 2)
CNC	Arcadyan	〃	Sale	(5,222,446)	(41.0)%	〃	〃	〃	1,168,057	46.0 %	〃
CNC	Sinoprime	With the same ultimate parent company	Sale	(1,345,277)	(11.0)%	〃	〃	〃	16,994	8.0 %	〃
Arcadyan Germany	Arcadyan	The Company's subsidiaries	Purchase	2,324,292	100.0 %	Net 120 days from delivery	-	〃	(788,304)	(100.0)%	(Note 2)
Arcadyan USA	Arcadyan	〃	Purchase	751,433	100.0 %	Net 60 days from the end of the month of delivery	-	〃	(56,400)	(100.0)%	〃
Arcadyan	CNC	Arcadyan's subsidiaries	Purchase	5,222,446	26.0 %	Net 45ays from the end of the month of delivery	According to markup pricing	-	(1,168,057)	(46.0)%	(Note 1 and 2)
	Sinoprime	〃	Purchase	1,345,277	7.0 %	〃	〃	-	(71,240)	(3.0)%	〃
Sinoprime	CNC	With the same ultimate parent company	Purchase	1,345,277	100.0 %	〃	-	-	(16,994)	(100.0)%	〃

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.

(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	1,423,647	1.91	-	-	1,126,254 (Note 1)	-	
〃	UCGI	The Company's subsidiary	112,818	1.67	-	-	- (Note 1)	-	
Just and its subsidiaries	Forever	With the same ultimate parent company	3,174,738	7.93	-	-	3,174,738 (Note 1)	-	
〃	Webtek	With the same ultimate parent company	1,906,604	7.47	-	-	- (Note 1)	-	
CIH and its subsidiaries	Compal Electronic, Inc.	Parent company	51,526,528	2.10	-	-	29,501,720 (Note 1)	-	
〃	Forever	With the same ultimate parent	5,661,334	5.97	-	-	5,420,724 (Note 1)	-	

(Continued)

COMPAL ELECTRONICS, INC. AND ITS SUBSIDIARIES
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Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue Amount	Overdue Action taken	Amounts received in subsequent period	Allowance for bad debts	Note
BCI and its subsidiaries	Compal Electronic, Inc.	Parent company	192,307	1.71	-	-	- (Note 1)	-	
〃	CIH and its subsidiaries	With the same ultimate parent company	10,796,646	2.25	-	-	6,630,645 (Note 1)	-	
〃	CEB	With the same ultimate parent company	581,570	3.14	-	-	210,629 (Note 1)	-	
〃	Just and its subsidiaries	With the same ultimate parent company	159,256	3.85	-	-	-	-	
Forever	Compal Electronic, Inc.	Parent company	11,799,545	3.92	-	-	11,724,012 (Note 1)	-	
Etrade and its subsidiaries	Webtek	With the same ultimate parent company	5,975,838	10.17	-	-	5,975,838 (Note 1)	-	
Webtek	Compal Electronic, Inc.	Parent company	7,393,028	9.62	-	-	7,393,028 (Note 1)	-	
Arcadyan	Arcadyan Germany	Arcadyan's subsidiary	788,304	3.79	-	-	358,609 (Note 2)	-	
TTI	THAC	Arcadyan's subsidiary	535,543 (Note 4)	0.46	-	-	261,659 (Note 2)	-	
THAC	TTI	Arcadyan's subsidiary	593,517	2.68	-	-	340,303 (Note 2)	-	
CNC	Arcadyan	The Company's subsidiary	1,168,057	4.47	-	-	1,163,391 (Note 2)	-	
CBN	Speedlink	With the same ultimate parent company	484,466 (Note 4)	-	116,958	-	116,958 (Note 3)	-	
Speedlink	Just and its subsidiaries	With the same ultimate parent company	484,466 (Note 4)	-	116,958	Enhanced the collection	116,958 (Note 3)	-	

Note 1: Balance as of March 15, 2018
Note 2: Balance as of February 28, 2018.
Note 3: Balance as of March 13, 2018.
Note 4: Other receivables due to processing and sales of raw material.

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

(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	182,155	There is no significant difference of price to non-related parties. The credit period is net 45~180 days from delivery, and will be adjusted if necessary.	-
				Accounts Receivable	84,974	〃	-

COMPAL ELECTRONICS, INC. AND ITS SUBSIDIARIES
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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	CEP	1	Product warranty service expenses	261,457	There is no significant difference of price to non-related parties. The credit period is net 120 days from delivery, and will be adjusted if necessary.	-
0	The Company	Auscom	1	Technical service expense	155,085	The price is based on the operating cost of Auscom. The credit period is net 120 days from invoice date, and will be adjusted if necessary.	-
				Accrued expenses payable	149,017	〃	-
0	The Company	CBN	1	Sales Revenue	3,143,403	There is no significant difference of price to non-related parties. The credit period is net 90 days from delivery.	0.4 %
				Accounts Receivable	1,423,647	〃	0.4 %
0	The Company	UCGI	1	Sales Revenue	193,234	There is no significant difference of price to non-related parties. The credit period is net 120 days from delivery, and will be adjusted if necessary.	-
				Accounts Receivable	112,818	〃	-
0	The Company	Palcom	1	Sales Revenue	158,666		-
				Accounts Receivable	28,023	〃	-
1	CIH and its subsidiaries	The Company	2	Sales Revenue	112,161,356	There is no significant difference of price to non-related parties. The credit period is net 120 days from delivery, and will be adjusted if necessary.	12.6 %
				Accounts Receivable	51,526,528	〃	14.2 %
0	CIH and its subsidiaries	Just and its subsidiaries	0.3	Sales Revenue	323,229	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	315,992	〃	- %

COMPAL ELECTRONICS, INC. AND ITS SUBSIDIARIES
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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	37,393,853	The price is based on the operating cost. The credit period is net 60 days from invoice date, and will be adjusted if necessary.	4.2 %
				Accounts Receivable	5,661,334	〃	1.6 %
1	CIH and its subsidiaries	CEB	3	Sales Revenue	240,270	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	69,979	〃	-
2	Just and its subsidiaries	Webtek	3	Sales Revenue	7,122,506	The price is based on the operating cost. The credit period is net 60 days from delivery and will be adjusted if necessary.	0.8 %
				Accounts Receivable	1,906,604	〃	0.5 %
2	Just and its subsidiaries	Forever	3	Sales Revenue	18,543,968	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.	2.1 %
				Accounts Receivable	3,174,738	〃	0.9 %
3	BCI and its subsidiaries	The Company	2	Sales Revenue	305,977	There is no significant difference of price to non-related parties. The credit period is net 120 days from delivery, and will be adjusted if necessary.	-
				Accounts Receivable	192,307	〃	-
3	BCI and its subsidiaries	CIH and its subsidiaries	3	Sales Revenue	17,264,305	There is no significant difference of price to non-related parties. The credit period is net 120 days from delivery, and will be adjusted if necessary.	1.9 %
				Accounts Receivable	10,796,646	〃	3.0 %
3	BCI and its subsidiaries	CEB	3	Sales Revenue	1,324,384	There is no significant difference of price to non-related parties. The credit period is net 120 days from delivery, and will be adjusted if necessary.	0.2 %
				Accounts Receivable	581,570	〃	0.2 %

(Continued)

COMPAL ELECTRONICS, INC. AND ITS 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
3	BCI and its subsidiaries	Just and its subsidiaries	3	Sales Revenue	319,675	〃	-
				Accounts Receivable	159,256	〃	-
4	Webtek	The Company	2	Sales Revenue	57,512,174	The price is based on the operating cost. The credit period is net 60 days from invoice date, and will be adjusted if necessary.	6.5 %
				Accounts Receivable	7,393,028	〃	2.0 %
5	Forever	The Company	2	Sales Revenue	53,425,864	The price is based on the operating cost. The credit period is net 60 days from invoice date, and will be adjusted if necessary.	6.0 %
				Accounts Receivable	11,799,545	〃	3.2 %
6	Etrade and its subsidiaries	Webtek	3	Sales Revenue	50,399,352	The price is based on the operating cost. The credit period is net 60 days from invoice date, and will be adjusted if necessary.	5.7 %
				Accounts Receivable	5,975,838	〃	1.6 %
7	Arcadyan	Arcadyan Germany	3	Sales Revenue	2,324,292	There is no significant difference of price to non-related parties. The credit period is net 120 days from delivery.	0.3 %
				Accounts Receivable	788,304	〃	0.2 %
7	Arcadyan	TTI	3	Accounts Receivable	30,219	There is no significant difference of price to non-related parties. The credit period is net 90 days from the end of month of delivery.	-
7	Arcadyan	Arcadyan USA	3	Sales Revenue	751,433	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	56,400	〃	-
8	Sinoprime	Arcadyan	3	Processing Revenue	1,345,277	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.	0.2 %
				Accounts Receivable	71,240	〃	-

(Continued)

COMPAL ELECTRONICS, INC. AND ITS 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
9	CNC	Arcadyan	3	Processing Revenue	5,222,446	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.	0.6 %
				Accounts Receivable	1,168,057	〃	0.3 %
9	CNC	Sinoprime	3	Sales Revenue	1,345,277	〃	0.2 %
					16,994	〃	-
9	CNC	THAC	3	Processing Revenue	134,969	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	42,842	〃	-
10	THAC	TTI	3	Processing Revenue	524,173	The price is based on the operating cost. The credit period is net 60 days from invoice date.	0.1 %
				Accounts Receivable	593,517	〃	0.1 %
11	CBN	Speedlink	3	Other Accounts Receivable	484,466	The credit period is net 60 days from the end of the month of delivery.	-
11	CBN	CBNB	3	Sales Revenue	8,118	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, and will be adjusted if necessary.	-
			3	Accounts Receivable	1,622	〃	-

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.

COMPAL ELECTRONICS, INC. AND ITS SUBSIDIARIES
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(b) Information on investees:

The following is the information on investees for the years ended December 31, 2017 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Ending Balance			The highest holdings in the period		Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2017	December 31, 2016	Shares (thousands)	Percentage of Ownership	Carrying Value	Shares/ Units (thousands)	Holding percentage (%)			
The Company	Bizcom	Milpitas,USA	Warranty services and marketing of LCD TV s and notebook PCs	36,369	36,369	100	100%	419,074	100	100%	10,651	10,651	(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%	7,795,563	48,010	100%	(289,783)	(289,783)	〃
	CIH	British Virgin Islands	Sales and manufacturing of notebook PCs and investments	1,787,680	1,606,780	53,001	100%	32,777,801	53,001	100%	3,357,696	3,357,696	〃
	Panpal	Taipei City	Investment	5,171,837	5,171,837	500,000	100%	4,957,564 (Note 1)	500,000	100%	20,130	(17,850)	〃
	Gempal	Taipei City	Investment	900,036	900,036	90,000	100%	1,561,998 (Note 1)	90,000	100%	70,013	47,969	〃
	Kinpo Group management consultant company (Kinpo Group management)	Taipei City	Consultation, training services, etc.	3,000	3,000	300	38%	4,399	300	38%	284	108	
	Ripal	Tainan City	Manufacturing of electric appliance and audiovisual electric products	60,000	60,000	6,000	100%	30,856	6,000	100%	9,366	9,367	(Note2)
	Avalue Technology, Inc.	New Taipei City	Manufacturing, processing, and import and export business of industrial motherboards	559,189	522,361	15,240	22%	578,595	15,240	22%	228,572	51,188	
	Unicore	Taipei City	Animal medication retail and wholesale	200,000	-	20,000	100%	184,810	20,000	100%	(15,190)	(15,190)	(Note 2)
	CEH	British Virgin Islands	Investment	34	34	1	100%	3,507,330	1	100%	-	-	(Note2)
	Allied Circuit	Taoyuan City	Production and sales of PCB boards	395,388	395,388	10,158	20%	312,248	10,158	20%	307,074	62,689	
	Maxima Ventures I, Inc. (Maxima)	Taipei City	Investment	1,260	1,260	126	23%	12,909	126	23%	6,614	599	
	Lipo Holding Co., Ltd. (Lipo)	Cayman Islands	Investment	489,450	489,450	98	49%	361,703	98	49%	29,968	13,525	
	CPE	Netherlands	Investment	197,463	197,463	6,427	100%	674,483	6,427	100%	5,746	5,746	(Note 2)
	ATK	Hsinchu City	Design, research & development, and selling of DVD, Combo, CD-RW Drives	202,908	202,908	899	28%	10,332	899	28%	90	25	〃
	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%	52,313	3,739	33%	5,348	1,777	
	Hong Ji	Taipei City	Investment	1,000,000	1,000,000	100,000	100%	1,056,990	100,000	100%	31,957	31,957	(Note 2)
	Hong Jin	Taipei City	Investment	295,000	295,000	29,500	100%	323,385	29,500	100%	12,278	12,278	〃
	Auscom	Austin, TX USA	R&D of notebook PC related products and components	101,747	101,747	3,000	100%	117,302	3,000	100%	8,725	8,725	〃
	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	22%	1,985,614	41,305	22%	607,243	110,502	〃
	FGH	British Virgin Islands	Investment	2,754,741	2,754,741	89,755	100%	4,459,053	89,755	100%	373,048	373,048	〃
	HSI	British Virgin Islands	Investment	1,346,814	1,346,814	42,700	100%	745,960	42,700	100%	(41,434)	(41,434)	〃
	CEP	Poland	Maintenance and warranty services of notebook PCs	90,156	90,156	136	100%	32,840	136	100%	35,525	31,881	〃
	Zhaopal	Taipei City	Investment	1,358,000	2,001,000	135,800	100%	6,373	200,100	100%	1,324	1,324	〃
	Yongpal	Taipei City	Investment	1,188,500	1,751,000	118,850	100%	5,693	175,100	100%	87	87	〃
	Kaipal	Taipei City	Investment	510,500	751,000	51,050	100%	3,295	75,100	100%	461	461	〃

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Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount December 31, 2017	Original Investment Amount December 31, 2016	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
	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%	21,550	10,984	41%	(16,145)	(4,502)	
	HengHao	Taipei City	Manufacturing of PCs, computer periphery devices, and electronic components	5,329,757	5,304,554	131,498	100%	607,408	205,795	100%	(677,877)	(674,300)	(Note 2)
	Mactech	Taichung City	Manufacturing of equipment and lighting, retailing of equipment and international trading	219,601	219,601	21,756	53%	226,825	21,756	53%	86,654	40,127	〃
	BCI	British Virgin Islands	Investment	2,636,051	2,636,051	90,820	100%	5,591,846	90,820	100%	466,605	466,605	〃
	CBN	Hsinchu County	R&D and sales of cable modem, digital set-up box, and other communication products	284,827	284,827	29,060	48%	739,065	29,060	50%	182,145	88,674	〃
	Rayonnant	Taipei City	Manufacturing and sales of PCs, computer periphery devices, and electronic components	295,000	295,000	29,500	100%	89,288	29,500	100%	(26,715)	(34,766)	〃
	CRH	British Virgin Islands	Investment	377,328	377,328	12,500	100%	175,372	12,500	100%	(42,535)	(42,535)	〃
	Ascendant Private Equity Investment Ltd. (APE)	British Virgin Islands	Investment	943,922	943,922	31,253	35%	986,929	31,253	35%	62,174	12,902	
	CORE	British Virgin Islands	Investment	4,318,860	4,318,860	147,000	100%	4,817,872	147,000	100%	69,239	69,239	(Note 2)
	Etrade	British Virgin Islands	Investment	1,532,029	1,532,029	46,900	76%	(437,912)	46,900	90%	(432,820)	(370,400)	〃
	Webtek	British Virgin Islands	Selling of mobile phones	3,340	3,340	100	100%	895,912	100	100%	(62,421)	(62,421)	〃
	Forever	British Virgin Islands	Selling of mobile phones	1,575	1,575	50	100%	1,441,878	50	100%	4,111	4,111	〃
	UCGI	Taipei City	Manufacturing and retail sale of computers and electronic components	100,000	100,000	10,000	100%	(232,194)	10,000	100%	(101,600)	(109,517)	〃
	Palcom	Taipei City	Selling of mobile phones	100,000	100,000	10,000	100%	116,479	10,000	100%	9,242	9,250	〃
	GLB	New Taipei City	Manufacturing and wholesale of medical equipment	246,860	246,860	15,000	50%	237,716	15,000	50%	1,868	973	〃
								77,256,517				3,160,786	
Webtek	Etrade	British Virgin Islands	Investment	446,400 (US$15,000)	148,800 (US$5,000)	15,000	24%	(126,929) (US$(4,625))	15,000	24%	(432,820) (US$(14,544))	Investment gain(losses) recognized by Webtek	(Note 2)
Forever	GIA	British Virgin Islands	Selling of mobile phones	-	-	-	100%	-	-	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%	376,390	6,827	4%	607,243	Investment gain(losses) recognized by Panpal	〃
	Allied Circuit	Taoyuan City	Production and selling of PCB boards	148,263	148,263	2,927	6%	89,977	2,927	6%	307,074	〃	
	Others							761,150					
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%	456,479	7,846	4%	607,243	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%	98,975	3,220	6%	307,074	〃	
	Others							3,879					
Just	CDH (HK)	Hong Kong	Investment	1,853,974 (US$62,298)	1,853,974 (US$62,298)	62,298	100%	5,512,508 (US$185,232)	62,298	100%	(285,200) (US$(9,369))	Investment gain(losses) recognized by Just	(Note 2)
	CII	British Virgin Islands	Investment	275,131 (US$9,245)	275,131 (US$9,245)	9,245	100%	235,407 (US$7,910)	9,245	100%	(25,020) (US$(822))	〃	〃
	CPI	British Virgin Islands	Sales of monitors, LCD TVs and related components.	14,880 (US$500)	14,880 (US$500)	500	100%	869,363 (US$29,212)	500	100%	- (US$-)	〃	〃

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Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Ending Balance			The highest holdings in the period		Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2017	December 31, 2016	Shares (thousands)	Percentage of Ownership	Carrying Value	Shares/ Units (thousands)	Holding percentage (%)			
CII	AEI	U.S.A	Sales and maintenance of LCD TVs	29,760 (US$1,000)	29,760 (US$1,000)	1,000	100%	48,483 (US$1,629)	1,000	100%	(13,923) (US$4,571)	Investment gain(losses) recognized by CII	(Note 2)
	MEL	U.S.A	Investment	245,044 (US$8,234)	245,044 (US$8,234)	-	100%	267,053 (US$8,974)	-	100%	1,918 (US$63)	〃	〃
	MTL	U.S.A	Investment	30 (US$1)	30 (US$1)	-	100%	30 (US$1)	-	100%	- (US$-)	〃	〃
	Smart	British Virgin Islands	Sales of electronic products and related components	30 (US$1)	30 (US$1)	1	100%	398 (US$13)	1	100%	(9) (US$-)	〃	〃
MELand MTL	CMX	Mexico	Manufacturing, sales and maintenance of LCD TVs	239,568 (US$8,050)	239,568 (US$8,050)	32,903	100%	267,053 (US$8,974)	32,903	100%	1,918 (US$63)	Investment gain(losses) recognized by MEL and MTL	〃
CIH	CIH (HK)	Hong Kong	Investment	2,226,122 (US$74,803)	2,226,122 (US$74,803)	74,803	100%	30,903,648 (US$1,038,429)	74,803	100%	3,342,802 (US$109,810)	Investment gain(losses) recognized by CIH	〃
	Jenpal	British Virgin Islands	Investment	218,736 (US$7,350)	218,736 (US$7,350)	7,350	100%	99,293 (US$3,336)	7,350	100%	1,654 (US$54)	〃	〃
	CCM	British Virgin Islands	Investment	151,776 (US$5,100)	151,776 (US$5,100)	5,100	51%	57,526 (US$1,933)	5,100	51%	(429) (US$(14))	〃	〃
	PFG	British Virgin Islands	Sales of notebook PCs and related components	30 (US$1)	30 (US$1)	1	100%	408,685 (US$13,733)	1	100%	- (US$-)	〃	(Note 2)
	FWT	British Virgin Islands	Investment	443,424 (US$14,900)	264,864 (US$8,900)	14,900	100%	443,647 (US$14,908)	14,900	100%	228 (US$8)	〃	〃
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%	456,479	7,846	4%	607,243	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%	26,039	1,041	2%	307,074	〃	
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%	231,915	4,340	2%	607,243	Investment gain(losses) recognized by Hong Jin	(Note 2)
Arcadyan	Arcadyan Holding	British Virgin Islands	Investment	962,291	962,291	23,780	100%	857,855	23,780	100%	89,976	Investment gain(losses) recognized by Arcadyan	〃
	Arcadyan USA	U.S.A	Sales of wireless network products	23,055	23,055	1	100%	58,550	1	100%	9,608	〃	〃
	Arcadyan Germany	Germany	Technology support of wireless network products	1,125	1,125	0.5	100%	53,637	0.5	100%	2,266	〃	〃
	Arcadyan Korea	Korea	Sales of wireless network products	2,879	2,879	20	100%	4,719	20	100%	2,351	〃	〃
	Zhi-Pal	Taipei City	Investment	48,000	48,000	34,980	100%	466,989	34,980	100%	68,819	Investment gain(losses) recognized by Arcadyan	〃
	TTI	Taipei City	R&D and sales of household digital products	306,925	296,429	24,954	61%	584,756	24,954	61%	105,459	〃	〃
	AcBel Telecom	Taipei City	Investment	23,000	23,000	4,378	51%	43,166	4,378	51%	2,497	〃	〃
	Golden Smart Home Technology Corp.	Taipei City	Selling of hardware and software integration of high-tech systems	15,692	15,692	1,229	22%	-	1,229	22%	(19,215)	〃	
	Arcadyan Brasil	Brazil	Sales of wireless network products	81,265	81,265	965	99%	43,697	965	99%	(16,978)	〃	(Note 2)
	Arcadyan UK	UK	Technical support of wireless network products	1,980	1,980	50	100%	2,452	50	100%	365	〃	〃
	CBN	Hsinhcu county	R&D and sales of cable modem, digital set-top box, and other communication products	11,925	214,875	533	1%	13,583	8,735	16%	182,145	〃	〃
	Arcadyan AU	Austrilia		1,161	-	50	100%	1,185	50	100%	26	〃	〃
Arcadyan Holding	Sinoprime	British Virgin Islands	Sales of wireless network products	1,488 (US$50)	1,488 (US$50)	50	100%	1,428 (US$48)	50	100%	13 (US$1)	Investment gain(losses) recognized by Arcadyan Holding	〃

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COMPAL ELECTRONICS, INC. AND ITS SUBSIDIARIES
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Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Ending Balance			The highest holdings in the period		Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2017	December 31, 2016	Shares (thousands)	Percentage of Ownership	Carrying Value	Shares/ Units (thousands)	Holding percentage (%)			
Arcadyan Holding	Arch Holding	British Virgin Islands	Investment	327,687 (US$11,011)	327,687 (US$11,011)	35	100%	756,797 (US$5,430)	35	100%	73,767 (US$2,424)	Investment gain(losses) recognized by Arcadyan Holding	(Note 2)
TTI	Quest	Samoa	Investment	35,712 (US$1,200)	35,712 (US$1,200)	1,200	100%	37,393	1,200	100%	(8,767)	Investment gain(losses) recognized by TTI	〃
	TTJC	Japan	Sales of household digital electronic products	1,341	-	-	100%	1,321	-	100%	-	〃	〃
Quest	Exquisite	Samoa	Investment	34,819 (US$1,170)	34,819 (US$1,170)	1,170	100%	44,372 (US$1,491)	1,170	100%	(974) (US$(32))	Investment gain(losses) recognized by Quest	〃
AcBel Telecom	Leading Images	British Virgin Islands	Investment	1,488 (US$50)	1,488 (US$50)	50	100%	81,170	50	100%	2,869	Investment gain(losses) recognized byAcBel Telecom	〃
	Great Arch	British Virgin Islands	Sales of wireless network products	1,488 (US$50)	1,488 (US$50)	50	100%	1,480	50	100%	(193)	Investment gain(losses) recognized by AcBel Telecom	〃
Leading Images	Astoria GmbH	Germany	Sales of wireless network products	889 (EUR25)	889 (EUR25)	25	100%	80,828 (US$2,716)	25	100%	2,861 (US$94)	Investment gain(losses) recognized by Leading Images	〃
Zhi-pal	CBN	Hsinhcu county	R&D and sales of cable modem, digital set-top box, and other communication products	38,032	48,000	13,640	23%	347,464	15,650	29%	182,145	Investment gain(losses) recognized by Zhi-pal	〃
	Arcadyan Brasil	Brazil	Sales of wireless network products	328	328	4	1%	328	4	1%	(16,978)	〃	〃
HSI	IUE	British Virgin Islands	Investment	892,800 (US$30,000)	892,800 (US$30,000)	30,000	100%	479,238 (US$16,103)	30,000	100%	(47,555) (US$(1,562))	Investment gain(losses) recognized by H SI	〃
	Goal	British Virgin Islands	Investment	377,952 (US$12,700)	377,952 (US$12,700)	12,700	100%	294,684 (US$9,902)	12,700	100%	6,121 (US$201)	〃	〃
IUE	CVC	Vietnam	R&D, manufacturing, sales, and maintenance of notebook PCs, computer monitors, LCD TVs and electronic components	892,800 (US$30,000)	892,800 (US$30,000)	30,000	100%	503,158 (US$16,907)	30,000	100%	(47,555) (US$(1,562))	Investment gain(losses) recognized by IUE	〃
Goal	CDM	Vietnam	Construction of and investment in infrastructure in Ba-Thien industrial district of Vietnam	377,952 (US$12,700)	377,952 (US$12,700)	12,700	100%	351,440 (US$11,809)	12,700	100%	6,121 (US$201)	Investment gain(losses) recognized by Goal	〃
Rayonnant	APH	British Virgin Islands	Investment	257,454	257,454	8,651	41%	115,529	8,651	41%	(55,392)	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	372,000 (US$12,500)	372,000 (US$12,500)	12,500	59%	175,371 (US$5,893)	12,500	59%	(55,392) (US$(1,820))	Investment gain(losses) recognized by CRH	(Note 2)
HHT	HHA	British Virgin Islands	Investment	1,429,235	1,429,235	46,882	100%	471,531	46,882	100%	(99,466)	Investment gain(losses) recognized by HHT	〃
HHA	HHB	British Virgin Islands	Investment	1,395,209 (US$46,882)	1,395,209 (US$46,882)	46,882	100%	488,554 (US$16,416)	46,882	100%	(99,500) (US$(3,269))	Investment gain(losses) recognized by HHA	〃
HHB	HengHao Trading Co., Ltd.	British Virgin Islands	Marketing and international trade	298 (US$10)	298 (US$10)	10	100%	340 (US$11)	10	100%	29 (US$1)	Investment gain(losses) recognized by HHB	〃
CBN	Speedlink	British Virgin Islands	Import and export business	1,514	1,514	50	100%	1,689	50	100%	165	Investment gain(losses) recognized by CBN	(Note 2)
	CBNB	Belegium	The import and export business of broadband network products and related components, as well as technical support and advisory sevices	6,842	-	20	100%	7,087	20	100%	(36)	〃	〃
FGH	Wah Yuen Technology Holding Ltd. and its subsidiaries	Mauritius	Investment	2,671,124 (US$89,755)	2,671,124 (US$89,755)	95,862	37%	4,527,607 (US$152,137)	95,862	37%	1,018,492 (US$33,457)	Investment gain(losses) recognized by FGH	

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Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount December 31, 2017	Original Investment Amount December 31, 2016	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
CORE	BSH	British Virgin Islands	Investment	4,374,720 (US$147,000)	4,374,720 (US$147,000)	147,000	100%	4,742,832 (US$159,369)	147,000	100%	69,239 (US$2,274)	Investment gain(losses) recognized by CORE	(Note 2)
BSH	LCFC	Hong Kong	Investment and trading	4,272,643 (US$143,570)	4,272,643 (US$143,570)	147,000	49%	4,742,832 (US$159,369)	147,000	49%	141,340 (US$4,643)	Investment gain(losses) recognized by BSH	
APH	PEL	British Virgin Islands	Investment	93,774 (US$3,151)	93,774 (US$3,151)	3,151	100%	62,940 (US$2,115)	3,151	100%	11,172 (US$367)	Investment gain(losses) recognized by APH	(Note 2)
	Rayonnant (HK)	Hong Kong	Investment	535,680 (US$18,000)	535,680 (US$18,000)	18,000	100%	220,066 (US$7,395)	18,000	100%	(66,433) (US$(2,182))	〃	〃
BCI	CMI	British Virgin Islands	Investment	2,405,203 (US$80,820)	2,405,203 (US$80,820)	80,820	100%	3,558,806 (US$119,584)	80,820	100%	215,315 (US7,073)	Investment gain(losses) recognized by BCI	〃
	PRI	British Virgin Islands	Investment	297,600 (US$10,000)	297,600 (US$10,000)	10,000	100%	2,033,040 (US$68,315)	10,000	100%	251,290 (US$8,255)	〃	〃
GLB	Rapha	New Taipei City	Detectors and test strip	6,500	15,000	1,275	100%	559	1,275	100%	(125)	Investment gain(losses) recognized by GLB	〃
Unicore	Raycore	Taipei	Animal medication retail and wholesale	25,000	-	1,275	51%	25,379	1,275	51%	(237)	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.

(c) Information on investment in mainland China:

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

(In Thousands of New Taiwan Dollars)

Name of investee	Main Main businesses and products	Total amount of paid-in capital (Note 2)	Method of investment	Accumulated outflow of nvestment from Taiwan as of January 1, 2016 (Note 2)	Investment flows Outflow	Investment flows Inflow	Accumulated outflow of investment from Taiwan as of December 31, 2017 (Note 2)	Net income (losses) of the investee	Percentage of ownership	Investment income (losses)	Book value	Accumu- lated remittance of earnings in current period
CPC	Manufacturing and sales of monitors	1,101,120 (US$37,000)	(Note 1)	1,101,120 (US$37,000)	-	-	1,101,120 (US$37,000)	(263,980) (US$(8,672))	100 %	(263,980) (US$(8,672))	2,254,223 (US$75,747)	-
CDT	Manufacturing and sales of notebook PCs, mobile phones, and Digital products	595,200 (US$20,000)	(Note 2)	595,200 (US$20,000)	-	-	595,200 (US$20,000)	10,004 (US$329)	100 %	10,004 (US$329)	258,234 (US$8,677)	-
CET	Manufacturing of notebook PCs	357,120 (US$12,000)	(Note 2)	357,120 (US$12,000)	-	-	357,120 (US$12,000)	447,795 (US$14,710)	100 %	419,217 (US$13,771)	4,567,731 (US$153,486)	-
CSD	Research, manufacture and sales of communication devices, mobile phones, electronic computer, smart watch, and provide related technology service	274,168 (RMB$60,000)	(Note 2)	(Note 3)	-	-	-	(325,323)	100 %	(325,323) (RMB(72,265)))	(56,045) (RMB(12,265))	-
BT	Manufacturing of notebook PCs	29,760 (US$1,000)	(Note 2)	29,760 (US$1,000)	-	-	29,760 (US$1,000)	(57,675) (US$(1,895))	100 %	(57,675) (US$(1,895))	(90,513) (US$(3,041))	-
CGS	Maintenance and warranty service of notebook PCs	9,139 (RMB2,000)	(Note 2)	(Note 3)	-	-	-	8,492 (RMB1,886)	100 %	8,492 (RMB1,886)	(23,535) (RMB(5,150))	-
LIZ Electronics (Kunshan) Co., Ltd.	Production and processing chip-resistors, ceramic capacitors, diodes, and other latest electronic components and related precision electronic equipment; selling self produced products	952,320 (US$32,000)	(Note 1)	396,701 (US$13,330)	-	-	396,701 (US$13,330)	45,014 (US$1,497)	43 %	19,437 (US$639)	322,182 (US$10,826)	-

COMPAL ELECTRONICS, INC. AND ITS SUBSIDIARIES
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Name of investee	Main Main businesses and products	Total amount of paid-in capital (Note 2)	Method of investment	Accumulated outflow of nvestment from Taiwan as of January 1, 2016 (Note 2)	Investment flows: Outflow	Investment flows: Inflow	Accumulated outflow of investment from Taiwan as of December 31, 2017 (Note 2)	Net income (losses) of the investee	Percentage of ownership	Investment income (losses)	Book value	Accumu-lated remittance of earnings in current period
LIZ Electronics (Nantong) 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	537,939 (US$18,076)	(Note 1)	43,747 (US$1,470)	-	-	43,747 (US$1,470)	(35,883) (US$(1,179))	48 %	(17,173) (US$(564))	241,056 (US$8,100)	-
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	72,088 (RMB15,776)	(Note 2)	(Note 3)	-	-	-	(311,164) (RMB(69,120))	51 %	(14,051) (RMB(3,121))	(27,563) (RMB(6,032))	-
CIC	Manufacturing of notebook PCs	357,120 (US$12,000)	(Note 2)	357,120 (US$12,000)	-	-	357,120 (US$12,000)	1,026,218 (US$33,711)	100 %	925,705 (US$30,409)	6,974,013 (US$34,342)	-
CPO	Manufacturing and sales of LCD TVs	360,096 (US$12,100)	(Note 1)	360,096 (US$12,100)	-	-	360,096 (US$12,100)	(31,823) (US$(1,045))	100 %	(31,823) (US$(1,045))	2,762,598 (US$92,829)	-
CIT	Manufacturing of notebook PCs	714,240 (US$24,000)	(Note 2)	714,240 (US$24,000)	-	-	714,240 (US$24,000)	2,238,152 (US$73,523)	100 %	2,043,716 (US$67,136)	19,050,099 (US$640,124)	-
LCFC (Hefei) Electronics Technology Co., Ltd.	Manufacturing and selling of personal computers and related components, and providing related maintenance and after-sales service	7,886,400 (US$265,000)	(Note 1)	3,864,336 (US$129,850)	-	-	3,864,336 (US$129,850)	141,340 (US$4,643)	49 %	69,239 (US$2,274)	4,250,680 (US$142,832)	-
CST	International trade and distribution of computers and electronic components	41,664 (US$1,400)	(Note 2)	41,664 (US$1,400)	-	-	41,664 (US$1,400)	4,639 (US$152)	100 %	4,639 (US$152)	51,016 (US$1,714)	-
CIN	Software and hardware R&D of computers, mobile phones and electronic components	59,520 (US$2,000)	(Note 2)	59,520 (US$2,000)	-	-	59,520 (US$2,000)	(88) (US$(3))	100 %	(88) (US$(3))	760 (US$26)	-
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"	297,600 (US$10,000)	(Note 2)	151,776 (US$5,100)	-	-	151,776 (US$5,100)	(61) (US$(2))	51 %	(31) (US$(1))	59,776 (US$2,009)	-
CIJ	Investment and consulting services	464,256 (US$15,600)	(Note 2)	464,256 (US$15,600)	-	-	464,256 (US$15,600)	7,886 (US$259)	100 %	7,886 (US$259)	587,996 (US$19,758)	-
CDE	Manufacturing and sales of LCD TVs	446,400 (US$15,000)	(Note 2)	(Note 3)	-	-	-	443 (US$15)	100 %	443 (US$15)	563,038 (US$18,919)	-
CIS	Outward investment and consulting services	2,405,203 (US$80,820)	(Note 1)	2,405,203 (US$80,820)	-	-	2,405,203 (US$80,820)	264,885 (US$8,701)	100 %	215,315 (US$7,073)	3,558,806 (US$119,584)	-
CEC	R&D and manufacturing of notebook PCs, tablet PCs, digital products, network switches, wireless AP, and automobile electronic products	2,380,800 (US$80,000)	(Note 2)	(Note 3)	-	-	-	264,784 (US$8,698)	100 %	215,214 (US$7,070)	3,528,885 (US$118,578)	-
CMC	Corporate management consulting, financial and tax consulting, investment consulting, and investment management consulting services	23,808 (US$800)	(Note 2)	(Note 3)	-	-	-	92 (US$3)	100 %	92 (US$3)	23,542 (US$791)	-
CEQ	R&D, manufacturing and sales of notebook PCs and related components. Also provides related maintenance and warranty services	297,600 (US$10,000)	(Note 1)	297,600 (US$10,000)	-	-	297,600 (US$10,000)	304,950 (US$10,018)	100 %	251,290 (US$8,255)	2,033,040 (US$68,315)	-
Compal Precision Module (Jiangsu) Co., Ltd.	Manufacturing and selling of magnesium alloy injection molding	12,201,600 (US$410,000)	(Note 2)	2,458,980 (US$82,627)	-	-	2,458,980 (US$82,627)	554,290 (US$18,208)	37 %	202,981 (US$6,668)	5,472,783 (US$183,897)	-

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Name of investee	Main Main businesses and products	Total amount of paid-in capital (Note 2)	Method of investment	Accumulated outflow of nvestment from Taiwan as of January 1, 2016 (Note 2)	Investment flows Outflow	 Inflow	Accumulated outflow of investment from Taiwan as of December 31, 2017 (Note 2)	Net income (losses) of the investee	Percentage of ownership	Investment income (losses)	Book value	Accumu-lated remittance of earnings in current period
Changbao Electronic Technology (Chongqing) Co., Ltd.	Production and marketing of magnesium alloy molding	1,785,600 (US$60,000)	(Note 2)	340,931 (US$11,456)	-	-	340,931 (US$11,456)	392,122 (US$12,881)	37 %	143,595 (US$4,717)	1,001,003 (US$33,636)	-
Rayonnant (Taicang)	Manufacturing and sales of aluminum alloy and magnesium alloy products	535,680 (US$18,000)	(Note 2)	372,000 (US$12,500)	-	-	372,000 (US$12,500)	(66,433) (US$(2,182))	100 %	(66,433) (US$(2,182))	220,645 (US$7,414)	-
CCI Nanjing	Manufacturing and processing of mobile phones and tablet PCs	654,720 (US$22,000)	(Note 1)	654,720 (US$22,000)	-	-	654,720 (US$22,000)	22,844 (US$750)	100 %	22,844 (US$750)	(971,766) (US$(32,653))	-
CDCN	Manufacturing and processing of mobile phones and tablet PCs	172,608 (US$5,800)	(Note 1)	172,608 (US$5,800)	-	-	172,608 (US$5,800)	4,727 (US$155)	100 %	4,727 (US$155)	86,475 (US$2,906)	-
CWCN	Manufacturing and processing of mobile phones and tablet PCs	1,160,640 (US$29,000)	(Note 1)	565,440 (US$19,000)	-	-	565,440 (US$19,000)	(424,618) (US$(13,949))	100 %	(424,618) (US$(13,949))	331,236 (US$11,130)	-
Hanlelt	R&D and manufacturing of electronic communication equipment	59,520 (US$2,000)	(Note 1)	59,520 (US$2,000)	-	-	59,520 (US$2,000)	3,940 (US$129)	100 %	3,940 (US$129)	3,159 (US$106)	-
Arcadyan												
SVA Arcadyan	R&D and sales of wireless network products	389,856 (US$13,100)	(Note 1)	548,179 (US$18,420) (Note 7)	-	-	548,179 (US$18,420)	5,265 (US$173)	100 %	5,265 (US$173)	115,141 (US$3,869)	-
CNC	Manufacturing and wireless network products	370,512 (US$12,450)	(Note 1)	327,687 (US$11,011) (Note 8)	-	-	327,687 (US$11,011)	73,767 (US$2,424)	100 %	73,767 (US$2,424)	756,797 (US$25,430)	-
THAC	Manufacturing of household electronics products	99,696 (US$3,350)	(Notes 1 、10)	34,224 (US$1,150)	-	-	34,224 (US$1,150)	(974) (US$(32))	100 %	(974) (US$(32))	43,866 (US$1,474)	-
HengHao												
HengHao Optoelectronic Technology (kunshan) Co., Ltd. (Heng Hao Kunshan)	Production of touch panels and related components	1,190,400 (US$40,000)	(Note 1)	1,184,537 (US$39,803)	-	-	1,184,537 (US$39,803)	(99,484) (US$(3,268))	100 %	(99,484) (US$(3,268))	340,959 (US$11,457)	-
Lucom Display Technolgy (kunshan) Limited (Lucom)	Manufacturing of notebook PCs and related modules	446,400 (US$15,000)	(Note 2)	193,411 (US$6,499) (Note 12)	-	-	193,411 (US$6,499)	(46) (US$(1))	100 %	(46) (US$(1))	130,529 (US$4,386)	-

(ii) Limitation on investment in Mainland China:

Names of Company	Accumulated Investment in Mainland China as of December 31, 2017	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	16,205,421 (USD 544,537) (Note 5)	22,463,027 (USD 744,806)	(Note 6)
Arcadyan	910,097 (USD 30,581)	910,097 (USD 30,581)	5,102,038
HengHao	1,394,911 (USD 46,872)	1,484,191 (USD 49,872)	798,410

(Continued)

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"), Compal Electronics Technology (Kunshan) Co., Ltd.("CET"), 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 Beijing Compower Xuntong Electronic Technology CO., LTD, VAP Optoelectronics (NanJing) Corp., Flextronics Technology (Shanghai) Ltd, Lucom and the increased investment amount form merging with Ltd., 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:

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 consistent with the report that the operating decision maker used, and the Group does not allocate assets and liabilities to the reportable segments for the purposed of operating decisions to measure assets and liabilities of segments.

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The operating segment information was as follows:

	For the year ended December 31, 2017			
	IT product segment	Strategically 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

	For the year ended December 31, 2016			
	IT product segment	Strategically Integrated product segment	Adjustment and elimination	Total
Revenue				
Revenue from external customers	$ 742,899,556	23,910,479	-	766,810,035
Interest revenue	554,641	7,256	-	561,897
Total revenue	**$ 743,454,197**	**23,917,735**	**-**	**767,371,932**

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	For the year ended December 31, 2016			
	IT product segment	Strategically Integrated product segment	Adjustment and elimination	Total
Interest expense	$ 937,996	8,897	-	946,893
Depreciation and amortization	5,426,590	241,522	-	5,668,112
Investment gain (loss)	1,075,170	(3,185)	-	1,071,985
Other significant non-cash items:				
Impairment of assets	(175,129)	(64,860)	-	(239,989)
Reportable segment profit	**$ 10,178,581**	**1,634,764**	**-**	**11,813,345**
Reportable segment assets				$ 347,016,111
Reportable segment liabilities				$ 234,732,296

(c) Products information

The information of revenue from external customers:

Products and services	**2017**	**2016**
5C products	$ 885,276,070	762,538,095
Others	2,380,889	4,271,940
	$ 887,656,959	**766,810,035**

(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	**2017**	**2016**
United States	$ 334,716,487	257,667,548
China	112,830,897	136,216,019
Netherlands	100,397,742	70,496,473
Germany	39,644,227	31,448,362
United Kingdom	37,059,476	27,706,341
Others	263,008,130	243,275,292
	$ 887,656,959	**766,810,035**

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(ii) Non-current assets:

Country	2017	2016
China	$ 11,621,004	13,482,424
Taiwan	7,603,298	8,498,444
Others	1,139,823	1,248,599
	$ 20,364,125	**23,229,467**

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 of consolidated statement of comprehensive income are as follows:

	2017	2016
D Company	$ 353,750,583	306,571,029
F Company	154,122,521	95,357,708
A Company	126,400,242	119,219,545
E Company	97,284,723	93,254,993
	$ 731,558,069	**614,403,275**