

**COMPAL ELECTRONICS, INC.
AND SUBSIDIARIES**

Consolidated Financial Statements

**With Independent Auditors' Review Report
For the Three Months Ended March 31, 2019 and 2018**

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Table of contents

| Contents | Page |
|---|----------|
| 1. Cover Page | 1 |
| 2. Table of Contents | 2 |
| 3. Independent Auditors' Review Report | 3 |
| 4. Consolidated Balance Sheets | 4 |
| 5. Consolidated Statements of Comprehensive Income | 5 |
| 6. Consolidated Statements of Changes in Equity | 6 |
| 7. Consolidated Statements of Cash Flows | 7 |
| 8. Notes to the Consolidated Financial Statements | |
| (1) Company history | 8 |
| (2) Approval date and procedures of the consolidated financial statements | 8 |
| (3) New standards, amendments and interpretations adopted | 8~11 |
| (4) Summary of significant accounting policies | 11~21 |
| (5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty | 21 |
| (6) Explanation of significant accounts | 21~58 |
| (7) Related-party transactions | 59~61 |
| (8) Pledged assets | 61 |
| (9) Commitments and contingencies | 61~62 |
| (10) Losses due to major disasters | 62 |
| (11) Subsequent events | 62 |
| (12) Other | 62 |
| (13) Other disclosures | |
| (a) Information on significant transactions | 62~75 |
| (b) Information on investees | 63,76~80 |
| (c) Information on investment in Mainland China | 63,81~83 |
| (14) Segment information | 63 |



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Independent Auditors' Review Report

To COMPAL ELECTRONICS, INC.:

Introduction

We have reviewed the accompanying consolidated balance sheets of COMPAL ELECTRONICS, INC. and its subsidiaries as of March 31, 2019 and 2018, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2019 and 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies. 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 International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

Except as explained in the Basis for Qualified Conclusion paragraph, we conducted our reviews in accordance with Statement of Auditing Standard 65, "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of the consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the generally accepted auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As stated in Note 4(b), the consolidated financial statements included the financial statements of certain non-significant subsidiaries, which were not reviewed by independent auditors. These financial statements reflect total assets amounting to \$20,423,715 thousand and \$24,532,469 thousand, constituting 5.2% and 7.1% of consolidated total assets as of March 31, 2019 and 2018, respectively, total liabilities amounting to \$4,898,000 thousand and \$4,250,807 thousand, constituting 1.8% and 1.8% of consolidated total liabilities as of March 31, 2019 and 2018, respectively, and the absolute value of total comprehensive income amounting to \$(67,800) thousand and \$181,255 thousand, constituting 2.8% and 121.9% of consolidated total comprehensive income (loss) for the three months ended March 31, 2019 and 2018, respectively.

Qualified Conclusion

Except for the adjustments, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries described in the Basis for Qualified Conclusion paragraph above been reviewed by independent auditors, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of COMPAL ELECTRONICS, INC. and its subsidiaries as of March 31, 2019 and 2018, and of its consolidated financial performance and its consolidated cash flows for the three months ended March 31, 2019 and 2018 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

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

A handwritten signature in black ink that reads "KPMG". The letters are stylized and slanted to the right.

KPMG

Taipei, Taiwan (Republic of China)
May 13, 2019

Notes to Readers

The accompanying consolidated financial statements are intended only to present the consolidated statement of financial position, financial performance and 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 review such consolidated financial statements are those generally accepted and applied in the Republic of China.

Reviewed only, not audited in accordance with generally accepted auditing standards

COMPAL ELECTRONICS, INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the three months ended March 31, 2019 and 2018

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

| | | For the three months ended March 31 | | | |
|------|--|--|--------------|--------------------|--------------|
| | | 2019 | | 2018 | |
| | | Amount | % | Amount | % |
| 4000 | Net sales revenue (notes (6)(x) and 7) | \$210,600,553 | 100.0 | 196,111,962 | 100.0 |
| 5000 | Cost of sales (notes (6)(g), 7 and 12) | <u>202,938,374</u> | <u>96.4</u> | <u>189,488,759</u> | <u>96.6</u> |
| | Gross profit | <u>7,662,179</u> | <u>3.6</u> | <u>6,623,203</u> | <u>3.4</u> |
| | Operating expenses: (notes (6)(r), (6)(s) and 12) | | | | |
| 6100 | Selling expenses | 1,059,264 | 0.5 | 884,355 | 0.5 |
| 6200 | Administrative expenses | 939,683 | 0.4 | 999,250 | 0.5 |
| 6300 | Research and development expenses | <u>3,241,734</u> | <u>1.5</u> | <u>2,685,529</u> | <u>1.4</u> |
| | | <u>5,240,681</u> | <u>2.4</u> | <u>4,569,134</u> | <u>2.4</u> |
| | Net operating income | <u>2,421,498</u> | <u>1.2</u> | <u>2,054,069</u> | <u>1.0</u> |
| | Non-operating income and expenses: | | | | |
| 7020 | Other gains and losses, net (notes (6)(d), (6)(z) and (6)(ab)) | 61,820 | - | (75,887) | - |
| 7050 | Finance costs | (739,401) | (0.4) | (442,800) | (0.2) |
| 7190 | Other income (notes (6)(r) and (6)(z)) | 428,564 | 0.2 | 344,011 | 0.2 |
| 7590 | Miscellaneous disbursements | (598) | - | (1,059) | - |
| 7770 | Share of profit (loss) of associates and joint ventures accounted for using equity method (note (6)(h)) | <u>(62,083)</u> | <u>-</u> | <u>43,677</u> | <u>-</u> |
| | Total non-operating income and expenses | <u>(311,698)</u> | <u>(0.2)</u> | <u>(132,058)</u> | <u>-</u> |
| 7900 | Profit (loss) from continuing operations before tax | 2,109,800 | 1.0 | 1,922,011 | 1.0 |
| 7950 | Less: Income tax expenses (note (6)(t)) | <u>450,099</u> | <u>0.2</u> | <u>339,215</u> | <u>0.2</u> |
| | Profit | <u>1,659,701</u> | <u>0.8</u> | <u>1,582,796</u> | <u>0.8</u> |
| 8300 | Other comprehensive income: | | | | |
| 8310 | Components of other comprehensive income that will not be reclassified to profit or loss | | | | |
| 8316 | Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income | 315,189 | 0.1 | (267,432) | - |
| 8320 | Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss | 37,119 | - | - | - |
| 8349 | Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (note (6)(t)) | <u>15,695</u> | <u>-</u> | <u>(34,438)</u> | <u>-</u> |
| | Components of other comprehensive income that will not be reclassified to profit or loss | <u>336,613</u> | <u>0.1</u> | <u>(232,994)</u> | <u>-</u> |
| 8360 | Components of other comprehensive income (loss) that will be reclassified to profit or loss | | | | |
| 8361 | Exchange differences on translation of foreign financial statements | 248,015 | 0.1 | (1,293,465) | (0.7) |
| 8368 | Gains (losses) on hedging instrument | (1,990) | - | (37,787) | - |
| 8370 | Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss | 164,782 | 0.1 | 126,544 | - |
| 8399 | Income tax related to components of other comprehensive income that will be reclassified to profit or loss (note (6)(t)) | <u>873</u> | <u>-</u> | <u>(3,573)</u> | <u>-</u> |
| | Components of other comprehensive income that will be reclassified to profit or loss | <u>409,934</u> | <u>0.2</u> | <u>(1,201,135)</u> | <u>(0.7)</u> |
| 8300 | Other comprehensive income | <u>746,547</u> | <u>0.3</u> | <u>(1,434,129)</u> | <u>(0.7)</u> |
| 8500 | Total comprehensive income | <u>\$ 2,406,248</u> | <u>1.1</u> | <u>148,667</u> | <u>0.1</u> |
| | Profit, attributable to: | | | | |
| 8610 | Profit, attributable to owners of parent | 1,350,258 | 0.7 | 1,393,302 | 0.8 |
| 8620 | Profit, attributable to non-controlling interests | <u>309,443</u> | <u>0.1</u> | <u>189,494</u> | <u>-</u> |
| | | <u>\$ 1,659,701</u> | <u>0.8</u> | <u>1,582,796</u> | <u>0.8</u> |
| | Comprehensive income attributable to: | | | | |
| 8710 | Comprehensive income (loss), attributable to owners of parent | 2,095,773 | 1.0 | (5,035) | - |
| 8720 | Comprehensive income (loss), attributable to non-controlling interests | <u>310,475</u> | <u>0.1</u> | <u>153,702</u> | <u>0.1</u> |
| | | <u>\$ 2,406,248</u> | <u>1.1</u> | <u>148,667</u> | <u>0.1</u> |
| | Earnings per share (note 6(w)) | | | | |
| 9750 | Basic earnings per share | <u>\$ 0.31</u> | | <u>0.32</u> | |
| 9850 | Diluted earnings per share | <u>\$ 0.31</u> | | <u>0.32</u> | |

See accompanying notes to consolidated financial statements.

Reviewed only, not audited in accordance with generally accepted auditing standards

COMPAL ELECTRONICS, INC. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the three months ended March 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

Equity attributable to owners of parent

| | Retained earnings | | | | | | Total other equity interest | | | | | | Total equity attributable to owners of parent | Non-controlling interests | Total equity |
|---|----------------------|-------------------|-------------------|------------------|----------------------------------|-------------------------|---|---|--|--------------------------------------|-----------------------------|------------------|---|---------------------------|--------------------|
| | Ordinary shares | Capital surplus | Legal reserve | Special reserve | Unappropriated retained earnings | Total retained earnings | Exchange differences on translation of foreign financial statements | Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income | Unrealized gains (losses) on available-for-sale financial assets | Unearned employee benefit and others | Total other equity interest | Treasury shares | | | |
| Balance at January 1, 2018 | \$ 44,191,916 | 10,938,773 | 18,252,861 | 4,339,549 | 33,964,736 | 56,557,146 | (3,477,376) | - | (5,353,772) | (79,856) | (8,911,004) | (881,247) | 101,895,584 | 6,752,388 | 108,647,972 |
| Effects of retrospective application | - | - | - | - | 494,051 | 494,051 | - | (5,847,823) | 5,353,772 | - | (494,051) | - | - | - | - |
| Adjusted balance at January 1, 2018 | 44,191,916 | 10,938,773 | 18,252,861 | 4,339,549 | 34,458,787 | 57,051,197 | (3,477,376) | (5,847,823) | - | (79,856) | (9,405,055) | (881,247) | 101,895,584 | 6,752,388 | 108,647,972 |
| Profit for the three months ended March 31, 2018 | - | - | - | - | 1,393,302 | 1,393,302 | - | - | - | - | - | - | 1,393,302 | 189,494 | 1,582,796 |
| Other comprehensive income | - | - | - | - | 28,108 | 28,108 | (1,141,883) | (270,943) | - | (13,619) | (1,426,445) | - | (1,398,337) | (35,792) | (1,434,129) |
| Total comprehensive income | - | - | - | - | 1,421,410 | 1,421,410 | (1,141,883) | (270,943) | - | (13,619) | (1,426,445) | - | (5,035) | 153,702 | 148,667 |
| Changes in ownership interests in subsidiaries | - | 160 | - | - | - | - | - | - | - | - | - | - | 160 | - | 160 |
| Changes in equity of associates and joint ventures accounted for using equity method | - | 170 | - | - | - | - | - | - | - | - | - | - | 170 | - | 170 |
| Share-based payments transaction | (120,450) | (151,766) | - | - | 36,141 | 36,141 | - | - | - | 79,856 | 79,856 | - | (156,219) | - | (156,219) |
| Changes in non-controlling interests | - | - | - | - | - | - | - | - | - | - | - | - | - | (784) | (784) |
| Balance at March 31, 2018 | \$ 44,071,466 | 10,787,337 | 18,252,861 | 4,339,549 | 35,916,338 | 58,508,748 | (4,619,259) | (6,118,766) | - | (13,619) | (10,751,644) | (881,247) | 101,734,660 | 6,905,306 | 108,639,966 |
| Balance at January 1, 2019 | \$ 44,071,466 | 9,932,434 | 18,827,814 | 8,831,148 | 32,401,419 | 60,060,381 | (1,852,952) | (5,606,436) | - | - | (7,459,388) | (881,247) | 105,723,646 | 7,438,202 | 113,161,848 |
| Profit for the three months ended March 31, 2019 | - | - | - | - | 1,350,258 | 1,350,258 | - | - | - | - | - | - | 1,350,258 | 309,443 | 1,659,701 |
| Other comprehensive income | - | - | - | - | 451 | 451 | 409,477 | 336,288 | - | (701) | 745,064 | - | 745,515 | 1,032 | 746,547 |
| Total comprehensive income | - | - | - | - | 1,350,709 | 1,350,709 | 409,477 | 336,288 | - | (701) | 745,064 | - | 2,095,773 | 310,475 | 2,406,248 |
| Changes in ownership interests in subsidiaries | - | 580 | - | - | - | - | - | - | - | - | - | - | 580 | - | 580 |
| Disposal of investments in equity instruments measured at fair value through other comprehensive income | - | - | - | - | (14,209) | (14,209) | - | 14,209 | - | - | 14,209 | - | - | - | - |
| Changes in non-controlling interests | - | - | - | - | - | - | - | - | - | - | - | - | - | 24,890 | 24,890 |
| Balance at March 31, 2019 | \$ 44,071,466 | 9,933,014 | 18,827,814 | 8,831,148 | 33,737,919 | 61,396,881 | (1,443,475) | (5,255,939) | - | (701) | (6,700,115) | (881,247) | 107,819,999 | 7,773,567 | 115,593,566 |

See accompanying notes to consolidated financial statements.

Reviewed only, not audited in accordance with generally accepted auditing standards**COMPAL ELECTRONICS, INC. AND SUBSIDIARIES****Consolidated Statements of Cash Flows****For the three months ended March 31, 2019 and 2018****(Expressed in Thousands of New Taiwan Dollars)**

| | For the three months ended March 31 | |
|--|--|---------------------|
| | 2019 | 2018 |
| Cash flows from (used in) operating activities: | | |
| Profit before tax | \$ 2,109,800 | 1,922,011 |
| Adjustments: | | |
| Adjustments to reconcile profit (loss): | | |
| Depreciation and amortization | 1,499,139 | 1,169,368 |
| Increase (decrease) in expected credit loss | 9,339 | (60,188) |
| Net loss (gain) on financial assets or liabilities at fair value through profit or loss | (62,021) | (189,702) |
| Finance cost | 739,401 | 442,800 |
| Interest income | (379,750) | (260,820) |
| Compensation cost of share-based payments | 25,112 | (157,426) |
| Share of profit of associates and joint ventures accounted for using equity method | 62,083 | (43,677) |
| Loss (gain) on disposal of property, plant and equipment | (969) | (40,722) |
| Long-term prepaid rents | - | 3,367 |
| Total adjustments to reconcile profit (loss) | <u>1,892,334</u> | <u>863,000</u> |
| Changes in operating assets and liabilities: | | |
| Changes in operating assets: | | |
| Decrease (increase) in financial assets at fair value through profit or loss | 311,420 | (384,485) |
| Decrease (increase) in notes and accounts receivable | 20,960,308 | 21,312,140 |
| Decrease (increase) in other receivable | (1,050,630) | (643,828) |
| Decrease (increase) in inventories | (12,894,760) | 1,511,901 |
| Decrease (increase) in other current assets | (157,587) | (129,218) |
| Decrease (increase) in other non-current assets | (21,532) | (83,340) |
| Total changes in operating assets | <u>7,147,219</u> | <u>21,583,170</u> |
| Changes in operating liabilities: | | |
| Increase (decrease) in financial liabilities at fair value through profit or loss | (25,924) | (5,829) |
| Increase (decrease) in notes and accounts payable | (977,030) | (23,960,185) |
| Increase (decrease) in other payable | (1,651,874) | 36,349 |
| Increase (decrease) in refund liabilities | (1,628) | (808,263) |
| Increase (decrease) in provisions | 36,181 | 18,584 |
| Increase (decrease) in contract liabilities | (12,669) | (56,561) |
| Increase (decrease) in other current liabilities | (481,560) | 213,775 |
| Others | (3,455) | 27,603 |
| Total changes in operating liabilities | <u>(3,117,959)</u> | <u>(24,534,527)</u> |
| Total changes in operating assets and liabilities | <u>4,029,260</u> | <u>(2,951,357)</u> |
| Total adjustments | <u>5,921,594</u> | <u>(2,088,357)</u> |
| Cash inflow (outflow) generated from operations | 8,031,394 | (166,346) |
| Interest received | 412,870 | 250,360 |
| Interest paid | (883,025) | (432,053) |
| Income taxes paid | (175,827) | (85,879) |
| Net cash flows from (used in) operating activities | <u>7,385,412</u> | <u>(433,918)</u> |
| Cash flows from (used in) investing activities: | | |
| Acquisition of investments accounted for using equity method and financial assets at fair value through other comprehensive income | (6,524) | (87,525) |
| Proceeds from disposal of financial assets at fair value through other comprehensive income | 791 | - |
| Acquisition of financial assets at fair value through profit or loss | (25,000) | - |
| Proceeds from disposal of financial assets at fair value through profit or loss | 326,137 | - |
| Acquisition of property, plant and equipment | (1,037,784) | (1,093,681) |
| Proceeds from disposal of property, plant and equipment | 3,891 | 82,148 |
| Acquisition of intangible assets | (286,942) | (116,547) |
| Acquisition of right-of-use assets | (78,910) | - |
| Others | 6,138 | 27,496 |
| Net cash flows from (used in) investing activities | <u>(1,098,203)</u> | <u>(1,188,109)</u> |
| Cash flows from (used in) financing activities: | | |
| Increase (decrease) in short-term borrowings | (4,587,076) | 5,401,386 |
| Proceeds from long-term borrowings | 5,601,675 | 1,718,150 |
| Repayments of long-term borrowings | (11,810,269) | (2,616,144) |
| Payment of lease liabilities | (191,259) | - |
| Acquisition of non-controlling interests | - | (485) |
| Change in non-controlling interests | 1,259 | 1,068 |
| Others | (43,851) | 63,203 |
| Net cash flows from (used in) financing activities | <u>(11,029,521)</u> | <u>4,567,178</u> |
| Effect of exchange rate changes on cash and cash equivalents | <u>63,234</u> | <u>(813,277)</u> |
| Net increase (decrease) in cash and cash equivalents | <u>(4,679,078)</u> | <u>2,131,874</u> |
| Cash and cash equivalents at beginning of period | <u>70,296,545</u> | <u>70,062,713</u> |
| Cash and cash equivalents at end of period | <u>\$ 65,617,467</u> | <u>72,194,587</u> |

See accompanying notes to consolidated financial statements.

Reviewed only, not audited in accordance with generally accepted auditing standards

COMPAL ELECTRONICS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

March 31, 2019 and 2018

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

(1) Company history

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

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

These consolidated financial statements for the three months ended March 31, 2019 and 2018 were authorized for issuance by the Board of Directors and issued on May 13, 2019.

(3) New standards, amendments and interpretations adopted:

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2019.

| <u>New, Revised or Amended Standards and Interpretations</u> | <u>Effective date per IASB</u> |
|---|--------------------------------|
| IFRS 16 "Leases" | January 1, 2019 |
| IFRIC 23 "Uncertainty over Income Tax Treatments" | January 1, 2019 |
| Amendments to IFRS 9 "Prepayment features with negative compensation" | January 1, 2019 |
| Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement" | January 1, 2019 |
| Amendments to IAS 28 "Long-term interests in associates and joint ventures" | January 1, 2019 |
| Annual Improvements to IFRS Standards 2015–2017 Cycle | January 1, 2019 |

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

(Continued)

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

(i) IFRS 16“Leases”

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

The Group applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings on January 1, 2019. The details of the changes in accounting policies are disclosed below,

1) Definition of a lease

Previously, the Group determined at contract inception whether an arrangement is or contains a lease under IFRIC 4. Under IFRS 16, the Group assesses whether a contract is or contains a lease based on the definition of a lease, as explained in note (4)(c).

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after January 1, 2019.

2) As a lessee

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under IFRS 16, the Group recognizes right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

The Group decided to apply recognition exemptions to short-term leases of machinery and leases of office equipment.

- Leases classified as operating leases under IAS 17

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group’s incremental borrowing rate as at January 1, 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments – the Group applied this approach to all other lease.

In addition, the Group used the following practical expedients when applying IFRS 16 to leases.

- Applied a single discount rate to a portfolio of leases with similar characteristics.
- Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term.

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

- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.
- Leases previously classified as finance leases

For leases that were classified as finance leases under IAS 17, the carrying amount of the right-of-use asset and the lease liability at January 1, 2019 are determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

3) As a lessor

The Group is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor. The Group accounted for its leases in accordance with IFRS 16 from the date of initial application.

4) Impacts on financial statements

On transition to IFRS 16, the Group recognized additional \$2,981,097 thousands of right-of-use assets and \$2,089,950 thousands of lease liabilities, derecognized \$891,147 thousands of long-term prepaid rents. When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted-average rate applied is 2.78%.

The explanation of differences between operating lease commitments disclosed at the end of the annual reporting period immediately preceding the date of initial application, and lease liabilities recognized in the statement of financial position at the date of initial application disclosed as follows:

| | January 1, 2019 |
|---|------------------------|
| Operating lease commitment at December 31, 2018 as disclosed in the Group's consolidated financial statements | \$ 2,280,672 |
| Recognition exemption for: | |
| short-term leases | (56,654) |
| leases of low-value assets | (176) |
| Variable lease payment based on an index or a rate | (28,660) |
| | \$ 2,195,182 |
| Discounted using the incremental borrowing rate at January 1, 2019 | \$ 2,089,950 |
| Finance lease liabilities recognized as at December 31, 2018 | - |
| Lease liabilities recognized at January 1, 2019 | \$ 2,089,950 |

(Continued)

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

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

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

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

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

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

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

(4) Summary of significant accounting policies:

- (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) and the guidelines of IAS 34 Interim Financial Reporting which are endorsed and issued into effect by the FSC. These consolidated financial statements do not include all of the information required by the Regulations and 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) for a complete set of the annual consolidated financial statements.

(Continued)

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

Except as described in the following paragraph, the significant accounting policies adopted in the consolidated financial statements are consistent with the consolidated financial statements for the year ended December 31, 2018. For related information, please refer to note (4) of the consolidated financial statements for the year ended December 31, 2018.

(b) Basis of consolidation

Principles of preparation of the consolidated financial statements are consistent with the consolidated financial statements for the year ended December 31, 2018. For related information, please refer to note (4)(c) of the consolidated financial statements for the year ended December 31, 2018.

List of subsidiaries in the consolidated financial statements

| Investor | Name of Subsidiary | Nature of Operation | Percentage of ownership | | | Description |
|-----------------------------|---|--|-------------------------|-------------------|----------------|---|
| | | | March 31, 2019 | December 31, 2018 | March 31, 2018 | |
| The Company | Panpal Technology Corp. ("Panpal") | Investment | 100% | 100% | 100% | Panpal held 31,648 thousand shares of the Company as of March 31, 2019, which represented 0.7% of the Company's outstanding shares. (notes 1 and 2) |
| " | Gempal Technology Corp. ("Gempal") | " | 100% | 100% | 100% | Gempal held 18,369 thousand shares of the Company as of March 31, 2019, which represented 0.4% of the Company's outstanding shares. (notes 1 and 2) |
| " | Hong Ji Capital Co., Ltd. ("Hong Ji") | " | 100% | 100% | 100% | |
| " | Hong Jin Investment Co., Ltd. ("Hong Jin") | " | 100% | 100% | 100% | |
| " | Zhaopal Investment Co., Ltd. ("Zhaopal") | " | 100% | 100% | 100% | Zhaopal was dissolved on November 30, 2017 |
| " | Yongpal Investment Co., Ltd. ("Yongpal") | " | 100% | 100% | 100% | Yongpal was dissolved on November 30, 2017 |
| " | Kaipal Investment Co., Ltd. ("Kaipal") | " | 100% | 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% | 38% | The Group had the ability to control ATK. ATK was dissolved on June 30, 2009. |
| " | Arcadyan Technology Corp. ("Arcadyan") | R&D, manufacturing and sales of wireless network, integrated household electronics, and mobile office products | 35% | 35% | 36% | The Group had the ability to control Arcadyan. |
| The Company | Rayonnant Technology Co., Ltd. ("Rayonnant Technology") | Manufacturing and sales of PCs, computer periphery devices, and electronic components | 100% | 100% | 100% | |
| " | HengHao Technology Co., Ltd. ("HengHao") | " | 100% | 100% | 100% | |
| " | Ripal Optoelectronics Co., Ltd. ("Ripal") | Manufacturing of electric appliance and audiovisual electric products | 100% | 100% | 100% | |

(Continued)

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

| Investor | Name of Subsidiary | Nature of Operation | Percentage of ownership | | | Description |
|-------------|---|---|-------------------------|-------------------|----------------|---|
| | | | March 31, 2019 | December 31, 2018 | March 31, 2018 | |
| The Company | Mactech Co., Ltd ("Mactech") | Manufacturing of equipment and lighting, retailing of equipment and international trading | 53% | 53% | 53% | |
| " | General Life Biotechnology Co., Ltd. ("GLB") | Manufacturing and sales of medical equipment | 50% | 50% | 50% | |
| " | Unicore BioMedical Co., Ltd. ("Unicore") | Management consulting services, rental and leasing business, wholesale and retail sale of medical equipment. | 100% | 100% | 100% | |
| " | Hippo Screen Neurotech Co., Ltd. ("Hippo Screen") | Management consulting services, rental and leasing business, wholesale and retail sale of precision instruments and international trading | 70% | - | - | Hippo Screen was established in January 2019. |
| " | Shennona Taiwan Co., Ltd. ("Shennona TW") | Management consulting services, rental and leasing business, wholesale and retail sale of precision instruments and international trading | 100% | - | - | Shennona TW was established in March 2019. |
| " | Shennona Corporation ("Shennona") | Medical care IOT business | 100% | 100% | 100% | |
| " | Auscom Engineering Inc. ("Auscom") | R&D of notebook PC related products and components | 100% | 100% | 100% | |
| " | Just International Ltd. ("Just") | Manufacturing, sales and maintenance of monitors and LCD TVs, and investment | 100% | 100% | 100% | |
| " | Compal International Holding Co., Ltd. ("CIH") | Sales and manufacturing of notebook PCs and investments | 100% | 100% | 100% | |
| " | Compal Electronics (Holding) Ltd. ("CEH") | Investment | 100% | 100% | 100% | |
| " | Bizcom Electronics, Inc. ("Bizcom") | Warranty services and marketing of monitors and notebook PCs | 100% | 100% | 100% | (notes 1 and 2) |
| " | Flight Global Holding Inc. ("FGH") | Investment | 100% | 100% | 100% | (notes 1 and 2) |
| " | High Shine Industrial Corp. ("HSI") | " | 100% | 100% | 100% | |
| " | Compal Europe (Poland) Sp. z o.o. ("CEP") | Maintenance and warranty services of notebook PCs | 100% | 100% | 100% | |
| " | Big Chance International Co., Ltd. ("BCI") | Investment | 100% | 100% | 100% | |
| " | Compal Rayonnant Holdings Limited ("CRH") | " | 100% | 100% | 100% | |
| " | Core Profit Holdings Limited ("CORE") | " | 100% | 100% | 100% | (note 2) |
| " | Compalead Electronics B.V. ("CPE") | " | 100% | 100% | 100% | |

(Continued)

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

| Investor | Name of Subsidiary | Nature of Operation | Percentage of ownership | | | Description |
|-------------------|---|---|-------------------------|-------------------|----------------|-----------------|
| | | | March 31, 2019 | December 31, 2018 | March 31, 2018 | |
| Panpal and Gempal | Compalead Eletronica do Brasil Industria e Comercio Ltda. ("CEB") | Manufacturing of notebook PCs | 100% | 100% | 100% | (notes 1 and 2) |
| " | Compal Electronics India Private Limited ("CEIN") | Manufacturing and warranty service of mobile phones | 100% | 100% | 100% | |
| Just | Compal Display Holding (HK) Limited ("CDH (HK)") | Investment | 100% | 100% | 100% | |
| " | Compal Electronics International Ltd. ("CII") | " | 100% | 100% | 100% | |
| " | Compal International Ltd. ("CPI") | Sales of monitors, LCD TVs and related components | 100% | 100% | 100% | (notes 1 and 2) |
| CDH (HK) | Compal Electronics (China) Co., Ltd. ("CPC") | Manufacturing and sales of monitors | 100% | 100% | 100% | |
| " | Compal Optoelectronics (Kunshan) Co., Ltd. ("CPO") | Manufacturing and sales of LCD TVs | 100% | 100% | 100% | |
| " | Compal System Trading (Kunshan) Co., Ltd. ("CST") | International trade and distribution of computers and electronic components | 100% | 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 technical service. | 100% | 100% | 100% | |
| CII | Smart International Trading Ltd. ("Smart") | Sales of electronic products and related components | 100% | 100% | 100% | |
| " | Amexcom Electronics Inc. ("AEI") | Sales and maintenance of LCD TVs | 100% | 100% | 100% | |
| " | Mexcom Electronics, LLC ("MEL") | Investment | 100% | 100% | 100% | |
| " | Mexcom Technologies, LLC ("MTL") | " | 100% | 100% | 100% | |
| MEL and MTL | CENA Electromex S.A. de C.V. ("CMX") | Manufacturing, sales, and maintenance of LCD TVs | 100% | 100% | 100% | |
| CIH | Compal International Holding (HK) Limited ("CIH (HK)") | Investment | 100% | 100% | 100% | |
| " | Jenpal International Ltd. ("Jenpal") | " | 100% | 100% | 100% | |
| " | Prospect Fortune Group Ltd. ("PFG") | Sales of notebook PCs and related components | 100% | 100% | 100% | (notes 1 and 2) |
| " | Fortune Way Technology Corp. ("FWT") | Investment | 100% | 100% | 100% | |
| CIH (HK) | Compal Electronics Technology (Kunshan) Co., Ltd. ("CET") | Manufacturing of notebook PCs | 100% | 100% | 100% | |
| " | Compal Information (Kunshan) Co., Ltd. ("CIC") | " | 100% | 100% | 100% | |

(Continued)

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

| Investor | Name of Subsidiary | Nature of Operation | Percentage of ownership | | | Description |
|------------------------|---|---|-------------------------|-------------------|----------------|-------------|
| | | | March 31, 2019 | December 31, 2018 | March 31, 2018 | |
| CIH (HK) | Compal Information Technology (Kunshan) Co., Ltd. ("CIT") | Manufacturing of notebook PCs | 100% | 100% | 100% | |
| " | Kunshan Botai Electronics Co., Ltd. ("BT") | " | 100% | 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% | 100% | |
| " | Compal Digital Technology (Kunshan) Co., Ltd. ("CDT") | Manufacturing and sales of notebook PCs, mobile phones, and digital products | 100% | 100% | 100% | |
| BT | Compower Global Service Co., Ltd. ("CGS") | Maintenance and warranty service of notebook PCs | 100% | 100% | 100% | |
| CDH (HK) and CIH (HK) | Compal Investment (Jiansu) Co., Ltd. ("CIJ") | Investment | 100% | 100% | 100% | |
| CIJ | Compal Display Electronics (Kunshan) Co., Ltd. ("CDE") | Manufacturing and sales of LCD TVs | 100% | 100% | 100% | |
| The Company and Webtek | Etrade Management Co., Ltd. ("Etrade") | Investment | 100% | 100% | 100% | |
| The Company | Webtek Technology Co., Ltd. ("Webtek") | Sales of mobile phones | 100% | 100% | 100% | |
| " | Forever Young Technology Inc. ("Forever") | " | 100% | 100% | 100% | |
| " | UniCom Global, Inc. ("UCGI") | Manufacturing and sales of computers and electronic components | 100% | 100% | 100% | |
| " | Palcom International Corporation ("Palcom") | Sales of mobile phones | 100% | 100% | 100% | |
| Etrade | Compal Communication (Nanjing) Co., Ltd. ("CCI Nanjing") | Manufacturing and processing of mobile phones and tablet PCs | 100% | 100% | 100% | |
| " | Compal Digital Communication (Nanjing) Co., Ltd. ("CDCN") | " | 100% | 100% | 100% | |
| " | Compal Wireless Communication (Nanjing) Co., Ltd. ("CWCN") | " | 100% | 100% | 100% | |
| Forever | Hanhelt Communication (Nanjing) Co., Ltd. ("Hanhelt") | R&D and manufacturing of electronic communication equipment | 100% | 100% | 100% | |
| " | Giant Rank Trading Ltd. ("GIA") | Sales of mobile phones | 100% | 100% | 100% | |
| ATK | OptoRite Inc. | Sales of optical disc drives | 100% | 100% | 100% | |
| " | MSI-ATK Optics Holding Corporation ("MSI-ATK") | Investment | 100% | 100% | 100% | |
| " | Maitek (BVI) Corporation ("Maitek") | " | 100% | 100% | 100% | |

(Continued)

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

| Investor | Name of Subsidiary | Nature of Operation | Percentage of ownership | | | Description |
|---|--|--|-------------------------|-------------------|----------------|---|
| | | | March 31, 2019 | December 31, 2018 | March 31, 2018 | |
| Arcadyan | Arcadyan Technology N.A. Corp. ("Arcadyan USA") | Sales of wireless network products | 100% | 100% | 100% | (notes 1 and 2) |
| " | Arcadyan Germany Technology GmbH ("Arcadyan Germany") | Technical support of wireless network products | 100% | 100% | 100% | (notes 1 and 2) |
| " | Arcadyan Technology Corporation Korea ("Arcadyan Korea") | Sales of wireless network products | 100% | 100% | 100% | (notes 1 and 2) |
| " | Arcadyan Holding (BVI) Corp. ("Arcadyan Holding") | Investment | 100% | 100% | 100% | |
| " | Arcadyan Technology Limited ("Arcadyan UK") | Technical support of wireless network products | 100% | 100% | 100% | (notes 1 and 2) |
| " | Arcadyan Technology Australia Pty Ltd. ("Arcadyan AU") | Sales of wireless network products | 100% | 100% | 100% | (notes 1 and 2) |
| Arcadyan and Zhi-pal | Arcadyan do Brasil Ltda. ("Arcadyan Brasil") | Sales of wireless network products | 100% | 100% | 100% | (notes 1 and 2) |
| Arcadyan | Zhi-pal Technology Inc. ("Zhi-pal") | Investment | 100% | 100% | 100% | (notes 1 and 2) |
| " | Tatung Technology Inc. ("TTP") | R&D and sales of household digital electronic products | 61% | 61% | 61% | |
| " | AcBel Telecom Inc. ("AcBel Telecom") | Investment | 51% | 51% | 51% | (notes 1 and 2) |
| The Company, Arcadyan, and its subsidiaries | Compal Broadband Network Inc. ("CBN") | R&D and sales of cable modem, digital set-up box, and other communication products | 64% | 64% | 72% | |
| CBN | Speedlink Tradings Limited ("Speedlink") | Import and export business | 100% | 100% | 100% | |
| " | Compal Broadband Networks Belgium BVBA ("CBNB") | Import and export business, technical support and consulting service of broadband networks | 100% | 100% | 100% | |
| Arcadyan Holding | Sinoprime Global Inc. ("Sinoprime") | Investment | 100% | 100% | 100% | |
| " | Arcadyan Technology (Shanghai) Corp. ("SVA Arcadyan") | R&D and sales of wireless network products | 100% | 100% | 100% | |
| " | Arch Holding (BVI) Corp. ("Arch Holding") | Investment | 100% | 100% | 100% | |
| Arch Holding | Compal Networking (Kunshan) Co., Ltd. ("CNC") | Manufacturing of wireless network products | 100% | 100% | 100% | |
| Sinoprime | Arcadyan Technology (Vietnam) Co., Ltd. ("Arcadyan Vietnam") | Manufacturing of wireless network products | 100% | - | - | Arcadyan Vietnam was established in March 2019. (note 1) |
| AcBel Telecom | Leading Images Ltd. ("Leading Images") | Investment | 100% | 100% | 100% | (notes 1 and 2) |
| " | Great Arch Group Ltd. ("Great Arch") | Sales of wireless network products | - | - | 100% | The liquidation procedure had been completed in April, 2018. (note 2) |
| Leading Images | Astoria Networks GmbH ("Astoria GmbH") | " | 100% | 100% | 100% | (notes 1 and 2) |

(Continued)

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

| Investor | Name of Subsidiary | Nature of Operation | Percentage of ownership | | | Description |
|----------------------------------|---|--|-------------------------|-------------------|----------------|-------------|
| | | | March 31, 2019 | December 31, 2018 | March 31, 2018 | |
| TTI | Quest International Group Co., Ltd. ("Quest") | Investment | 100% | 100% | 100% | |
| " | Tatung Technology of Japan Co., Ltd. ("TTJC") | Sales of household digital electronic products | 100% | 100% | 100% | |
| Quest | Exquisite Electronic Co., Ltd. ("Exquisite") | Investment | 100% | 100% | 100% | |
| Exquisite | Tatung Home Appliances (Wujiang) Co., Ltd. ("THAC") | Manufacturing of household digital electronic products | 100% | 100% | 100% | |
| HSI | Intelligent Universal Enterprise Ltd. ("IUE") | Investment | 100% | 100% | 100% | |
| " | Goal Reach Enterprises Ltd. ("Goal") | " | 100% | 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% | 100% | |
| Goal | Compal Development & Management ("Vietnam") Co., Ltd. ("CDM") | Construction of and investment in infrastructure in Ba-Thien industrial district of Vietnam | 100% | 100% | 100% | |
| Rayonnant Technology and CRH APH | Allied Power Holding Corp. ("APH") | Investment | 100% | 100% | 100% | |
| " | Primetek Enterprises Limited ("PEL") | " | 100% | 100% | 100% | |
| " | Rayonnant Technology (HK) Co., Ltd. ("Rayonnant Technology (HK)") | " | 100% | 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% | 100% | |
| HengHao | HengHao Holdings A Co., Ltd. ("HHA") | Investment | 100% | 100% | 100% | |
| HHA | HengHao Holdings B Co., Ltd. ("HHB") | " | 100% | 100% | 100% | |
| HHB | HengHao Trading Co., Ltd. | Marketing and international trade | 100% | 100% | 100% | |
| " | HengHao Optoelectronics Technology (Kunshan) Co., Ltd. ("HengHao Kunshan") | Production of touch panels and related components | 100% | 100% | 100% | |
| " | Lucom Display Technology (Kunshan) Limited ("Lucom") | Manufacturing of touch panels and LCD TVs | 100% | 100% | 100% | |
| BCI | Center Mind International Co., Ltd. ("CMI") | Investment | 100% | 100% | 100% | |
| " | Prisco International Co., Ltd. ("PRF") | " | 100% | 100% | 100% | |
| CMI | Compal Investment (Sichuan) Co., Ltd. ("CIS") | Outward investment and consulting services | 100% | 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% | 100% | |

(Continued)

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

| Investor | Name of Subsidiary | Nature of Operation | Percentage of ownership | | | Description |
|----------|--|---|-------------------------|-------------------|----------------|-------------|
| | | | March 31, 2019 | December 31, 2018 | March 31, 2018 | |
| 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% | 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% | 100% | |
| CORE | Billion Sea Holdings Limited ("BSH") | Investment | 100% | 100% | 100% | (note 2) |
| GLB | Rapha Bio Ltd. ("RBL") | Detector and feature | 100% | 100% | 100% | |
| Unicore | Raycore Biotech Co., Ltd. ("Raycore") | Animal medication retail and wholesale | 51% | 51% | 51% | |

Note 1: The financial statements of the subsidiary as of March 31, 2019, have not been reviewed by CPA.

Note 2: The financial statements of the subsidiary as of March 31, 2018, have not been reviewed by CPA.

(c) Leases (applicable from January 1, 2019)

(i) Identifying a lease

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- 1) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and
- 2) the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- 3) the Group has the right to direct the use of the asset when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of an asset if either:
 - the Group has the right to operate the asset; or
 - the Group designed the asset in a way that predetermines how and for what purpose it will be used.

(Continued)

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

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

(ii) As a lessee

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or
- there is a change of its assessment on whether it will exercise a purchase, extension or termination option; or
- there is any lease modifications

(Continued)

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

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Group presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases of machinery and office equipment that have a lease term of 12 months or less and leases of low-value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(iii) As a lessor

When the Group acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

(d) Income taxes

Tax expense in the consolidated financial statements is measured and disclosed according to paragraph B12 of IAS 34 "Interim Financial Reporting".

Income tax expense for the period is best estimated by multiplying pretax income for the interim reporting period by the effective annual tax rate as forecasted by the management. This should be recognized fully as tax expense for the current period.

For a change in tax rate that is substantively enacted in an interim period, the effect of the change should immediately be recognized in the interim period in which the change occurs.

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases shall be measured based on the effective tax rate at the time of realization or liquidation and recognized directly in equity or other comprehensive income as tax expense.

(Continued)

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

(e) Employee benefits

Under defined benefit plans, pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events.

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

The preparation of the consolidated financial statements in conformity with Regulations and IFRSs (in accordance with IAS 34 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.

In the preparation of the consolidated financial statements, the major sources of significant accounting assumptions, judgments and estimation uncertainty are consistent with note (5) of the annual consolidated financial statements for the year ended December 31, 2018.

(6) Explanation of significant accounts:

Except for the following disclosures, there is no significant difference compared with the consolidated financial statement for the year ended December 31, 2018. Please refer to the note (6) of the consolidated financial statements for the year ended December 31, 2018 and for other related information.

(a) Cash and cash equivalents

| | <u>March 31, 2019</u> | <u>December 31, 2018</u> | <u>March 31, 2018</u> |
|---|---------------------------|------------------------------|---------------------------|
| Cash on hand | \$ 19,705 | 10,834 | 11,714 |
| Checking accounts and demand deposits | 6,359,755 | 12,389,146 | 7,889,642 |
| Time deposits | 59,138,607 | 57,033,555 | 63,999,404 |
| Bonds purchased under resale agreements | <u>99,400</u> | <u>863,010</u> | <u>293,827</u> |
| | <u>\$ 65,617,467</u> | <u>70,296,545</u> | <u>72,194,587</u> |

Please refer to note (6)(ab) 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.

(Continued)

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

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

| | <u>March 31,</u> <u>2019</u> | <u>December 31,</u> <u>2018</u> | <u>March 31,</u> <u>2018</u> |
|---|---------------------------------|------------------------------------|---------------------------------|
| Mandatorily measured at fair value through profit or loss: | | | |
| Non-derivative financial assets | | | |
| Structured deposits | \$ 3,549,103 | 3,965,062 | 390,233 |
| Stock listed in domestic markets | 378,385 | 633,859 | 1,261,010 |
| Unlisted fund in domestic or foreign markets | 91,419 | 69,390 | 44,068 |
| Derivative instruments not used for hedging | | | |
| Foreign exchange contracts | 116,752 | 10,168 | 34,146 |
| Swap contracts | <u>-</u> | <u>2,045</u> | <u>812</u> |
| Total | <u>\$ 4,135,659</u> | <u>4,680,524</u> | <u>1,730,269</u> |
| Current | \$ 4,044,240 | 4,611,134 | 1,686,201 |
| Non-current | <u>91,419</u> | <u>69,390</u> | <u>44,068</u> |
| | <u>\$ 4,135,659</u> | <u>4,680,524</u> | <u>1,730,269</u> |
| | <u>March 31,</u> <u>2019</u> | <u>December 31,</u> <u>2018</u> | <u>March 31,</u> <u>2018</u> |
| Financial liabilities held-for-trading: | | | |
| Derivative instruments not used for hedging | | | |
| Foreign exchange contracts | \$ - | 26,913 | 12,469 |
| Swap contracts | <u>989</u> | <u>-</u> | <u>6,165</u> |
| Total | <u>\$ 989</u> | <u>26,913</u> | <u>18,634</u> |

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

(Continued)

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

| March 31, 2019 | | | |
|--|--|-----------------|------------------------------|
| | Contract amount (in thousand) | Currency | Maturity date |
| Derivative financial assets: | | | |
| Foreign exchange contracts: | | | |
| Forward exchange sold | USD 63,500 | EUR to USD | April 10~July 5, 2019 |
| Forward exchange sold | EUR 2,039 | USD to JPY | June 6, 2019 |
| Forward exchange purchased | EUR 5,265 | USD to MXN | May 14~May 30, 2019 |
| Forward exchange purchased | USD136,500 | USD to BRL | April 1~August 6, 2019 |
| Derivative financial liabilities: | | | |
| Swap contracts: | | | |
| Currency swap | USD 10,000 | USD to TWD | April 12, 2019 |
| December 31, 2018 | | | |
| | Contract amount (in thousand) | Currency | Maturity date |
| Derivative financial assets: | | | |
| Foreign exchange contracts: | | | |
| Forward exchange sold | EUR 30,200 | EUR to USD | January 14~March 28, 2019 |
| Swap contracts: | | | |
| Currency swap | USD 27,300 | USD to TWD | February 14, 2019 |
| Derivative financial liabilities: | | | |
| Foreign exchange contracts: | | | |
| Forward exchange sold | EUR 16,000 | EUR to USD | February 26~March 28, 2019 |
| Forward exchange sold | EUR 5,000 | EUR to USD | January 10~February 11, 2019 |
| Forward exchange sold | EUR 1,000 | EUR to TWD | March 25, 2019 |
| Forward exchange purchased | USD 136,900 | USD to BRL | January 3~April 16, 2019 |
| March 31, 2018 | | | |
| | Contract amount (in thousand) | Currency | Maturity date |
| Derivative financial assets: | | | |
| Foreign exchange contracts: | | | |
| Forward exchange purchased | USD 76,500 | USD to BRL | April 4~June 26, 2018 |
| Forward exchange sold | EUR 21,000 | EUR to USD | April 12~June 28, 2018 |
| Swap contracts: | | | |
| Currency swap | USD 9,000 | USD to TWD | April 13~May 10, 2018 |

(Continued)

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

| | March 31, 2018 | | |
|--|--|-----------------|------------------------|
| | Contract amount (in thousand) | Currency | Maturity date |
| Derivative financial liabilities: | | | |
| Foreign exchange contracts: | | | |
| Forward exchange sold | EUR 14,000 | EUR to USD | April 10~May 14, 2018 |
| Swap contracts: | | | |
| Currency swap | USD 13,600 | USD to TWD | April 2~April 25, 2018 |

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

As of March 31, 2019 and December 31 and March 31, 2018, the Group did not provide any aforementioned financial assets as collaterals for its loans.

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

| | March 31, 2019 | December 31, 2018 | March 31, 2018 |
|--|---------------------------|------------------------------|---------------------------|
| Equity investments at fair value through other comprehensive income: | | | |
| Stock listed in domestic markets | \$ 2,969,920 | 2,730,648 | 3,626,382 |
| Stock listed in foreign markets | 414,561 | 400,184 | 457,695 |
| Stock unlisted in domestic markets | 2,050,888 | 1,990,100 | 2,260,178 |
| Stock unlisted in foreign markets | 51,848 | 51,363 | 107,590 |
| Total | \$ 5,487,217 | 5,172,295 | 6,451,845 |

The purpose that the Group invests in the above-mentioned equity securities is for long-term strategies, but rather for trading purpose. Therefore, these equity securities are designated as at FVOCI.

During the first quarter of 2019, the Group had sold all of its shareholdings in PrimeSensor Technology Inc., which were measured at fair value through other comprehensive income. The fair value of the shares was \$791 when disposed and the cumulative losses amounted to \$14,209, which had been transferred to retained earnings from other comprehensive income.

During the first quarter of 2018, the Group did not sold any of its financial assets measured at fair value through other comprehensive income. During the period, no cumulative profits and losses had been transferred to retained earnings from other comprehensive income.

If there is an increase (decrease) in the market price by 5% on the reporting date of the equity securities hold by the Group, the increase (decrease) in other comprehensive income (pre-tax) for the three months ended March 31, 2019 and 2018, will be \$274,361 and \$322,592. These analyses are performed on the same basis for the period and assume that all other variables remain the same.

The Group's information of market risk please refer to note (6)(ab).

(Continued)

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

As of March 31, 2019 and December 31 and March 31, 2018, the Group did not provide any financial assets at fair value through other comprehensive income as collaterals for its loans.

(d) Financial instruments used for hedging

(i) Financial instruments used for hedging were as follows:

| | March 31, 2019 | December 31, 2018 | March 31, 2018 |
|--|---------------------------|------------------------------|---------------------------|
| Cash flow hedge: | | | |
| Financial assets used for hedging: | | | |
| Forward exchange contracts | \$ <u>227</u> | - | - |
| Financial liabilities used for hedging: | | | |
| Forward exchange contracts | \$ <u>2,217</u> | - | <u>37,787</u> |

(ii) Cash flow hedge

The Group's strategy is to use forward exchange contracts to hedge its foreign currency exposure in respect of forecasted future sales.

As of December 31, 2018, the Group did not enter into any hedge contract. As of March 31, 2019 and 2018, the amount related to the items designated as hedge instruments were as follows:

| | | March 31, 2019 | | | |
|--|------------|---|--------------------------|------------------------|---------------------------------|
| | | Contract amount (in thousands) | Currency | Maturity period | Average strike price |
| Derivative financial assets used for hedging | | | | | |
| Forward exchange purchased | EUR 1,602 | USD to MXN | June 28, 2019 | 19.53 | |
| Derivative financial liabilities used for hedging | | | | | |
| Forward exchange purchased | USD 15,666 | USD to MXN | April 30~May 31, 2019 | 19.57 | |
| | | March 31, 2018 | | | |
| | | Contract amount (in thousands) | Currency | Maturity period | Average strike price |
| Derivative financial liabilities used for hedging | | | | | |
| Forward exchange purchased | USD 30,827 | USD to MXN | April 27~August 30, 2018 | 19.21 | |

(Continued)

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

(iii) For the three months ended March 31, 2019 and 2018, 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)(aa).

(iv) For the three months ended March 31, 2019 and 2018, the ineffective portion of cash flow hedge recognized in loss amounted of \$367 and \$0, respectively, recorded as "other gains and losses, net".

(e) Current financial assets measured at amortized costs

| | <u>March 31, 2019</u> | <u>December 31, 2018</u> | <u>March 31, 2018</u> |
|--|---------------------------|------------------------------|---------------------------|
| Common bonds – Taiwan Star Telecom Corporation Limited (“Taiwan Star”) | <u>\$ 350,000</u> | <u>350,000</u> | <u>700,000</u> |
| Current | \$ 350,000 | 350,000 | 350,000 |
| Non-current | <u>-</u> | <u>-</u> | <u>350,000</u> |
| | <u>\$ 350,000</u> | <u>350,000</u> | <u>700,000</u> |

The Group has assessed that these financial assets are held to maturity to collect contractual cash flows, which consist solely of payments of principal and interest on the principal amount outstanding. Therefore, these investments were classified as financial assets measured at amortized cost.

As of March 31, 2019 and December 31 and March 31, 2018, the Group did not provide the aforementioned financial assets as collaterals for its loans.

(f) Notes and accounts receivable

| | <u>March 31, 2019</u> | <u>December 31, 2018</u> | <u>March 31, 2018</u> |
|--|---------------------------|------------------------------|---------------------------|
| Notes receivables from operating activities | \$ 43,264 | 102,775 | 179,182 |
| Accounts receivables – measured at amortized cost | 166,583,879 | 184,671,402 | 131,324,763 |
| Accounts receivables – fair value through other comprehensive income | <u>20,121,316</u> | <u>23,020,497</u> | <u>28,751,490</u> |
| | 186,748,459 | 207,794,674 | 160,255,435 |
| Less: allowance for uncollectible accounts | <u>(3,948,645)</u> | <u>(4,020,603)</u> | <u>(4,042,814)</u> |
| | <u>\$ 182,799,814</u> | <u>203,774,071</u> | <u>156,212,621</u> |
| Notes and accounts receivable | <u>\$ 182,776,607</u> | <u>203,715,965</u> | <u>156,104,217</u> |
| Notes and accounts receivable – related parties | <u>\$ 23,207</u> | <u>58,106</u> | <u>108,404</u> |

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

(Continued)

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

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

- (i) The loss allowance provision of IT product segment of the Group was determined as follows:

| March 31, 2019 | | | | |
|--------------------------|---|----------------------------------|-------------------------|------------------------|
| Credit rating | Carrying amount of accounts receivable | Weighted-average ECL rate | Lifetime ECLs | Credit-impaired |
| Level A | \$ 165,644,786 | 0% | - | No |
| Level B | 9,577,753 | 0.695% | 66,569 | No |
| Level C | <u>3,830,424</u> | 100% | <u>3,830,424</u> | Yes |
| | <u>\$ 179,052,963</u> | | <u>3,896,993</u> | |
| December 31, 2018 | | | | |
| Credit rating | Carrying amount of accounts receivable | Weighted-average ECL rate | Lifetime ECLs | Credit-impaired |
| Level A | \$ 186,203,302 | 0% | - | No |
| Level B | 11,907,279 | 1.208% | 143,862 | No |
| Level C | <u>3,830,424</u> | 100% | <u>3,830,424</u> | Yes |
| | <u>\$ 201,941,005</u> | | <u>3,974,286</u> | |
| March 31, 2018 | | | | |
| Credit rating | Carrying amount of accounts receivable | Weighted-average ECL rate | Lifetime ECLs | Credit-impaired |
| Level A | \$ 142,860,075 | 0% | - | No |
| Level B | 8,825,099 | 1.581% | 139,528 | No |
| Level C | <u>3,865,313</u> | 100% | <u>3,865,313</u> | Yes |
| | <u>\$ 155,550,487</u> | | <u>4,004,841</u> | |

(Continued)

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

- (ii) The loss allowance provision of strategically integrated product segment of the Group was determined as follows:

| March 31, 2019 | | | | |
|--------------------------|---|----------------------------------|----------------------|------------------------|
| Credit rating | Carrying amount of accounts receivable | Weighted-average ECL rate | Lifetime ECLs | Credit-impaired |
| Level A | \$ 2,798,180 | 0% | - | No |
| Level B | 3,986,200 | 0.11% | 4,277 | No |
| Level C | 880,573 | 1.91% | 16,832 | No |
| Level D~E | - | - | - | - |
| Level F | <u>30,543</u> | 100% | <u>30,543</u> | Yes |
| | <u>\$ 7,695,496</u> | | <u>51,652</u> | |
| December 31, 2018 | | | | |
| Credit rating | Carrying amount of accounts receivable | Weighted-average ECL rate | Lifetime ECLs | Credit-impaired |
| Level A | \$ 1,550,848 | 0.01% | 82 | No |
| Level B | 3,024,709 | 0.11% | 3,194 | No |
| Level C | 1,247,546 | 1.00% | 12,475 | No |
| Level D~E | - | - | - | - |
| Level F | <u>30,566</u> | 100% | <u>30,566</u> | Yes |
| | <u>\$ 5,853,669</u> | | <u>46,317</u> | |
| March 31, 2018 | | | | |
| Credit rating | Carrying amount of accounts receivable | Weighted-average ECL rate | Lifetime ECLs | Credit-impaired |
| Level A | \$ 1,458,243 | 0% | - | No |
| Level B | 3,008,145 | 0.12% | 3,633 | No |
| Level C | 206,453 | 1.08% | 2,233 | No |
| Level D~E | - | - | - | - |
| Level F | <u>32,107</u> | 100% | <u>32,107</u> | Yes |
| | <u>\$ 4,704,948</u> | | <u>37,973</u> | |

(Continued)

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

The aging analysis of accounts receivable, which were past due but not impaired, were determined as follows:

| | <u>March 31,</u> <u>2019</u> | <u>December 31,</u> <u>2018</u> | <u>March 31,</u> <u>2018</u> |
|---------------------------|---------------------------------|------------------------------------|---------------------------------|
| Overdue 1 to 180 days | \$ 1,293,726 | 2,919,586 | 1,139,886 |
| Overdue 181 to 365 days | 8,965 | 15,809 | - |
| Overdue 365 days and over | <u>40,629</u> | <u>25,555</u> | <u>-</u> |
| | <u>\$ 1,343,320</u> | <u>2,960,950</u> | <u>1,139,886</u> |

The movement in the allowance for notes and accounts receivable was as follows:

| | <u>For the three months ended</u> <u>March 31,</u> | |
|---------------------------------------|---|------------------|
| | <u>2019</u> | <u>2018</u> |
| Balance at January 1 | \$ 4,020,603 | 4,021,894 |
| Impairment losses recognized | 10,504 | 19,752 |
| Amounts written off | (85,907) | - |
| Effect of movements in exchange rates | <u>3,445</u> | <u>1,168</u> |
| Balance at March 31 | <u>\$ 3,948,645</u> | <u>4,042,814</u> |

Allowance for uncollectible account is the balance of accounts receivable which are uncollectable. Except for evaluating the situation of the customers' payment records and widely analyzing the credit rating of customers, the Group also takes all the necessary procedures for collection. The Group believes that there is no doubt for the recovery of the due but unimpaired accounts receivable, therefore, no allowance recognized.

The Group entered into accounts receivable factoring agreements with banks. As of March 31, 2019 and December 31 and March 31, 2018, except for the amount used under the actual sales amount in accordance with certain agreements, the factoring amount granted by the banks was USD 950,000 thousands and EUR 33,000 thousands, and USD 950,000 thousands and EUR 20,000 thousands, USD 950,000 thousands and EUR 20,000 thousands, respectively. Based on the agreements, the Group is not responsible for guaranteeing the ability of the account receivable obligor to make payment when it is affected by credit risk. Thus, this is a non-recourse accounts receivable factoring. After the transfer of the accounts receivable, the Group can request partial advanced amount, while the interest calculated at an agreed rate is paid to the bank in the period during the time of receiving advance and the accounts receivable is collected. The remaining amounts with no advance are received when the accounts receivable are settled by the customers. As of December 31 and March 31, 2018, accounts receivable factored was recovered and derecognized since the conditions of derecognition were met. As of March 31, 2019, the factored account receivable with no advance amounting to \$85,778, is accounted for as other receivables.

(Continued)

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

The Company, customers, and banks signed the three-party contracts in which the banks purchase accounts receivable from the Company. The total amount of the accounts receivable should not exceed the facility limit provided by the banks to the Company's customers. Based on the contracts, the banks have no right to request the Company to repurchase the accounts receivable. Thus, this is a non-recourse accounts receivable transfer. As of March 31, 2019 and December 31 and March 31, 2018, account receivable factored were recovered and derecognized since the conditions of derecognition were met.

As of March 31, 2019 and December 31 and March 31, 2018, the details of the factored accounts receivable were as follows:

| March 31, 2019 | | | | | |
|-----------------------|---|------------------------|-------------------|----------------------------|----------------------|
| Purchaser | Accounts receivable factored (gross) | Advanced amount | Collateral | Amount derecognized | Interest rate |
| Financial Institution | \$ 16,190,360 | 16,104,582 | - | 16,190,360 | 3.03%~3.50% |

| December 31, 2018 | | | | | |
|--------------------------|---|------------------------|-------------------|----------------------------|----------------------|
| Purchaser | Accounts receivable factored (gross) | Advanced amount | Collateral | Amount derecognized | Interest rate |
| Financial Institution | \$ 32,098,074 | 32,098,074 | - | 32,098,074 | 3.02%~3.52% |

| March 31, 2018 | | | | | |
|-----------------------|---|------------------------|-------------------|----------------------------|----------------------|
| Purchaser | Accounts receivable factored (gross) | Advanced amount | Collateral | Amount derecognized | Interest rate |
| Financial Institution | \$ 12,035,899 | 12,035,899 | - | 12,035,899 | 0.85%~2.88% |

As of March 31, 2019 and December 31 and March 31, 2018, the Group did not provide any aforementioned notes and accounts receivable as collaterals.

(Continued)

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

(g) Inventories

| | <u>March 31, 2019</u> | <u>December 31, 2018</u> | <u>March 31, 2018</u> |
|--------------------------|-----------------------------|------------------------------|---------------------------|
| Finished goods | \$ 35,689,096 | 33,463,627 | 20,074,522 |
| Work in progress | 9,531,752 | 6,830,625 | 5,927,541 |
| Raw materials | 42,639,944 | 38,526,674 | 40,851,370 |
| Raw materials in transit | <u>4,182,890</u> | <u>327,996</u> | <u>1,091,753</u> |
| | <u>\$ 92,043,682</u> | <u>79,148,922</u> | <u>67,945,186</u> |

- (i) During the three months ended March 31, 2019 and 2018, inventory cost recognized as cost of sales amounted to \$202,938,374 and \$189,488,759, respectively.
- (ii) The write-down of inventories to net realizable value amounted to \$216,762 and \$233,914, respectively, in the three month ended March 31, 2019 and 2018.
- (iii) As of March 31, 2019 and December 31 and March 31, 2018, the Group did not provide any inventories as collaterals for its loans.

(h) 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:

| | <u>March 31, 2019</u> | <u>December 31, 2018</u> | <u>March 31, 2018</u> |
|------------------------------------|----------------------------|------------------------------|---------------------------|
| Associates | \$ 7,618,179 | 7,469,153 | 7,247,300 |
| Joint venture | <u>12,370</u> | <u>16,180</u> | <u>26,818</u> |
| | 7,630,549 | 7,485,333 | 7,274,118 |
| Less: unrealized profits or losses | <u>(121,249)</u> | <u>(120,848)</u> | <u>(114,698)</u> |
| | <u>\$ 7,509,300</u> | <u>7,364,485</u> | <u>7,159,420</u> |

(i) Associates

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

| | <u>March 31, 2019</u> | <u>December 31, 2018</u> | <u>March 31, 2018</u> |
|---|----------------------------|------------------------------|---------------------------|
| Allied Circuit Co., Ltd. ("Allied Circuit") | \$ 1,153,474 | 1,061,543 | 2,237,567 |
| Avalue Technology Inc. ("Avalue") | <u>739,905</u> | <u>586,743</u> | <u>710,187</u> |
| | <u>\$ 1,893,379</u> | <u>1,648,286</u> | <u>2,947,754</u> |

(Continued)

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

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

| | Three months ended March 31, 2019 | Three months ended March 31, 2018 |
|--|--|--|
| The Group's share of the gain (loss) of associates | <u>\$ (59,112)</u> | <u>45,107</u> |

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

| | March 31, 2019 | December 31, 2018 | March 31, 2018 |
|---|---------------------------|--|--|
| Carrying amount of individually immaterial associates | <u>\$ 7,618,179</u> | <u>7,469,153</u> | <u>7,247,300</u> |
| | | Three months ended March 31, 2019 | Three months ended March 31, 2018 |
| The Group's share of the net income (loss) of associates: | | | |
| Profit (loss) from continuing operations | \$ (59,112) | 45,107 | 45,107 |
| Other comprehensive income | | <u>201,901</u> | <u>126,544</u> |
| Total comprehensive income | <u>\$ 142,789</u> | <u>171,651</u> | <u>171,651</u> |

- 4) In the first quarter of 2018, in accordance with the investment agreement with Lenovo Group Ltd. ("Lenovo Group"), the Group has the right and expects to sell all the shares of the investee company, LC Future Center Co., Ltd. ("LCFC"), which is accounted for using the equity method to Lenovo Group. Since the investment in the first quarter of 2018 has met the criteria of non-current assets held for sale according to IFRS 5 "Non-current assets held for sale and discontinued operations", the Group reclassified the carrying amount of the equity investment of LCFC to non-current assets held for sale, amounting to \$4,711,834, and stopped using the equity method in the first quarter of 2018. In August 2018, the transaction has been completed and the price has been fully recovered.

(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.

(Continued)

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

The Group's financial information for investment accounted for using the equity method that are individually immaterial was as follows:

| | March 31, 2019 | December 31, 2018 | March 31, 2018 |
|---|---------------------------|--|--|
| The carrying amount of the Group's interests in all individually immaterial joint ventures | \$ 12,370 | 16,180 | 26,818 |
| | | Three months ended March 31, 2019 | Three months ended March 31, 2018 |
| The Group's share of the net income (loss) of joint ventures: | | | |
| Losses from continuing operations (also the total comprehensive losses) | | \$ (2,971) | (1,430) |

(iii) As of March 31, 2019 and December 31 and March 31, 2018, the Group did not provide any investments accounted for using equity method as collaterals for its loans.

(i) Changes in subsidiaries' equity

There were no significant transactions for the three months ended March 31, 2019 and 2018. Please refer to note (6)(l) of the consolidated financial statement for the year ended December 31, 2018.

(j) Material non-controlling interests of subsidiaries

There were no significant transactions for the three months ended March 31, 2019 and 2018. Please refer to note (6)(m) of the consolidated financial statement for the year ended December 31, 2018.

(k) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Group for the three months ended March 31, 2019 and 2018, 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, 2019 | \$ 1,772,214 | 17,020,270 | 26,201,597 | 10,642,904 | 1,003,490 | 56,640,475 |
| Additions | - | 288,559 | 267,520 | 319,118 | 175,517 | 1,050,714 |
| Disposals and derecognitions | - | (15,947) | (83,251) | (393,870) | - | (493,068) |
| Reclassifications | - | 13,817 | 29,421 | 42,689 | (85,927) | - |
| Effect of movements in exchange rates | 316 | 273,116 | 96,534 | 181,763 | 70,475 | 622,204 |
| Balance on March 31, 2019 | \$ 1,772,530 | 17,579,815 | 26,511,821 | 10,792,604 | 1,163,555 | 57,820,325 |

(Continued)

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

| | Land | Buildings and building improvement | Machinery | Other equipment | Under construction and prepayment for purchase of equipment | Total |
|---------------------------------------|---------------------|---|-------------------|----------------------------|--|-------------------|
| Balance on January 1, 2018 | \$ 1,769,326 | 15,100,906 | 23,268,462 | 9,759,017 | 1,136,868 | 51,034,579 |
| Additions | - | 16,024 | 603,925 | 243,800 | 75,170 | 938,919 |
| Disposals and derecognitions | - | (29) | (84,778) | (20,701) | - | (105,508) |
| Reclassifications | - | 1,296 | 70,716 | 26,603 | (98,615) | - |
| Effect of movements in exchange rates | (1,981) | (153,943) | (823,582) | (149,045) | (21,959) | (1,150,510) |
| Balance on March 31, 2018 | <u>\$ 1,767,345</u> | <u>14,964,254</u> | <u>23,034,743</u> | <u>9,859,674</u> | <u>1,091,464</u> | <u>50,717,480</u> |
| Depreciation and impairments loss: | | | | | | |
| Balance on January 1, 2019 | \$ - | 10,105,653 | 18,441,703 | 7,674,891 | - | 36,222,247 |
| Depreciation for the period | - | 194,121 | 667,227 | 347,113 | - | 1,208,461 |
| Disposals and derecognitions | - | (15,947) | (80,940) | (393,259) | - | (490,146) |
| Effect of movements in exchange rates | - | 215,160 | 245,655 | 13,513 | - | 474,328 |
| Balance on March 31, 2019 | <u>\$ -</u> | <u>10,498,987</u> | <u>19,273,645</u> | <u>7,642,258</u> | <u>-</u> | <u>37,414,890</u> |
| Balance on January 1, 2018 | \$ - | 9,239,452 | 17,548,800 | 6,066,960 | - | 32,855,212 |
| Depreciation for the period | - | 182,585 | 533,418 | 390,162 | - | 1,106,165 |
| Disposals and derecognitions | - | (179) | (43,339) | (20,564) | - | (64,082) |
| Effect of movements in exchange rates | - | (118,740) | (341,076) | (247,774) | - | (707,590) |
| Balance on March 31, 2018 | <u>\$ -</u> | <u>9,303,118</u> | <u>17,697,803</u> | <u>6,188,784</u> | <u>-</u> | <u>33,189,705</u> |
| Carrying amounts: | | | | | | |
| Balance on January 1, 2019 | <u>\$ 1,772,214</u> | <u>6,914,617</u> | <u>7,759,894</u> | <u>2,968,013</u> | <u>1,003,490</u> | <u>20,418,228</u> |
| Balance on March 31, 2019 | <u>\$ 1,772,530</u> | <u>7,080,828</u> | <u>7,238,176</u> | <u>3,150,346</u> | <u>1,163,555</u> | <u>20,405,435</u> |
| Balance on January 1, 2018 | <u>\$ 1,769,326</u> | <u>5,861,454</u> | <u>5,719,662</u> | <u>3,692,057</u> | <u>1,136,868</u> | <u>18,179,367</u> |
| Balance on March 31, 2018 | <u>\$ 1,767,345</u> | <u>5,661,136</u> | <u>5,336,940</u> | <u>3,670,890</u> | <u>1,091,464</u> | <u>17,527,775</u> |

As of March 31, 2019 and December 31 and March 31, 2018, part of the Group's property, plant and equipment were provided as collateral for long-term borrowings. Please refer to note (8).

(l) Right-of-use assets

The Group leases many assets including land and buildings, machinery, vehicles and others. Information about leases for which the Group as a lessee is presented below:

| | Land | Buildings | Machinery | Vehicles and others | Total |
|---|-------------------|------------------|------------------|--------------------------------|------------------|
| Cost or deemed cost: | | | | | |
| Balance on January 1, 2019 | \$ - | - | - | - | - |
| Effects of retrospective application of IFRS 16 | 891,147 | 1,934,899 | 87,482 | 67,569 | 2,981,097 |
| Balance on January 1, 2019 per IFRS 16 | 891,147 | 1,934,899 | 87,482 | 67,569 | 2,981,097 |
| Additions | 75,445 | - | - | 3,465 | 78,910 |
| Effect of movements in exchange rates | 3,023 | (19,133) | (114) | 174 | (16,050) |
| Balance on March 31, 2019 | <u>\$ 969,615</u> | <u>1,915,766</u> | <u>87,368</u> | <u>71,208</u> | <u>3,043,957</u> |

(Continued)

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

| | <u>Land</u> | <u>Buildings</u> | <u>Machinery</u> | <u>Vehicles and others</u> | <u>Total</u> |
|---|-------------------|------------------|------------------|--------------------------------|------------------|
| Depreciation and impairment loss: | | | | | |
| Balance on January 1, 2019 | \$ - | - | - | - | - |
| Effects of retrospective application of IFRS 16 | - | - | - | - | - |
| Balance on January 1, 2019 per IFRS 16 | - | - | - | - | - |
| Depreciation for the period | 10,594 | 172,918 | 3,057 | 8,253 | 194,822 |
| Effect of movements in exchange rates | 148 | (8) | 8 | 4 | 152 |
| Balance on March 31, 2019 | <u>\$ 10,742</u> | <u>172,910</u> | <u>3,065</u> | <u>8,257</u> | <u>194,974</u> |
| Carrying amount: | | | | | |
| Balance on January 1, 2019 | <u>\$ 891,147</u> | <u>1,934,899</u> | <u>87,482</u> | <u>67,569</u> | <u>2,981,097</u> |
| Balance on March 31, 2019 | <u>\$ 958,873</u> | <u>1,742,856</u> | <u>84,303</u> | <u>62,951</u> | <u>2,848,983</u> |

The Group leases land, offices, warehouses and factory facilities under an operating lease for the three months ended March 31, 2018, please refer to note 6(r).

(m) Short-term borrowings

The details of short-term borrowings were as following:

| | <u>March 31, 2019</u> | <u>December 31, 2018</u> | <u>March 31, 2018</u> |
|--|---------------------------|------------------------------|---------------------------|
| Unsecured bank loans | <u>\$ 67,763,121</u> | <u>72,350,197</u> | <u>61,916,911</u> |
| Unused credit line for short-term borrowings | <u>\$ 90,770,000</u> | <u>83,720,000</u> | <u>66,462,000</u> |
| Range of interest rates | <u>0.69%~5.11%</u> | <u>0.45%~5.87%</u> | <u>0.65%~4.70%</u> |

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

(n) Long-term borrowings

The details of long-term borrowings were as follows:

| | <u>March 31, 2019</u> | <u>December 31, 2018</u> | <u>March 31, 2018</u> |
|---|---------------------------|------------------------------|---------------------------|
| Unsecured bank loans | \$ 22,197,500 | 28,396,250 | 26,296,300 |
| Secured bank loans | 127,969 | 137,813 | 258,594 |
| Less: current portion | (10,086,875) | (17,535,625) | (7,048,125) |
| Total | <u>\$ 12,238,594</u> | <u>10,998,438</u> | <u>19,506,769</u> |
| Unused credit line for long-term borrowings | <u>\$ 14,452,000</u> | <u>5,443,000</u> | <u>3,843,000</u> |
| Range of interest rates | <u>0.98%~1.67%</u> | <u>0.79%~1.67%</u> | <u>0.78%~2.28%</u> |

(Continued)

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

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

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

(o) Lease liabilities

The details of lease liabilities were as follows:

| | March 31, 2019 | | |
|------------------------------|--|-----------------------|--|
| | Future minimum lease payments | Interest | Present value of minimum lease payments |
| Less than one year | \$ 669,432 | 39,312 | 630,120 |
| Between one and five years | 1,095,802 | 68,627 | 1,027,175 |
| More than five years | 260,425 | 19,029 | 241,396 |
| | <u>\$ 2,025,659</u> | <u>126,968</u> | <u>1,898,691</u> |
| Current | <u>\$ 669,432</u> | <u>39,312</u> | <u>630,120</u> |
| Non-current financial assets | <u>\$ 1,356,227</u> | <u>87,656</u> | <u>1,268,571</u> |

There were no significant issues, repurchases and repayments of lease liabilities for the three months ended March 31, 2019.

The amounts recognized in profit or loss were as follows:

| | For the three months ended March 31, 2019 |
|--|--|
| Interest on lease liabilities | <u>\$ 9,465</u> |
| Variable lease payments not included in the measurement of lease liabilities | <u>\$ 4,217</u> |
| Expenses relating to short-term leases or leases of low-value assets | <u>\$ 30,105</u> |

The amounts recognized in the statement of cash flows for the Group was as follows:

| | For the three months ended March 31, 2019 |
|-------------------------------|--|
| Total cash outflow for leases | <u>\$ 235,046</u> |

(i) Real estate leases

As of March 31, 2019, the Group acquired land leasehold rights and leases buildings for its office and plant space. The leases of office space typically run for a period of 1 ~19 years, and of land leasehold rights for 50 years.

(Continued)

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

(ii) Other leases

The Group leases equipment and vehicles, with lease terms of 1~5 years.

The Group also leases some equipment and vehicles with contract terms of 1~3 years. These leases are short-term or leases of low-value items. The Group has elected not to recognize right-of-use assets and lease liabilities for these leases.

(p) Provisions

There were no significant change of provisions for the three months ended March 31, 2019 and 2018. Please refer to note (6)(q) of the consolidated financial statements for the year ended December 31, 2018 for related information.

(q) Refund liabilities

There were no significant changes of refund liabilities for the three months ended March 31, 2019 and 2018. Please refer to note (6)(r) of the consolidated financial statements for the year ended December 31, 2018 for related information.

(r) Operating lease

There were no significant changes in operating lease for the three months ended March 31, 2018. Please refer to note (6)(s) of the consolidated financial statements for the year ended December 31, 2018 for related information.

(s) Employee benefits

(i) Defined benefit plans

Management believes that there was no material volatility of the market, no material reimbursement and settlement or other material one-time events since prior fiscal year. As a result, the pension cost in the accompanying interim period was measured and disclosed according to the actuarial report as of December 31, 2018 and 2017.

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

| | For the three months ended | |
|-----------------------------------|-----------------------------------|--------------|
| | March 31, | |
| | 2019 | 2018 |
| Operating cost | \$ 291 | 352 |
| Selling expenses | 210 | 268 |
| Administrative expenses | 925 | 1,004 |
| Research and development expenses | <u>2,583</u> | <u>2,850</u> |
| Total | <u>\$ 4,009</u> | <u>4,474</u> |

(Continued)

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

(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 \$102,308 and \$93,321 for the three months ended March 31, 2019 and 2018, 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 \$304,152 and \$289,047 for the three months ended March 31, 2019 and 2018, respectively.

(t) Income taxes

- (i) The Group entities are subject to income tax rates according to the profit before tax of interim reporting period multiply by the best estimated measurement of the expected effective tax rate by the management in all the year. The amount of income tax was as follows:

| | Three months ended March 31, 2019 | Three months ended March 31, 2018 |
|---------------------|--|--|
| Current tax expense | \$ 450,099 | 339,215 |

- (ii) The amount of income tax recognized in other comprehensive income were as follows:

| | Three months ended March 31, 2019 | Three months ended March 31, 2018 |
|--|--|--|
| Items that will not be reclassified subsequently to profit or loss: | | |
| Remeasurement of the defined benefit liability | \$ - | (28,108) |
| Unrealized gains (losses) on equity instruments at fair value through other comprehensive income | 15,695 | (6,330) |
| | \$ 15,695 | (34,438) |
| Items that will be reclassified subsequently to profit or loss: | | |
| Foreign currency translation differences of foreign operations | \$ 873 | (3,573) |
| | \$ 873 | (3,573) |

(Continued)

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

(iii) Examination and approval

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

The ROC tax authorities have assessed the income tax returns of Panpal, Gempal, Hong Ji, Hong Jin, Zhaopal, Yongpal, Palcom, Kaipal, Acbel Telecom, Zhipal, Rayonnant Technology and Ripal through 2017, of UCGI, TTI, CBN, GLB, RBL, HengHao and Mactech Through 2016, of Arcadyan through 2015, of ATK through June 2009.

(u) Capital and other equities

Except for the following disclosure, there was no significant change for capital and other equity for the periods from January 1 to March 31, 2019 and 2018. Please refer to note (6)(v) of the consolidated financial statement for the year ended December 31, 2018.

(i) Capital surplus

The balances of capital surplus were as follows:

| | March 31, 2019 | December 31, 2018 | March 31, 2018 |
|--|----------------------------|------------------------------|---------------------------|
| Additional paid-in capital | \$ 7,183,919 | 7,183,919 | 8,065,348 |
| Treasury share transactions | 2,421,864 | 2,421,864 | 2,361,843 |
| Difference arising from subsidiary's share price and its carrying value | 36,766 | 36,766 | 36,766 |
| Recognition of changes in ownership interests in subsidiaries | 16,222 | 15,642 | 48,508 |
| Changes in equity of associates and joint ventures accounted for using equity method | <u>274,243</u> | <u>274,243</u> | <u>274,872</u> |
| | <u>\$ 9,933,014</u> | <u>9,932,434</u> | <u>10,787,337</u> |

The Company's Board of Directors meeting held on March 22, 2019 and shareholders' meeting held on June 22, 2018, approved to distribute the cash dividend of \$881,429 (representing 0.2 New Taiwan dollars per share, yet to be approved in shareholders' meeting), and \$881,429 (representing 0.2 New Taiwan dollars per share), respectively, by using the additional paid-in-capital.

(Continued)

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

(ii) Retained earnings

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

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

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

Distribution for the earnings of 2018 was approved by the Board of Directors meeting held on March 22, 2019, and 2017 was approved by the shareholders during their annual meeting held on June 22, 2018. The relevant information was as follows:

| | <u>2018</u> | | <u>2017</u> | |
|--|-----------------------------|-------------------------|-----------------------------|-------------------------|
| | <u>Amount per share</u> | <u>Total amount</u> | <u>Amount per share</u> | <u>Total amount</u> |
| Cash dividends distributed to common shareholders | \$ 1.0 | <u><u>4,407,147</u></u> | 1.0 | <u><u>4,407,147</u></u> |

The earnings distribution for the 2018 has not yet been approved by the shareholders. The related information can be accessed through the Market Observation Post System website after the shareholders' meeting.

(iii) Treasury stock

The subsidiaries of the Company did not sell the ordinary shares of the Company in the three months ended March 31, 2019 and 2018. As of March 31, 2019, Panpal and Gempal, subsidiaries of the Company, held 50,017 thousand shares of ordinary shares of the Company, recorded as the Company's treasury stock, with a book value of 17.6 New Taiwan dollars per share. The total cost was \$881,247. The fair value of the ordinary shares of the Company was 19.15, 17.45 and 19.95 New Taiwan dollars per share as of March 31, 2019 and December 31 and March 31, 2018, respectively.

(Continued)

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

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.

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

| | Exchange differences on transaction of foreign operation financial statements | Unrealized gain (loss) from financial assets at fair value through other comprehensive income | Unrealized gain (loss) on available-for-sale financial assets | Unearned compensation for restricted employee shares and others | Total |
|--|--|---|--|---|---------------------|
| Balance on January 1, 2019 | \$ (1,852,952) | (5,606,436) | - | - | (7,459,388) |
| The Group | 244,695 | 313,829 | - | (701) | 557,823 |
| Associates | 164,782 | 36,668 | - | - | 201,450 |
| Balance on March 31, 2019 | <u>\$ (1,443,475)</u> | <u>(5,255,939)</u> | <u>-</u> | <u>(701)</u> | <u>(6,700,115)</u> |
| Balance on January 1, 2018 | \$ (3,477,376) | - | (5,353,772) | (79,856) | (8,911,004) |
| Effect of retrospective application | - | (5,847,823) | 5,353,772 | - | (494,051) |
| Adjusted balance on January 1, 2018 | (3,477,376) | (5,847,823) | - | (79,856) | (9,405,055) |
| The Company | (1,278,267) | (261,103) | - | 66,237 | (1,473,133) |
| Associates | 136,384 | (9,840) | - | - | 126,544 |
| Balance on March 31, 2018 | <u>\$ (4,619,259)</u> | <u>(6,118,766)</u> | <u>-</u> | <u>(13,619)</u> | <u>(10,751,644)</u> |

(v) Share-based payment

Except for those described below, there were no significant changes in share-based payment during the three months ended March 31, 2019 and 2018. Please refer to note (6)(w) of the consolidated financial statements for the year ended December 31, 2018 for related information.

For the three months ended March 31, 2018, due to the failure in meeting the vested requirements of the employee restricted shares, the Company reversed compensation cost amounted to \$156,219 and capital surplus employee amounted to \$318,209.

(Continued)

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

(w) Earnings per share

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

| | Three months ended March 31, 2019 | Three months ended March 31, 2018 |
|---|--|--|
| Basic earnings per share: | | |
| Profit attributable to ordinary shareholders of the Company | \$ <u>1,350,258</u> | <u>1,393,302</u> |
| Weighted-average number of outstanding ordinary shares (in thousands) | <u>4,357,130</u> | <u>4,354,403</u> |
| Diluted earnings per share: | | |
| Profit attributable to ordinary shareholders of the Company (after adjustment of potential diluted ordinary shares) | \$ <u>1,350,258</u> | <u>1,393,302</u> |
| Weighted-average number of outstanding ordinary shares of potential diluted ordinary shares | | |
| Weighted-average number of outstanding ordinary shares (in thousands) | 4,357,130 | 4,354,403 |
| Effect of potential diluted common stock | | |
| Employee compensation (in thousands) | 51,564 | 42,424 |
| Employee restricted shares (in thousands) | - | <u>2,727</u> |
| Weighted-average number of ordinary shares (after adjustment of potential diluted ordinary shares) (in thousands) | <u>4,408,694</u> | <u>4,399,554</u> |

(x) Revenue from contracts with customers

(i) Disaggregation of revenue

| | For the three months ended March 31, 2019 | | |
|--------------------------------|--|---|--------------------|
| | IT Product Segment | Strategically Integrated Product Segment | Total |
| Primary geographical markets: | | | |
| United states | \$ 72,390,379 | 307,196 | 72,697,575 |
| Netherlands | 25,245,836 | 168,498 | 25,414,334 |
| China | 23,163,002 | 119,877 | 23,282,879 |
| United Kingdom | 10,671,978 | 882,247 | 11,554,225 |
| Germany | 7,209,760 | 3,209,906 | 10,419,666 |
| Others | <u>62,911,745</u> | <u>4,320,129</u> | <u>67,231,874</u> |
| | <u>\$ 201,592,700</u> | <u>9,007,853</u> | <u>210,600,553</u> |
| Major products : | | | |
| 5C related electronic products | \$ 200,933,661 | 8,913,313 | 209,846,974 |
| Others | <u>659,039</u> | <u>94,540</u> | <u>753,579</u> |
| | <u>\$ 201,592,700</u> | <u>9,007,853</u> | <u>210,600,553</u> |

(Continued)

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

| | For the three months ended March 31, 2018 | | |
|--|--|---|---------------------------|
| | IT Product Segment | Strategically Integrated Product Segment | Total |
| United states | \$ 66,132,566 | 463,330 | 66,595,896 |
| China | 24,983,794 | 106,232 | 25,090,026 |
| Netherlands | 24,788,891 | 84,168 | 24,873,059 |
| United Kingdom | 8,822,840 | 389,772 | 9,212,612 |
| Germany | 7,192,300 | 1,308,918 | 8,501,218 |
| Others | 59,403,675 | 2,435,476 | 61,839,151 |
| | \$ 191,324,066 | 4,787,896 | 196,111,962 |
| Major products: | | | |
| 5C related electronic products | \$ 190,681,192 | 4,625,025 | 195,306,217 |
| Others | 642,874 | 162,871 | 805,745 |
| | \$ 191,324,066 | 4,787,896 | 196,111,962 |
| (ii) Contract balances | | | |
| | March 31, 2019 | December 31, 2018 | March 31, 2018 |
| Notes and accounts receivable (including related parties) | \$ 186,748,459 | 207,794,674 | 160,255,435 |
| Less: allowance for impairment | (3,948,645) | (4,020,603) | (4,042,814) |
| Total | \$ 182,799,814 | 203,774,071 | 156,212,621 |
| Contract liabilities | \$ 1,463,635 | 1,476,304 | 1,608,760 |

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

The amount of revenue recognized for the three months ended March 31, 2019 and 2018 that were included in the contract liability balance at the beginning of the period was \$328,210 and \$371,594, respectively.

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

(Continued)

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

(y) 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 \$140,047 and \$141,640, and directors' compensation of \$7,406 and \$7,490 for the three months ended March 31, 2019 and 2018, respectively. The estimated amounts mentioned above are based on the net profit before tax without the compensations to employees and directors of each respective ending period, multiplied by the percentage of the compensation to employees and directors, which was approved by the management. The estimations are recorded under operating expenses and cost. The differences between the amounts estimated and recognized in the financial statements, if any, are accounted for as changes in accounting estimates and recognized as profit or loss in the distribution year. If the Board of Directors approves to distribute employee compensation in the form of stock, the number of the shares of the employee compensation is based on the closing price of the day before the Board of Directors' meeting.

The Company accrued and recognized its employee compensation of \$930,857 and \$624,296, and directors' compensation of \$49,223 and \$33,012 for the years ended December 31, 2018 and 2017, respectively. There is no difference between the amount approved in the Board of Directors' meeting and those recognized in the financial statements, the related information can be accessed through the Market Observation Post System website.

(z) Non-operating income and expenses

(i) Other income

The other income for the three months ended March 31, 2019 and 2018, were as follows:

| | <u>Three months ended March 31, 2019</u> | <u>Three months ended March 31, 2018</u> |
|--|--|--|
| Interest income | | |
| Financial assets at amortized cost | \$ 1,726 | 3,452 |
| Bank deposits and others | 378,024 | 257,368 |
| Overdue payable reversed as other income | - | 26,367 |
| Other revenue | <u>48,814</u> | <u>56,824</u> |
| | <u>\$ 428,564</u> | <u>344,011</u> |

(Continued)

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

(ii) Other gains and losses

The other gains and losses for the three months ended March 31, 2019 and 2018, were as follows:

| | Three months ended March 31, 2019 | Three months ended March 31, 2018 |
|--|--|--|
| Gains (losses) on financial assets and liabilities at fair value through profit or loss, net | \$ 174,891 | 127,093 |
| Foreign currency exchange gains (losses), net | (114,040) | (243,702) |
| Gains (losses) on disposal of property, plant, and equipment | <u>969</u> | <u>40,722</u> |
| | <u>\$ 61,820</u> | <u>(75,887)</u> |

(aa) Reclassification of the components of other comprehensive income

The details of reclassification of the components of other comprehensive income for the three months ended March 31, 2019 and 2018, were as follows:

| | Three months ended March 31, 2019 | Three months ended March 31, 2018 |
|--|--|--|
| Cash flow hedge: | | |
| Profit (loss) recognized | \$ (9,857) | (37,787) |
| Less: reclassified to profit or loss | <u>(7,867)</u> | <u>-</u> |
| Profit (loss) recognized in other comprehensive income | <u>\$ (1,990)</u> | <u>(37,787)</u> |

(ab) Financial instruments

Except for those described below, there were no significant changes on fair value, credit risk, liquidity risk and market risk of financial instruments. Please refer to note (6)(ad) of the consolidated financial statements for the year ended December 31, 2018 for related information.

(i) Credit risk

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

Other financial assets at amortized cost include other receivables, investments in corporate bonds and time deposits. These financial assets are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses. (Regarding how the financial instruments are considered to have low credit risk, please refer to note (4)(g) of the consolidated financial statements for the year ended December 31, 2018). Due to the counter parties and the performing parties of the Group's time deposits are financial institutions with investment grade and above, these time deposits are considered to have low credit risk.

(Continued)

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

The movement in the allowance for the three months ended March 31, 2019 and 2018 was as follows:

| | Other receivables |
|-------------------------------------|------------------------------|
| Balance on January 1, 2019 | \$ 3,577 |
| Impairment losses reversed | (1,165) |
| Balance on March 31, 2019 | \$ 2,412 |
| Balance on January 1, 2018 | \$ 82,014 |
| Impairment losses reversed | (79,940) |
| Effect of changes in exchange rates | (2) |
| Balance on March 31, 2018 | \$ 2,072 |

(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 |
|--|----------------------------|-----------------------------------|----------------------|--------------------|---------------------|
| March 31, 2019 | | | | | |
| Non-derivative financial liabilities | | | | | |
| Secured borrowings | \$ 127,969 | (127,969) | (39,375) | (39,375) | (49,219) |
| Unsecured borrowings | 89,960,621 | (89,960,621) | (77,810,621) | (7,050,000) | (5,100,000) |
| Lease liabilities – current and non-current | 1,898,691 | (2,025,659) | (669,432) | (604,880) | (751,347) |
| Notes and accounts payable | 153,299,683 | (153,299,683) | (153,299,683) | - | - |
| Other payables | 14,279,422 | (14,279,422) | (14,279,422) | - | - |
| Derivative financial liabilities | | | | | |
| Currency swap contracts: | 989 | | | | |
| Outflow | | (308,200) | (308,200) | - | - |
| Inflow | | 307,070 | 307,070 | - | - |
| Forward exchange contracts used for hedging: | 2,217 | | | | |
| Outflow | | (487,848) | (487,848) | - | - |
| Inflow | | 482,838 | 482,838 | - | - |
| | \$ 259,569,592 | (259,699,494) | (246,104,673) | (7,694,255) | (5,900,566) |
| December 31, 2018 | | | | | |
| Non-derivative financial liabilities | | | | | |
| Secured borrowings | \$ 137,813 | (137,813) | (39,375) | (39,375) | (59,063) |
| Unsecured borrowings | 100,746,447 | (100,746,447) | (89,846,447) | (8,600,000) | (2,300,000) |
| Notes and accounts payable | 154,276,713 | (154,276,713) | (154,276,713) | - | - |
| Other payables | 14,790,757 | (14,790,757) | (14,790,757) | - | - |
| Derivative financial liabilities | | | | | |
| Forward exchange contracts: | 26,913 | | | | |
| Outflow | | (5,016,249) | (5,016,249) | - | - |
| Inflow | | 4,978,708 | 4,978,708 | - | - |
| | \$ 269,978,643 | (269,989,271) | (258,990,833) | (8,639,375) | (2,359,063) |

(Continued)

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

| | <u>Carrying Amount</u> | <u>Contractual cash flows</u> | <u>Within 1 year</u> | <u>1 ~ 2 years</u> | <u>Over 2 years</u> |
|--------------------------------------|----------------------------|-----------------------------------|----------------------|---------------------|---------------------|
| March 31, 2018 | | | | | |
| Non-derivative financial liabilities | | | | | |
| Secured borrowings | \$ 258,594 | (258,594) | (130,625) | (39,375) | (88,594) |
| Unsecured borrowings | 88,213,211 | (88,213,211) | (68,834,411) | (13,828,800) | (5,550,000) |
| Notes and accounts payable | 118,057,639 | (118,057,639) | (118,057,639) | - | - |
| Other payables | 13,436,297 | (13,436,297) | (13,436,297) | - | - |
| Derivative financial liabilities | | | | | |
| Forward exchange contracts: | 12,469 | | | | |
| Outflow | | (618,600) | (618,600) | - | - |
| Inflow | | 606,732 | 606,732 | - | - |
| Currency swap contracts: | 6,165 | | | | |
| Outflow | | (285,312) | (285,312) | - | - |
| Inflow | | 279,408 | 279,408 | - | - |
| Forward exchange for hedging: | 37,787 | | | | |
| Outflow | | (947,709) | (947,709) | - | - |
| Inflow | | 897,209 | 897,209 | - | - |
| | <u>\$ 220,022,162</u> | <u>(220,034,013)</u> | <u>(200,527,244)</u> | <u>(13,868,175)</u> | <u>(5,638,594)</u> |

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:

| | <u>March 31, 2019</u> | | | <u>December 31, 2018</u> | | | <u>March 31, 2018</u> | | |
|-----------------------|-----------------------------|--------------------------|-------------|-----------------------------|--------------------------|-------------|-----------------------------|--------------------------|-------------|
| | <u>Foreign currency</u> | <u>Exchange rate</u> | <u>TWD</u> | <u>Foreign Currency</u> | <u>Exchange rate</u> | <u>TWD</u> | <u>Foreign currency</u> | <u>Exchange rate</u> | <u>TWD</u> |
| Financial assets | | | | | | | | | |
| Monetary items | | | | | | | | | |
| USD to TWD | \$ 5,963,757 | 30.82 | 183,802,991 | 7,189,719 | 30.715 | 220,832,219 | 6,238,026 | 29.105 | 181,557,747 |
| USD to CNY | 2,397 | 6.7221 | 73,876 | 3,986 | 6.8672 | 122,430 | 5,293 | 6.2755 | 154,053 |
| EUR to TWD | 122,251 | 34.61 | 4,231,107 | 95,397 | 35.2 | 3,357,974 | 73,543 | 35.87 | 2,637,987 |
| CNY to USD | 2,725,492 | 0.1488 | 12,499,150 | 1,726,768 | 0.1456 | 7,722,286 | 1,915,330 | 0.1593 | 8,880,287 |
| Non-monetary items | | | | | | | | | |
| THB to TWD | 427,471 | 0.9698 | 414,561 | 423,027 | 0.9460 | 400,184 | 489,356 | 0.9353 | 457,695 |
| Financial liabilities | | | | | | | | | |
| Monetary items | | | | | | | | | |
| USD to TWD | 6,425,655 | 30.82 | 198,038,687 | 7,145,553 | 30.715 | 219,475,660 | 5,949,525 | 29.105 | 173,160,925 |
| USD to CNY | 6,334 | 6.7221 | 195,214 | 5,451 | 6.8672 | 167,427 | 8,313 | 6.2755 | 241,950 |
| USD to BRL | 140,332 | 3.8967 | 4,325,032 | 140,772 | 3.8720 | 4,323,812 | 189,127 | 3.3019 | 5,504,541 |
| EUR to TWD | 37,489 | 34.61 | 1,297,494 | 31,186 | 35.2 | 1,097,747 | 22,588 | 35.87 | 810,232 |
| CNY to USD | 2,759,261 | 0.1488 | 12,654,015 | 2,778,232 | 0.1456 | 12,424,542 | 2,133,980 | 0.1593 | 9,894,041 |

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 March 31, 2019 and 2018,

(Continued)

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

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

| | <u>March 31, 2019</u> | <u>March 31, 2018</u> |
|-----------------------|-----------------------|-----------------------|
| USD (against the TWD) | | |
| Strengthening 5% | \$ (711,785) | 419,841 |
| Weakening 5% | 711,785 | (419,841) |
| USD (against the CNY) | | |
| Strengthening 5% | (6,067) | (4,395) |
| Weakening 5% | 6,067 | 4,395 |
| USD (against the BRL) | | |
| Strengthening 5% | (216,252) | (275,227) |
| Weakening 5% | 216,252 | 275,227 |
| EUR (against the TWD) | | |
| Strengthening 5% | 146,681 | 91,388 |
| Weakening 5% | (146,681) | (91,388) |
| CNY (against the USD) | | |
| Strengthening 5% | (7,743) | (50,688) |
| Weakening 5% | 7,743 | 50,688 |

3) Exchange gains and losses of monetary items

As the Group deals with diverse foreign currencies, gains or losses on foreign exchange were summarized as a single amount. For the three months ended March 31, 2019 and 2018, the foreign exchange losses, including both realized and unrealized, amounted to \$114,040 and \$243,702, 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.

(Continued)

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

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 three months ended March 31, 2019 and 2018, which would be mainly resulted from the bank savings and borrowings with variable interest rates.

| | Three months ended March 31, 2019 | Three months ended March 31, 2018 |
|-----------------------------|--|--|
| Interest increased by 0.25% | \$ (5,997) | (9,222) |
| Interest decreased by 0.25% | 5,997 | 9,222 |

(v) Fair value information

1) The categories and fair value of financial instruments

The Group's financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income 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.

| | March 31, 2019 | | | | |
|---|-----------------------|-------------------|----------------|-----------|--------------|
| | Book value | Fair Value | | | Total |
| | Level 1 | Level 2 | Level 3 | | |
| Financial assets at fair value through profit or loss—current and non-current | | | | | |
| Derivative financial assets for non-hedging | \$ 116,752 | - | 116,752 | - | 116,752 |
| Non-derivative financial assets mandatorily measured at fair value through profit or loss | <u>4,018,907</u> | 378,385 | 3,549,103 | 91,419 | 4,018,907 |
| Subtotal | <u>4,135,659</u> | | | | |
| Financial assets for hedging | <u>227</u> | - | 227 | - | 227 |
| Financial assets at fair value through other comprehensive income | | | | | |
| Stocks listed on domestic markets | \$ 2,969,920 | 2,969,920 | - | - | 2,969,920 |
| Stocks listed on foreign markets | 414,561 | 414,561 | - | - | 414,561 |
| Stocks unlisted on domestic markets | 2,050,888 | - | - | 2,050,888 | 2,050,888 |
| Stocks unlisted on foreign markets | 51,848 | - | - | 51,848 | 51,848 |
| Accounts receivable | <u>20,121,316</u> | - | - | - | - |
| Subtotal | <u>25,608,533</u> | | | | |

(Continued)

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

| | March 31, 2019 | | | | |
|---|------------------------------|------------|---------|---|-------|
| | Book value | Fair Value | | | Total |
| | Level 1 | Level 2 | Level 3 | | |
| Financial assets measured at amortized cost | | | | | |
| Cash and cash equivalents | 65,617,467 | - | - | - | - |
| Corporate bonds— current | 350,000 | - | - | - | - |
| Notes and accounts receivable, net | 162,655,291 | - | - | - | - |
| Notes and accounts receivable due from related parties, net | 23,207 | - | - | - | - |
| Other receivables | 2,684,835 | - | - | - | - |
| Guarantee deposits | <u>394,686</u> | - | - | - | - |
| Subtotal | <u>231,725,486</u> | | | | |
| Total | <u>\$ 261,469,905</u> | | | | |
| Financial liabilities at fair value through profit or loss | | | | | |
| Derivative financial liabilities for non-hedging | \$ <u>989</u> | - | 989 | - | 989 |
| Financial liabilities for hedging | <u>2,217</u> | - | 2,217 | - | 2,217 |
| Financial liabilities measured at amortized cost | | | | | |
| Short-term borrowings | 67,763,121 | - | - | - | - |
| Notes and accounts payable | 151,741,350 | - | - | - | - |
| Notes and accounts payable to related parties | 1,558,333 | - | - | - | - |
| Other payables | 14,279,422 | - | - | - | - |
| Lease liabilities— current and non-current | 1,898,691 | - | - | - | - |
| Long-term borrowings current portion | 10,086,875 | - | - | - | - |
| Long-term borrowings | <u>12,238,594</u> | - | - | - | - |
| Subtotal | <u>259,566,386</u> | | | | |
| Total | <u>\$ 259,567,375</u> | | | | |

(Continued)

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

| | December 31, 2018 | | | | |
|---|-----------------------|------------|------------|-----------|------------|
| | Book value | Fair Value | | | Total |
| | | Level 1 | Level 2 | Level 3 | |
| Financial assets at fair value through profit or loss—current and non-current | | | | | |
| Derivative financial assets for non-hedging | \$ 12,213 | - | 12,213 | - | 12,213 |
| Non-derivative financial assets mandatorily measured at fair value through profit or loss | <u>4,668,311</u> | 633,859 | 3,965,062 | 69,390 | 4,668,311 |
| Subtotal | <u>4,680,524</u> | | | | |
| Financial assets at fair value through other comprehensive income | | | | | |
| Stocks listed on domestic markets | 2,730,648 | 2,730,648 | - | - | 2,730,648 |
| Stocks listed on foreign markets | 400,184 | 400,184 | - | - | 400,184 |
| Stocks unlisted on domestic markets | 1,990,100 | - | - | 1,990,100 | 1,990,100 |
| Stocks unlisted on foreign markets | 51,363 | - | - | 51,363 | 51,363 |
| Accounts receivable | <u>23,020,497</u> | - | 23,020,497 | - | 23,020,497 |
| Subtotal | <u>28,192,792</u> | | | | |
| Financial assets measured at amortized cost | | | | | |
| Cash and cash equivalents | 70,296,545 | - | - | - | - |
| Corporate bonds—current | 350,000 | - | - | - | - |
| Notes and accounts receivable, net | 180,695,468 | - | - | - | - |
| Notes and accounts receivable due from related parties, net | 58,106 | - | - | - | - |
| Other receivables | 1,665,249 | - | - | - | - |
| Guarantee deposits | <u>401,753</u> | - | - | - | - |
| Subtotal | <u>253,467,121</u> | | | | |
| Total | <u>\$ 286,340,437</u> | | | | |
| Financial liabilities at fair value through profit or loss | | | | | |
| Derivative financial liabilities for non-hedging | \$ <u>26,913</u> | - | 26,913 | - | 26,913 |
| Financial liabilities measured at amortized cost | | | | | |
| Short-term borrowings | 72,350,197 | - | - | - | - |
| Notes and accounts payable | 152,300,093 | - | - | - | - |
| Notes and accounts payable to related parties | 1,976,620 | - | - | - | - |
| Other payables | 14,790,757 | - | - | - | - |
| Long-term borrowings current portion | 17,535,625 | - | - | - | - |
| Long-term borrowings | <u>10,998,438</u> | - | - | - | - |
| Subtotal | <u>269,951,730</u> | | | | |
| Total | <u>\$ 269,978,643</u> | | | | |

(Continued)

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

| | March 31, 2018 | | | | |
|---|-----------------------|------------|------------|-----------|------------|
| | Book value | Fair Value | | | Total |
| | | Level 1 | Level 2 | Level 3 | |
| Financial assets at fair value through profit or loss— current and non-current | | | | | |
| Derivative financial asset for non-hedging | \$ 34,958 | - | 34,958 | - | 34,958 |
| Non-derivative financial assets mandatorily measured at fair value through profit or loss | <u>1,695,311</u> | 1,261,010 | 390,233 | 44,068 | 1,695,311 |
| Subtotal | <u>1,730,269</u> | | | | |
| Financial assets at fair value through other comprehensive income | | | | | |
| Stocks listed on domestic markets | 3,626,382 | 3,626,382 | - | - | 3,626,382 |
| Stocks listed on foreign markets | 457,695 | 457,695 | - | - | 457,695 |
| Stocks unlisted on domestic markets | 2,260,178 | - | - | 2,260,178 | 2,260,178 |
| Stocks unlisted on foreign markets | 107,590 | - | - | 107,590 | 107,590 |
| Accounts receivable | <u>28,751,490</u> | - | 28,751,490 | - | 28,751,490 |
| Subtotal | <u>35,203,335</u> | | | | |
| Financial assets measured at amortized cost | | | | | |
| Cash and cash equivalents | 72,194,587 | - | - | - | - |
| Corporate bonds — current and non-current | 700,000 | - | - | - | - |
| Notes and accounts receivable, net | 127,352,727 | - | - | - | - |
| Notes and accounts receivable due from related parties, net | 108,404 | - | - | - | - |
| Other receivables | 1,642,296 | - | - | - | - |
| Guarantee deposits | <u>216,152</u> | - | - | - | - |
| Subtotal | <u>202,214,166</u> | | | | |
| Total | <u>\$ 239,147,770</u> | | | | |
| Financial liabilities at fair value through profit or loss | | | | | |
| Derivative financial liabilities for non-hedging | \$ <u>18,634</u> | - | 18,634 | - | 18,634 |
| Financial liabilities for hedging | <u>37,787</u> | - | 37,787 | - | 37,787 |
| Financial liabilities measured at amortized cost | | | | | |
| Short-term borrowings | 61,916,911 | - | - | - | - |
| Notes and accounts payable | 116,709,368 | - | - | - | - |
| Notes and accounts payable to related parties | 1,348,271 | - | - | - | - |
| Other payable | 13,436,297 | - | - | - | - |
| Long-term borrowings current portion | 7,048,125 | - | - | - | - |
| Long-term borrowings | <u>19,506,769</u> | - | - | - | - |
| Subtotal | <u>219,965,741</u> | | | | |
| Total | <u>\$ 220,022,162</u> | | | | |

(Continued)

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

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

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

a) Financial liabilities measured at amortized cost

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

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

a) Non-derivative financial instruments

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

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

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

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

(Continued)

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

b) Derivative financial instruments

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

4) Transfer from one level to another

There was no transfer from one level to another in the three months ended March 31, 2019 and 2018.

5) Changes in level 3

The change in level 3 at fair value in the three months ended March 31, 2019 and 2018, were as follow:

| | Financial assets at fair value through profit or loss | Financial assets at fair value through other comprehensive income | Total |
|--------------------------------------|--|--|------------------|
| Balance on January 1, 2019 | \$ 69,390 | 2,041,463 | 2,110,853 |
| Total gains and losses recognized: | | | |
| In profit or loss | (2,971) | - | (2,971) |
| In other comprehensive income | - | 61,540 | 61,540 |
| Purchased | 25,000 | 524 | 25,524 |
| Disposal | - | (791) | (791) |
| Balance on March 31, 2019 | <u>\$ 91,419</u> | <u>2,102,736</u> | <u>2,194,155</u> |
| Balance on January 1, 2018 | \$ - | 2,421,909 | 2,421,909 |
| Effects of retrospective application | 48,709 | 5,273 | 53,982 |
| Adjusted balance on January 1, 2018 | 48,709 | 2,427,182 | 2,475,891 |
| Total gains and losses recognized: | | | |
| In profit or loss | (4,641) | - | (4,641) |
| In other comprehensive income | - | (146,939) | (146,939) |
| Purchased | - | 87,525 | 87,525 |
| Balance on March 31, 2018 | <u>\$ 44,068</u> | <u>2,367,768</u> | <u>2,411,836</u> |

For the three months ended March 31, 2019 and 2018, total gains and losses that were included in “other gains and losses, net” and “other comprehensive income, before tax, equity instruments at fair value through other comprehensive income” were as follows:

| | Three months ended March 31, 2019 | Three months ended March 31, 2018 |
|--|--|--|
| Total gains and losses recognized: | | |
| In profit or loss before tax (as “other gains and losses, net”) | <u>\$ (2,971)</u> | <u>(4,641)</u> |
| In other comprehensive income (as “other comprehensive income, before tax, equity instruments at fair value through other comprehensive income”) | <u>\$ 61,540</u> | <u>(146,939)</u> |

(Continued)

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

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

The Group's financial instruments that use level 3 input to measure fair values include financial assets at fair value through other comprehensive income— equity instruments, financial assets at fair value through profit or loss— equity securities investment.

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.

The quantified information for significant unobservable inputs was as follows:

| <u>Item</u> | <u>Valuation technique</u> | <u>Significant unobservable inputs</u> | <u>Inter-relationships between significant unobservable inputs and fair value</u> |
|---|---|---|--|
| Financial assets at fair value through other comprehensive income— equity investment without an active market | Comparable market approach (Price-Book ratio method and Earnings multiplier method) | Price-Book ratio multiples (1.13~5.91, 1.33~5.86 and 2.06~88.16 respectively, on March 31, 2019 and December 31, and March 31, 2018) Multiples of earnings (2.34~15.31, 2.32~14.97 and 2.95~19.8 respectively, on March 31, 2019 and December 31 and March 31, 2018) Lack-of-Marketability discount rate (40%~85%, 40%~82% and 40%~85% respectively, on March 31, 2019 and December 31, and March 31, 2018) | The higher the multiple is, the higher the fair value will be. The higher the multiple is, the higher the fair value will be. The higher the Lack-of-Marketability discount rate is, the lower the fair value will be. |
| Financial assets at fair value through other comprehensive income | Net asset value method | Net asset value | Inapplicable |

(Continued)

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

| <u>Item</u> | <u>Valuation technique</u> | <u>Significant unobservable inputs</u> | <u>Inter-relationships between significant unobservable inputs and fair value</u> |
|---|----------------------------|--|---|
| Financial assets at fair value through profit or loss – investment in private placement | Net asset value method | Net asset value | Inapplicable |

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

The 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:

| | <u>Input</u> | <u>Move up or down</u> | <u>Other comprehensive income</u> | |
|---|-------------------------------------|------------------------|-----------------------------------|---------------------------|
| | | | <u>Favorable change</u> | <u>Unfavorable change</u> |
| March 31, 2019 | | | | |
| Financial assets at fair value through other comprehensive income | Price-Book ratio multiples | 5% | \$ <u>27,000</u> | <u>26,975</u> |
| | Multiples of earnings | 5% | \$ <u>27,857</u> | <u>28,888</u> |
| | Lack-of-Marketability discount rate | 5% | \$ <u>919</u> | <u>939</u> |
| December 31, 2018 | | | | |
| Financial assets at fair value through other comprehensive income | Price-Book ratio multiples | 5% | \$ <u>28,137</u> | <u>28,119</u> |
| | Multiples of earnings | 5% | \$ <u>28,210</u> | <u>27,202</u> |
| | Lack-of-Marketability discount rate | 5% | \$ <u>2,093</u> | <u>2,053</u> |
| March 31, 2018 | | | | |
| Financial assets at fair value through other comprehensive income | Price-Book ratio multiples | 5% | \$ <u>21,690</u> | <u>21,668</u> |
| | Multiples of earnings | 5% | \$ <u>18,130</u> | <u>18,088</u> |
| | Lack-of-Marketability discount rate | 5% | \$ <u>32,118</u> | <u>32,054</u> |

(Continued)

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

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

8) Offsetting financial assets and financial liabilities

The Group has financial instruments transactions applicable to the International Financial Reporting Standards NO. 32 Sections 42 endorsed by the FSC which requested for offsetting. Financial assets and liabilities relating to those transactions are recognized in the net amount of the balance sheets.

The following tables present the aforesaid offsetting financial assets and financial liabilities.

Unit: thousands of New Taiwan Dollars / thousands of US Dollars

| March 31, 2019 | | | | | | |
|--|---|---|--|---|--------------------------|------------------------|
| Financial assets that are offset which have an exercisable master netting arrangement or similar agreement | | | | | | |
| | Gross amounts of recognized financial assets (a) | Gross amounts of financial liabilities offset in the balance sheet (b) | Net amount of financial assets presented in the balance sheet (c)=(a)-(b) | Amounts not offset in the balance sheet (d) | | Net amount (e)=(c)-(d) |
| | | | | Financial instruments | Cash collateral received | |
| Other current assets | \$ 26,192,562 | 26,192,562 | - | - | - | - |
| | (USD 849,856) | (USD 849,856) | | | | |

| March 31, 2019 | | | | | | |
|---|--|--|---|---|--------------------------|------------------------|
| Financial liabilities that are offset which have an exercisable master netting arrangement or similar agreement | | | | | | |
| | Gross amounts of recognized financial liabilities (a) | Gross amounts of financial assets offset in the balance sheet (b) | Net amount of financial liabilities presented in the balance sheet (c)=(a)-(b) | Amounts not offset in the balance sheet (d) | | Net amount (e)=(c)-(d) |
| | | | | Financial instruments | Cash collateral received | |
| Short-term borrowings | \$ 26,192,562 | 26,192,562 | - | - | - | - |
| | (USD 849,856) | (USD 849,856) | | | | |

| December 31, 2018 | | | | | | |
|--|---|---|--|---|--------------------------|------------------------|
| Financial assets that are offset which have an exercisable master netting arrangement or similar agreement | | | | | | |
| | Gross amounts of recognized financial assets (a) | Gross amounts of financial liabilities offset in the balance sheet (b) | Net amount of financial assets presented in the balance sheet (c)=(a)-(b) | Amounts not offset in the balance sheet (d) | | Net amount (e)=(c)-(d) |
| | | | | Financial instruments | Cash collateral received | |
| Other current assets | \$ 306,259 | 306,259 | - | - | - | - |
| | (USD 9,971) | (USD 9,971) | | | | |

(Continued)

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

| December 31, 2018 | | | | | | |
|---|--|--|--|--|--------------------------------|---------------------------|
| Financial liabilities that are offset which have an exercisable master netting arrangement or similar agreement | | | | | | |
| | Gross amounts of recognized financial liabilities (a) | Gross amounts of financial assets offset in the balance sheet (b) | Net amount of financial liabilities presented in the balance sheet (c)=(a)-(b) | Amounts not offset in the balance sheet (d) | | Net amount (e)=(c)-(d) |
| | | | | Financial instruments | Cash collateral received | |
| Short-term borrowings | \$ <u>306,259</u> | <u>306,259</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| | (USD <u>9,971</u>) | (USD <u>9,971</u>) | | | | |

(ac) Financial risk management

The Group's objectives and policies for managing the financial risk are consistent with those disclosed in the note (6)(ae) of the consolidated financial statements for the year ended December 31, 2018.

(ad) Capital management

The Group's objectives, policies and processes of capital management are the same as those disclosed in the consolidated financial statements for the year ended December 31, 2018. There were no significant changes of quantitative data of capital management compared to the consolidated financial statements for the year ended December 31, 2018. Please refer to note (6)(af) of the consolidated financial statements for the year ended December 31, 2018.

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

The Group's investing and financing activities which did not affect the current cash flow in the three months ended March 31, 2019, were the acquisition of right-of-use assets by leasing, please refer to note (6)(l). There were no investing and financing activities which did not affect the current cash flow in the three months ended March 31, 2018.

Reconciliation of liabilities arising from financing activities were as follows:

| | January 1, 2019 | Cash flows | March 31, 2019 |
|---|------------------------------|----------------------------|---------------------------|
| Short-term borrowings | \$ 72,350,197 | (4,587,076) | 67,763,121 |
| Long-term borrowings | 28,534,063 | (6,208,594) | 22,325,469 |
| Lease liabilities | 2,089,950 | (191,259) | 1,898,691 |
| Guarantee deposits and others | 238,324 | (43,851) | 194,473 |
| Total liabilities from financing activities | <u>\$ 103,212,534</u> | <u>(11,030,780)</u> | <u>92,181,754</u> |
| | January 1, 2018 | Cash flows | March 31, 2019 |
| Short-term borrowings | \$ 56,515,525 | 5,401,386 | 61,916,911 |
| Long-term borrowings | 27,452,888 | (897,994) | 26,554,894 |
| Guarantee deposits and others | 180,207 | 63,203 | 243,410 |
| Total liabilities from financing activities | <u>\$ 84,148,620</u> | <u>4,566,595</u> | <u>88,715,215</u> |

(Continued)

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

(7) Related-party transactions:

(a) Name and relationship with related parties

The followings are the entities that have had transactions with related party during the periods covered in the consolidated financial statement.

| <u>Name of related party</u> | <u>Relationship with the Group</u> |
|--|---|
| Compal Precision Module (Jiangsu) Co., Ltd. | An associate |
| Changbao Electronic Technology (Chongqing) Co., Ltd. | An associate |
| LCFC (Note 1) | An associate |
| Avalue Technology Inc. (“Avalue”) | An associate |
| Crownpo Technology Inc. (“Crownpo”) | An associate |
| Allied Circuit Co., Ltd. (“Allied Circuit”) | An associate |
| Kinpo Group Management Consultant Company (“Kinpo Group Management”) | An associate |
| LIZ Electronics (Kunshan) Co., Ltd. | An associate |
| Compal Connector Manufacture Ltd. (“CCM”) | A joint venture company |
| AcBel Polytech Inc. (“AcBel”) and its subsidiaries | The same chairman of the board with the Company |

Note 1: In August 2018, the Group has sold all its shares of LCFC and no longer has significant influence over it. Therefore LCFC is not a related-party of the Group from September 2018.

(b) Transactions with key management personnel

Key management personnel remunerations comprised:

| | Three months ended March 31, 2019 | Three months ended March 31, 2018 |
|------------------------------|--|--|
| Short-term employee benefits | \$ 148,371 | 142,379 |
| Post-employment benefits | 2,066 | 2,020 |
| Share-based payments | 7,569 | (91,660) |
| | <u>\$ 158,006</u> | <u>52,739</u> |

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

(Continued)

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

(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:

| | Three months ended March 31, 2019 | Three months ended March 31, 2018 |
|------------|--|--|
| Associates | <u>\$ 44,589</u> | <u>83,147</u> |

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:

| | Three months ended March 31, 2019 | Three months ended March 31, 2018 |
|-----------------------|--|--|
| Associates | \$ 768,068 | 822,831 |
| Other related parties | 282,344 | 119,684 |
| Joint venture | <u>17,839</u> | <u>26,923</u> |
| | <u>\$ 1,068,251</u> | <u>969,438</u> |

Purchase prices and payment period from related parties were similar to those from third-party suppliers. The payment period was 60~165 days for related parties.

(iii) Receivables due from relate parties

The receivables arising from the transactions mentioned above and others on behalf of related parties were as follows:

| Account | Related party categories | March 31, 2019 | December 31, 2018 | March 31, 2018 |
|-------------------------------|-------------------------------------|---------------------------|------------------------------|---------------------------|
| Notes and accounts receivable | Associates | \$ 23,057 | 56,701 | 108,404 |
| Notes and accounts receivable | Other related parties | 150 | 1,405 | - |
| Other receivables | Joint venture | <u>300</u> | <u>120</u> | <u>355</u> |
| | | <u>\$ 23,507</u> | <u>58,226</u> | <u>108,759</u> |

(Continued)

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

(iv) Payables to related parties

The payables arising from the transactions mentioned above and rendering of services from other related parties were as follows:

| <u>Account</u> | <u>Related party categories</u> | <u>March 31, 2019</u> | <u>December 31, 2018</u> | <u>March 31, 2018</u> |
|----------------------------|---------------------------------|-----------------------|--------------------------|-----------------------|
| Notes and accounts payable | Associates | \$ 982,016 | 1,245,574 | 1,081,290 |
| Notes and accounts payable | Other related parties | 554,355 | 705,761 | 216,918 |
| Notes and accounts payable | Joint venture | 21,962 | 25,285 | 50,063 |
| Other payables | Associates | <u>895</u> | <u>1,019</u> | <u>305</u> |
| | | <u>\$ 1,559,228</u> | <u>1,977,639</u> | <u>1,348,576</u> |

(8) Pledged assets:

The carrying values of pledged assets were as follows:

| <u>Pledged Assets</u> | <u>Subject</u> | <u>March 31, 2019</u> | <u>December 31, 2018</u> | <u>March 31, 2018</u> |
|-------------------------------|--|-----------------------|--------------------------|-----------------------|
| Other current assets | Bail for court mandatory execution | \$ 41,090 | 41,090 | 26,510 |
| Property, plant and equipment | Long-term borrowings (including current portion) (note) | 710,848 | 715,913 | 1,105,326 |
| Other non-current assets | Guarantee of post-release duty payment to the customs and guarantee of the customs | <u>500</u> | <u>500</u> | <u>14,274</u> |
| | | <u>\$ 752,438</u> | <u>757,503</u> | <u>1,146,110</u> |

Note: Part of long-term borrowings had been settled, 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 lawsuits have been settled on April 16, 2019. The Group and Qualcomm Inc. had agreed to withdraw the lawsuit against the other party.
- (b) The Group entered into various patent license agreements with third parties, and was required to make royalty payments of a predetermined amount periodically.

(Continued)

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

- (c) As of March 31, 2019 and December 31 and March 31, 2018, the Group's signed commitments to purchase property, plant and equipment amounted to \$180,904, \$187,872 and \$383,345, respectively.

(10) Losses due to major disasters: None

(11) Subsequent events: None

(12) Other:

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

| By function By item | Three months ended March 31, 2019 | | | Three months ended March 31, 2018 | | |
|----------------------------|-----------------------------------|--------------------|-----------|-----------------------------------|--------------------|-----------|
| | Operating costs | Operating expenses | Total | Operating costs | Operating expenses | Total |
| Employee benefits | | | | | | |
| Salary | 4,295,590 | 2,824,292 | 7,119,882 | 3,971,663 | 2,562,288 | 6,533,951 |
| Labor and health insurance | 204,196 | 204,448 | 408,644 | 187,955 | 185,931 | 373,886 |
| Pension | 282,885 | 127,584 | 410,469 | 270,078 | 116,764 | 386,842 |
| Others | 631,899 | 148,907 | 780,806 | 437,824 | 133,175 | 570,999 |
| Depreciation | 1,161,111 | 242,172 | 1,403,283 | 993,455 | 112,710 | 1,106,165 |
| Amortization | 9,265 | 86,591 | 95,856 | 20,280 | 42,923 | 63,203 |

- (b) Seasonality of operations

The Group's operations were not affected by seasonality or cyclicity factors.

(13) Other disclosures:

- (a) Information on significant transactions:

The following were the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group for the three month ended March 31, 2019:

- (i) Loans to other parties: Please refer to Table 1
- (ii) Guarantees and endorsements for other parties: Please refer to Table 2
- (iii) Securities held as of March 31, 2019 (excluding investment in subsidiaries, associates and joint ventures): Please refer to Table 3
- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: Please refer to Table 4
- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None

(Continued)

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

- (vi) Disposals of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: Please refer to Table 5
- (viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: Please refer to Table 6
- (ix) Trading in derivative instruments: Please refer to notes (6)(b) and (6)(d)
- (x) Business relationships and significant intercompany transactions: Please refer to Table 7
- (b) Information on investees: Please refer to Table 8
- (c) Information on investment in Mainland China: Please refer to Table 9

(14) Segment information:

| | Three months ended March 31, 2019 | | |
|----------------------------------|---|---|--------------------|
| | Information technology product segment | Strategically integrated product segment | Total |
| Revenue | | | |
| Revenue from external customers | \$ 201,592,700 | 9,007,853 | 210,600,553 |
| Revenue from segments | - | - | - |
| Total revenue | <u>\$ 201,592,700</u> | <u>9,007,853</u> | <u>210,600,553</u> |
| Reportable segment profit | <u>\$ 1,552,013</u> | <u>557,787</u> | <u>2,109,800</u> |
| | | | |
| | Three months ended March 31, 2018 | | |
| | Information technology product segment | Strategically integrated product segment | Total |
| Revenue | | | |
| Revenue from external customers | \$ 191,324,066 | 4,787,896 | 196,111,962 |
| Revenue from segments | - | - | - |
| Total revenue | <u>\$ 191,324,066</u> | <u>4,787,896</u> | <u>196,111,962</u> |
| Reportable segment profit | <u>\$ 1,635,587</u> | <u>286,424</u> | <u>1,922,011</u> |

(Continued)

COMPAL ELECTRONICS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Table 1 Loans to other parties:
(March 31, 2019)

(In Thousands of New Taiwan Dollars)

| No. | Name of lender | Name of borrower | Account name | Related party | Highest balance of financing to other parties during the period | Ending balance | Actual usage amount during the period | Range of interest rates during the period | Purposes of fund financing for the borrower | Transaction amount for business between two parties | Reasons for short-term financing | Allowance for bad debt | Collateral | | Individual funding loan limits | Maximum limit of fund financing | Note |
|-----|------------------|---------------------|-------------------|---------------|---|----------------|---------------------------------------|---|--|---|----------------------------------|------------------------|------------|-------|--------------------------------|---------------------------------|-----------|
| | | | | | | | | | | | | | Item | Value | | | |
| 0 | The Company | UCGI | Other receivables | Y | 250,000 | 250,000 | 220,000 | 1.20% | Short-term financing | - | Operating demand | - | - | - | 21,563,999 | 43,127,999 | (Note 1) |
| 0 | The Company | HengHao | Other receivables | Y | 200,300 | 200,300 | 200,300 | 2.82% | Short-term financing | - | Operating demand | - | - | - | 21,563,999 | 43,127,999 | (Note 1) |
| 1 | CIH | CEP | Other receivables | Y | 107,870 | 107,870 | 44,689 | 3.50% | Short-term financing | - | Operating demand | - | - | - | 34,926,977 | 34,926,977 | (Note 2) |
| 2 | CPI | CVC | Other receivables | Y | 308,200 | 308,200 | 246,560 | 3.20% | Short-term financing | - | Operating demand | - | - | - | 900,177 | 900,177 | (Note 3) |
| 3 | CPC | CDE | Other receivables | Y | 1,380,900 | 1,374,000 | 1,374,000 | 2.20% | Short-term financing | - | Operating demand | - | - | - | 2,040,377 | 2,040,377 | (Note 4) |
| 4 | CIT | CCI Nanjing | Other receivables | Y | 2,157,400 | 2,157,400 | 2,157,400 | 2.76% | Short-term financing | - | Operating demand | - | - | - | 20,445,466 | 20,445,466 | (Note 5) |
| 4 | CIT | Rayonnant (Taicang) | Other receivables | Y | 69,045 | 68,700 | 68,700 | 4.35% | Short-term financing | - | Operating demand | - | - | - | 20,445,466 | 20,445,466 | (Note 5) |
| 5 | PFG | CEB | Other receivables | Y | 308,200 | 308,200 | 308,200 | 2.50% | Short-term financing | - | Operating financing | - | - | - | 421,799 | 421,799 | (Note 6) |
| 6 | CPO | HengHao Kunshan | Other receivables | Y | 644,420 | 641,200 | - | 4.35% | Short-term financing | - | Operating demand | - | - | - | 2,796,968 | 2,796,968 | (Note 7) |
| 7 | CET | BT | Other receivables | Y | 274,800 | 274,800 | - | 2.20% | Short-term financing | - | Operating demand | - | - | - | 4,824,445 | 4,824,445 | (Note 8) |
| 8 | Arcadyan | Arcadyan Brasil | Other receivables | Y | 246,560 | 92,460 | 33,902 | 1.00% | Transaction for business between two parties | 154,100 | - | - | - | - | 246,560 | 3,785,671 | (Note 9) |
| 8 | Arcadyan | Arcadyan AU | Other receivables | Y | 123,280 | 123,280 | - | 1.00% | Transaction for business between two parties | 1,541,000 | - | - | - | - | 1,232,800 | 3,785,671 | (Note 9) |
| 8 | Arcadyan | Arcadyan Vietnam | Other receivables | Y | 277,380 | 277,380 | - | 1.00% | Transaction for business between two parties | 616,400 | - | - | - | - | 493,120 | 3,785,671 | (Note 9) |
| 8 | Arcadyan Holding | CNC | Other receivables | Y | 523,940 | 523,940 | - | 1.00% | Short-term financing | - | Operating financing | - | - | - | 1,377,956 | 1,377,956 | (Note 10) |

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

Note 5: 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 6: 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 7: According to CPO's Procedures for Lending Funds to Other parties, the total amount of loans to others shall not exceed 40% of the net worth of CPO. When a short-term financing facility with CPO 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 CPO'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 CPO, and shall be combined with the company's endorsements/guarantees for the borrower when calculating.

(Continued)

COMPAL ELECTRONICS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

- Note 8: 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 9: 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 10: According to Arcadyan Holding's Procedures of Lending Funds to Other Parties, the total amount of loans to others shall not exceed the net worth of Arcadyan Holding. When a short-term financing facility is necessary, the borrower should be Arcadyan Holding's investee. The total amount for lending the borrower shall not exceed the net worth of Arcadyan Holding, and shall be combined with the Arcadyan Holding's endorsements/ guarantees for the borrower when calculating.
- Note 11: The transactions had been eliminated in the consolidated financial statements.

(Continued)

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

Table 2 Guarantees and endorsements for other parties:

(March 31, 2019)

(In Thousands of New Taiwan Dollars)

| No. | Name of guarantor | Counter-party of guarantee and endorsement | | 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 (Note 1) and (Note 4) | 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 |
|-----|-------------------|--|-------------------------------|---|---|---|---------------------------------------|---|---|--|---|---|---|
| | | Name | Relationship with the Company | | | | | | | | | | |
| 0 | The Company | CEB | (Note 3) | 26,954,999 | 61,640 | 61,640 | 61,640 | - | 0.06% | 53,909,999 | Y | - | - |
| 0 | The Company | CEP | (Note 2) | 26,954,999 | 260,766 | 247,915 | 247,915 | - | 0.23% | 53,909,999 | Y | - | - |
| 1 | Arcadyan | Arcadyan Brasil | (Note 5) | 1,261,890 | 246,560 | - | - | - | - | 3,785,671 | 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.

(Continued)

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

Table 3 Securities held as of March 31, 2019 (excluding investment in subsidiaries, associates and joint ventures):
(March 31, 2019)

(In Thousands of shares/ units)

| Name of holder | Category and name of security | Relationship with security issuer | Account name | Ending balance | | | | Note |
|----------------|--|-----------------------------------|--|--------------------------|------------------|------------------------|------------|----------|
| | | | | Shares/Units (thousands) | Carrying value | Holding percentage (%) | Fair value | |
| The Company | Common bond – Taiwan Star | - | Financial assets at amortized cost-current | - | <u>350,000</u> | - | - | |
| | Taiwan Star | - | Financial assets at fair value through other comprehensive income-non-current | 98,046 | 726,524 | 3% | 726,524 | |
| | Kinpo Electronics, Inc. (“Kinpo”) | The same chairman of the Company | Financial assets at fair value through other comprehensive income-non-current | 124,044 | 1,407,897 | 9% | 1,407,897 | |
| | Cal-Comp Electronics (Thailand) Public Co., Ltd. | The same chairman of the Company | Financial assets at fair value through other comprehensive income-non-current | 239,631 | 414,561 | 5% | 414,561 | |
| | Innolux Corporation (“Innolux”) | - | Financial assets at fair value through other comprehensive income-non-current | 109,227 | 1,092,273 | 1% | 1,092,273 | |
| | HWA VI Venture Capital Corp. | - | Financial assets at fair value through other comprehensive income-non-current | 290 | 24,528 | 10% | 24,528 | |
| | HWA Chi Venture Capital Corp. | - | Financial assets at fair value through other comprehensive income-non-current | 1,053 | 26,411 | 11% | 26,411 | |
| | mProbe Ltd. | - | Financial assets at fair value through other comprehensive income-non-current | 4,000 | 50,520 | 3% | 50,520 | |
| | Global BioPharma, Inc. | - | Financial assets at fair value through other comprehensive income-non-current | 2,000 | 42,200 | 3% | 42,200 | |
| | Chen Feng Optoelectronics | - | Financial assets at fair value through other comprehensive income-non-current | 5,829 | 16,555 | 13% | 16,555 | |
| | PrimeSensor Technology Inc. | - | Financial assets at fair value through other comprehensive income-non-current | 1,357 | 12,629 | 3% | 12,629 | |
| | Macroblock, Inc. | - | Financial assets at fair value through other comprehensive income-non-current | 749 | 79,732 | 2% | 79,732 | |
| | IIH Biomedical Venture Fund | - | Financial assets at fair value through profit or loss-non current | 2,500 | 25,000 | 7% | 25,000 | |
| | Others | | Financial assets at fair value through profit or loss and other comprehensive income | | 67,537 | | | |
| | Total | | | | <u>3,986,367</u> | | | |
| Panpal | Compal Electronics, Inc. | The parent company | Financial assets at fair value through other comprehensive income-non-current | 31,648 | 606,061 | 1% | 606,061 | (Note 1) |
| | Kinpo | The same chairman of the Company | Financial assets at fair value through other comprehensive income-non-current | 23,172 | 263,008 | 2% | 263,008 | |
| | CDIB Partners Investment Holding Corp. | - | Financial assets at fair value through other comprehensive income-non-current | 54,000 | 886,140 | 5% | 886,140 | |
| | AcBel | The same chairman of the Company | Financial assets at fair value through other comprehensive income-non-current | 5,677 | 118,359 | 1% | 118,359 | |
| | Chipbond Technology Corp. (“Chipbond”) | - | Financial assets at fair value through profit or loss-current | 5,251 | 372,819 | 1% | 372,819 | |
| | Taiwan Biotech Co., Ltd. | - | Financial assets at fair value through other comprehensive income-non-current | 4,897 | 92,900 | 3% | 92,900 | |
| | Others | - | Financial assets at fair value through other comprehensive income-non-current | | 88,426 | | | |
| | Total | | | | <u>2,427,713</u> | | | |

(Continued)

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

Table 3 Securities held as of March 31, 2019 (excluding investment in subsidiaries, associates and joint ventures):
(March 31, 2019)

(In Thousands of shares/ units)

| Name of holder | Category and name of security | Relationship with security issuer | Account name | Ending balance | | | | Note |
|----------------|---|-----------------------------------|---|--------------------------|------------------|------------------------|------------|----------|
| | | | | Shares/Units (thousands) | Carrying value | Holding percentage (%) | Fair value | |
| Gempal | Compal Electronics, Inc. | The parent company | Financial assets at fair value through other comprehensive income-non-current | 18,369 | 351,773 | - | 351,773 | (Note 1) |
| | Lian Hong Art. Co., Ltd. | - | Financial assets at fair value through other comprehensive income-non-current | 2,140 | 45,064 | 8% | 45,064 | |
| | Global BioPharma, Inc. | - | Financial assets at fair value through other comprehensive income-non-current | 2,000 | 42,200 | 3% | 42,200 | |
| | Others | - | Financial assets at fair value through other comprehensive income-non-current | | 2,790 | | | |
| | Total | | | | <u>441,827</u> | | | |
| Hong Ji | SUYIN Optronics Co., Ltd. ("SUYIN Optronics") | - | Financial assets at fair value through other comprehensive income-non-current | 380 | <u>182</u> | 1% | 182 | |
| Hong Jin | SUYIN Optronics | - | Financial assets at fair value through other comprehensive income-non-current | 332 | <u>160</u> | 1% | 160 | |
| Arcadyan | GeoThings Inc. | - | Financial assets at fair value through profit or loss-non-current | 200 | - | 9% | - | (Note 2) |
| | AirHop Communication Inc. | - | Financial assets at fair value through profit or loss-non-current | 1,152 | - | 7% | - | (Note 2) |
| | Adant Technologies Inc. | - | Financial assets at fair value through profit or loss-non-current | 349 | - | 6% | - | (Note 2) |
| | IOT EYE, Inc. | - | Financial assets at fair value through profit or loss-non-current | 60 | - | 6% | - | (Note 2) |
| | TIEF FUND L.P. | - | Financial assets at fair value through profit or loss-non-current | - | 45,330 | 7% | 45,330 | |
| | RichWare Technology Corp. | - | Financial assets at fair value through profit or loss-non-current | 110 | 5,566 | - | 5,566 | |
| | Total | | | | <u>50,896</u> | | | |
| Mactech | Taichung International Golf Country Club | - | Financial assets at fair value through other comprehensive income-non-current | - | <u>7,710</u> | - | 7,710 | |
| HHB | HWALLAR OPTRONICS (Fuzhou) CO., LTD. | - | Financial assets at fair value through profit or loss-non-current | | - | 19% | - | (Note 2) |
| CPC | Structured deposits-SPD Bank Yield Plus Structured Deposit | - | Financial assets at fair value through profit or loss-current | - | <u>416,538</u> | - | 416,538 | |
| CPO | Structured deposits-The RMB "Open On Schedule " Financial Product | - | Financial assets at fair value through profit or loss-current | - | <u>459,775</u> | - | 459,775 | |
| CIC | Structured deposits-SPD Bank Yield Plus Structured Deposit | - | Financial assets at fair value through profit or loss-current | - | <u>183,905</u> | - | 183,905 | |
| CET | Structured deposits-Bank of Communications Yun Tong Cai Fu, Structured Deposit | - | Financial assets at fair value through profit or loss-current | - | 694,447 | - | 694,447 | |
| | Structured deposits-The RMB "Open On Schedule " Financial Product | - | Financial assets at fair value through profit or loss-current | - | 231,153 | - | 231,153 | |
| | Structured deposits-Agricultural Bank of China "HuiLiFeng" customization RMB Structured Deposit | - | Financial assets at fair value through profit or loss-current | - | 462,457 | - | 462,457 | |
| | Total | | | | <u>1,388,057</u> | | | |

(Continued)

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

Table 3 Securities held as of March 31, 2019 (excluding investment in subsidiaries, associates and joint ventures):
(March 31, 2019)

(In Thousands of shares/ units)

| Name of holder | Category and name of security | Relationship with security issuer | Account name | Ending balance | | | Note |
|----------------|--|-----------------------------------|---|--------------------------|----------------|------------------------|---------|
| | | | | Shares/Units (thousands) | Carrying value | Holding percentage (%) | |
| CEC | Structured deposits–Bank of Communications Yun Tong Cai Fu, Structured Deposit | - | Financial assets at fair value through profit or loss-current | - | <u>595,649</u> | - | 595,649 |
| CEQ | Structured deposits–Bank of Communications Yun Tong Cai Fu, Structured Deposit | - | Financial assets at fair value through profit or loss-current | - | 238,936 | - | 238,936 |
| | Structured deposits–Industrial Bank Structured Deposit | - | Financial assets at fair value through profit or loss-current | - | 266,243 | - | 266,243 |
| | Total | | | | <u>505,179</u> | | |

Note 1: The transaction had been eliminated in the consolidated financial statements.

Note 2: The carrying value is the remaining amount after deducting accumulated impairment.

(Continued)

COMPAL ELECTRONICS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Table 4 Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock:

(For the three-month ended March 31, 2019)

(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 | Chipbond | Financial assets at fair value through profit or loss-current | - | - | 4,593 | 284,768 | - | - | 4,593 | 307,207 | 307,207 | - | - | 22,439 (Note 1) | - | - |
| CPC | Structured deposits-SPD Bank Yield Plus Structured Deposit | Financial assets at fair value through profit or loss-current | Shanghai Pudong Development Bank | - | - | 179,963 | - | 412,639 | - | 184,570 | 182,701 | 1,869 (Note 2) | - | 8,506 (Note 1) | - | 416,538 |
| CEC | Structured deposits-Bank of Communications Yun Tong Cai Fu. Structured Deposit | Financial assets at fair value through profit or loss-current | Bank of Communications | - | - | 576,466 | - | 591,449 | - | 590,638 | 584,642 | 5,996 (Note 2) | - | 18,372 (Note 1) | - | 595,649 |
| CEQ | Structured deposits-Bank of Communications Yun Tong Cai Fu. Structured Deposit | Financial assets at fair value through profit or loss-current | Bank of Communications | - | - | 260,029 | - | 238,414 | - | 267,631 | 264,916 | 2,715 (Note 2) | - | 8,124 (Note 1) | - | 238,936 |
| CEQ | Industrial Bank Structured Deposits | Financial assets at fair value through profit or loss-current | Industrial Bank Co.,Ltd | - | - | 259,705 | - | 265,923 | - | 267,532 | 264,916 | 2,616 (Note 2) | - | 8,147 (Note 1) | - | 266,243 |
| CPO | Structured deposits-Bank of Communications Yun Tong Cai Fu. Structured Deposit | Financial assets at fair value through profit or loss-current | Bank of Communications | - | - | 448,948 | - | - | - | 461,305 | 456,752 | 4,553 (Note 2) | - | 12,357 (Note 1) | - | - |
| CPO | Structured deposits-SPD Bank Yield Plus Structured Deposit | Financial assets at fair value through profit or loss-current | Shanghai Pudong Development Bank | - | - | 480,285 | - | - | - | 492,515 | 488,724 | 3,791 (Note 2) | - | 12,230 (Note 1) | - | - |
| CPO | Structured deposits-The RMB "Open on schedule" Financial Product | Financial assets at fair value through profit or loss-current | Bank of China | - | - | - | - | 458,488 | - | - | - | - | - | 1,287 (Note 1) | - | 459,775 |
| CIC | Structured deposits-SPD Bank Yield Plus Structured Deposit | Financial assets at fair value through profit or loss-current | Shanghai Pudong Development Bank | - | - | 179,699 | - | 183,395 | - | 184,573 | 182,701 | 1,873 (Note 2) | - | 5,385 (Note 1) | - | 183,905 |
| CET | Structured deposits-Bank of Communications Yun Tong Cai Fu. Structured Deposit | Financial assets at fair value through profit or loss-current | Bank of Communications | - | - | 225,651 | - | 687,732 | - | 230,653 | 228,376 | 2,278 (Note 2) | - | 11,718 (Note 1) | - | 694,447 |
| CET | Structured deposits-Agricultural Bank of China "HuiLiFeng" customization RMB structured deposit | Financial assets at fair value through profit or loss-current | Agricultural Bank of China | - | - | 676,881 | - | 458,488 | - | 692,045 | 685,127 | 6,918 (Note 2) | - | 19,133 (Note 1) | - | 462,457 |
| CET | Structured deposits-The RMB "Open on schedule" Financial Product | Financial assets at fair value through profit or loss-current | Bank of China | - | - | 451,154 | - | 229,244 | - | 461,256 | 456,751 | 4,505 (Note 2) | - | 12,011 (Note 1) | - | 231,153 |

Note 1: Others were valuation gains and losses and foreign exchange gains and losses.

Note 2: These were gains and losses on disposal and foreign exchange gains and losses.

(Continued)

COMPAL ELECTRONICS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Table 5 Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:
(For the three-month ended March 31, 2019)

(In Thousands of New Taiwan Dollars)

| Company Name | Counter party | Nature of relationship | Transaction details | | | | Transactions with terms different from others | | Notes/Accounts receivable (payable) | | Note |
|---------------------------|-----------------------------|--|---------------------|--------------|--|---------------------------|---|---|-------------------------------------|---|----------|
| | | | Purchase/ (Sale) | Amount | Percentage of total purchases/ (sales) | Payment terms | Unit price | Payment Terms | Ending Balance | Percentage of total notes/accounts receivable (payable) | |
| The Company | CBN | The Company's subsidiaries | Sale | (196,366) | (0.1)% | 90 days | Similar to non-related parties | There is no significant difference | 487,186 | 0.3% | (Note 2) |
| | CIH and its subsidiaries | Subsidiaries wholly owned by the Company | Purchase | 32,058,971 | 16.0% | 120 days | Similar to non-related parties | There is no significant difference, and adjustments will be made based on demand for funding if necessary | (35,946,565) | (25.8)% | (Note 2) |
| | BCI and its subsidiaries | Subsidiaries wholly owned by the Company | Purchase | 489,589 | 0.2% | 120 days | Markup based on BCI and its subsidiaries's cost | There is no significant difference, and adjustments will be made based on demand for funding if necessary | (539,099) | (0.4)% | (Note 2) |
| | Webtek | Subsidiaries wholly owned by the Company | Purchase | 23,791,364 | 11.9% | Net 60 days from purchase | Markup based on Webtek's cost | There is no significant difference, and adjustments will be made based on demand for funding if necessary | (3,839,629) | (2.8)% | (Note 2) |
| | Forever | Subsidiaries wholly owned by the Company | Purchase | 12,491,712 | 6.2% | Net 60 days from purchase | Markup based on Forever's cost | There is no significant difference, and adjustments will be made based on demand for funding if necessary | (10,824,683) | (7.8)% | (Note 2) |
| Just and its subsidiaries | Webtek | With the same ultimate parent company | Sale | (16,545,545) | (76.6)% | Net 60 days from delivery | According to markup pricing | Adjustments will be made based on demand for funding | 8,956,631 | 68.5% | (Note 2) |
| | Forever | With the same ultimate parent company | Sale | (5,062,511) | (23.4)% | Net 60 days from delivery | Similar to non-related parties | Adjustments will be made based on demand for funding | 3,669,892 | 28.1% | (Note 2) |
| CIH and its subsidiaries | Compal Electronic, Inc. | Parent company | Sale | (32,104,960) | (58.2)% | 120 days | Similar to non-related parties | There is no significant difference, and adjustments will be made based on demand for funding if necessary | 35,946,565 | 43.9% | (Note 2) |
| | Forever | With the same ultimate parent company | Sale | (6,175,989) | (20.1)% | Net 60 days from delivery | According to markup pricing | Adjustments will be made based on demand for funding | 7,749,658 | 24.0% | (Note 2) |
| | BCI and its subsidiaries | With the same ultimate parent company | Purchase | 6,223,144 | 20.3% | 120 days | Similar to non-related parties | Adjustments will be made based on demand for funding | (9,246,169) | (21.8)% | (Note 2) |
| CBN | Compal Electronic, Inc. | Parent company | Purchase | 191,088 | 57.0% | Net 90 days from delivery | - | There is no significant difference | (487,149) | (80.0)% | (Note 2) |
| BCI and its subsidiaries | Compal Electronic, Inc. | Parent company | Sale | (489,133) | (6.8)% | 120 days | Markup based on BCI and its subsidiaries's cost | Adjustments will be made based on demand for funding | 539,099 | 4.5% | (Note 2) |
| | CIH and its subsidiaries | With the same ultimate parent company | Sale | (6,223,144) | (86.2)% | 120 days | According to markup pricing | Adjustments will be made based on demand for funding | 9,246,169 | 77.9% | (Note 2) |
| | CEB | With the same ultimate parent company | Sale | (505,951) | (7.0)% | 120 days | According to markup pricing | There is no significant difference | 752,953 | 4.7% | (Note 2) |
| Webtek | Compal Electronic, Inc. | Parent company | Sale | (23,791,364) | (100.0)% | Net 60 days from delivery | According to markup pricing | Adjustments will be made based on demand for funding | 3,839,629 | 100.0% | (Note 2) |
| | Etrade and its subsidiaries | With the same ultimate parent company | Purchase | 7,242,596 | 30.0% | Net 60 days from purchase | According to markup pricing | Adjustments will be made based on demand for funding | (3,259,677) | (27.0)% | (Note 2) |
| | JUST and its subsidiaries | With the same ultimate parent company | Purchase | 16,545,545 | 70.0% | Net 60 days from purchase | According to markup pricing | Adjustments will be made based on demand for funding | (8,956,631) | (73.0)% | (Note 2) |
| CEB | BCI and its subsidiaries | With the same ultimate parent company | Purchase | 508,065 | 17.7% | 120 days | Similar to non-related parties | There is no significant difference | (770,888) | (42.8)% | (Note 2) |
| | Etrade and its subsidiaries | With the same ultimate parent company | Sale | (7,242,596) | (100.0)% | Net 60 days from delivery | According to markup pricing | Adjustments will be made based on demand for funding | 3,259,677 | 100.0% | (Note 2) |
| Forever | Compal Electronic, Inc. | Parent company | Sale | (12,491,712) | (87.0)% | Net 60 days from delivery | According to markup pricing | Adjustments will be made based on demand for funding | 10,824,683 | 86.3% | (Note 2) |
| | CIH and its subsidiaries | With the same ultimate parent company | Purchase | 6,175,989 | 43.0% | Net 60 days from purchase | Similar to non-related parties | Adjustments will be made based on demand for funding | (7,749,658) | (34.0)% | (Note 2) |
| | JUST and its subsidiaries | With the same ultimate parent company | Purchase | 5,062,511 | 35.0% | Net 60 days from purchase | Similar to non-related parties | Adjustments will be made based on demand for funding | (3,669,892) | (25.0)% | (Note 2) |

(Continued)

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

Table 5 Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:
(For the three-month ended March 31, 2019)

(In Thousands of New Taiwan Dollars)

| Company Name | Counter party | Nature of relationship | Transaction details | | | | Transactions with terms different from others | | Notes/Accounts receivable (payable) | | Note |
|------------------|------------------|--------------------------|---------------------|-------------|--|---|---|---------------|-------------------------------------|---|--------------|
| | | | Purchase/ (Sale) | Amount | Percentage of total purchases/ (sales) | Payment terms | Unit price | Payment Terms | Ending Balance | Percentage of total notes/accounts receivable (payable) | |
| Arcadyan | Arcadyan Germany | Arcadyan's subsidiary | Sale | (486,243) | (7.0)% | Net 120 days from delivery | - | - | 610,927 | 10.0% | (Note 2) |
| | Arcadyan AU | Arcadyan's subsidiary | Sale | (384,445) | (6.0)% | Net 45 days from the end of the month of delivery | - | - | 247,382 | 4.0% | (Note 2) |
| | CNC | Arcadyan's subsidiary | Purchase | 2,942,080 | 32.0% | Net 45 days from the end of the month of delivery | According to markup pricing | - | (2,872,574) | (34.0)% | (Note 1 · 2) |
| CNC | Arcadyan | The Company's subsidiary | Sale | (2,942,080) | (99.0)% | Net 45 days from the end of the month of delivery | According to markup pricing | - | 2,872,574 | 98.0% | (Note 1 · 2) |
| Arcadyan Germany | Arcadyan | The Company's subsidiary | Purchase | 486,242 | 100.0% | Net 120 days from delivery | - | - | (610,297) | (100.0)% | (Note 2) |
| Arcadyan AU | Arcadyan | The Company's subsidiary | Purchase | 384,445 | 100.0% | Net 45 days from the end of the month of delivery | - | - | (247,382) | (100.0)% | (Note 2) |

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

Note 2: The transactions had been eliminated in the consolidated financial statements.

(Continued)

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

Table 6 Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:
(March 31, 2019)

(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 |
|-----------------------------|---------------------------|---------------------------------------|-------------------|---------------|---------|-------------------------|---------------------------------------|-------------------------|
| | | | | | Amount | Action taken | | |
| The Company | CBN | The Company's subsidiary | 487,186 | 1.28 | - | - | 176,313 (Note 1) | - |
| Just and its subsidiaries | Forever | With the same ultimate parent company | 3,669,892 | 3.99 | - | - | 2,147,260 (Note 1) | - |
| Just and its subsidiaries | Webtek | With the same ultimate parent company | 8,956,631 | 4.54 | - | - | 8,956,631 (Note 1) | - |
| Just and its subsidiaries | Compal Electronic, Inc. | Parent company | 453,451 | - | - | - | - (Note 1) | - |
| CIH and its subsidiaries | Compal Electronic, Inc. | Parent company | 35,946,565 | 3.02 | - | - | 5,795,786 (Note 1) | - |
| CIH and its subsidiaries | Forever | With the same ultimate parent company | 7,749,658 | 2.96 | - | - | 4,506,161 (Note 1) | - |
| BCI and its subsidiaries | Compal Electronic, Inc. | Parent company | 539,099 | 3.02 | - | - | 19,185 (Note 1) | - |
| BCI and its subsidiaries | CIH and its subsidiaries | With the same ultimate parent company | 9,246,169 | 2.61 | - | - | 2,521,403 (Note 1) | - |
| BCI and its subsidiaries | CEB | With the same ultimate parent company | 752,953 | 3.01 | - | - | 162,913 (Note 1) | - |
| Forever | Compal Electronic, Inc. | Parent company | 10,824,683 | 3.16 | - | - | 6,653,452 (Note 1) | - |
| Webtek | Compal Electronic, Inc. | Parent company | 3,839,629 | 17.44 | - | - | 3,839,626 (Note 1) | - |
| Etrade and its subsidiaries | Webtek | With the same ultimate parent company | 3,259,677 | 7.48 | - | - | 3,259,677 (Note 1) | - |
| Arcadyan | Arcadyan Germany | Arcadyan's subsidiary | 610,927 | 2.75 | - | - | - (Note 2) | - |
| Arcadyan | Arcadyan AU | Arcadyan's subsidiary | 247,382 | 3.15 | - | - | 80,371 (Note 2) | - |
| Arcadyan | TTI | Arcadyan's subsidiary | 227,588 | 0.10 | - | - | 96,064 (Note 2) | - |
| CNC | Arcadyan | Arcadyan's subsidiary | 2,872,574 (Note4) | 1.87 | - | - | 1,525,294 (Note 2) | - |
| CBN | Speedlink | With the same ultimate parent company | 117,394 (Note5) | - | 5,181 | - | 14,009 (Note 3) | - |
| Speedlink | Just and its subsidiaries | With the same ultimate parent company | 117,394 (Note5) | - | 5,181 | Enhanced the collection | 14,009 (Note 3) | - |

Note 1:Balance as of May 3, 2019.

Note 2:Balance as of April 19, 2019.

Note 3:Balance as of May 9, 2019.

Note 4:Other receivables due to purchasing on behalf of THAC.

Note 5:Other receivables due to processing and sales of raw material.

(Continued)

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

Table 7 Business relationships and significant intercompany transactions:

(For the three-month ended March 31, 2019)

(In Thousands of New Taiwan Dollars)

| No. (Note 1) | Company name | Counter party | Relationship (Note 2) | Intercompany transactions | | | Percentage of the consolidated net revenue or total assets |
|-----------------|-----------------------------|--------------------------|--------------------------|---------------------------|------------|--|---|
| | | | | Accounts name | Amount | Terms | |
| 0 | The Company | CBN | 1 | Sale Revenue | 196,366 | There is no significant difference of price to non-related parties. The credit period is net 90 days. | 0.1% |
| 1 | JUST and its subsidiaries | Webtek | 3 | Accounts Receivable | 487,186 | " | 0.1% |
| | | | | Sale Revenue | 16,545,545 | The price is based on the operating cost. The credit period is net 60 days from delivery, and will be adjusted if necessary. | 7.9% |
| 1 | JUST and its subsidiaries | Forever | 3 | Accounts Receivable | 8,956,631 | " | 2.3% |
| | | | | Sale Revenue | 5,062,511 | 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. | 2.4% |
| 2 | CIH and its subsidiaries | The Company | 2 | Accounts Receivable | 3,669,892 | " | 0.9% |
| | | | | Sale Revenue | 32,104,960 | There is no significant difference of price to non-related parties. The credit period is net 120 days, and will be adjusted if necessary. | 15.2% |
| 2 | CIH and its subsidiaries | Forever | 3 | Accounts Receivable | 35,946,565 | " | 9.2% |
| | | | | Sale Revenue | 6,175,989 | 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. | 2.9% |
| 3 | BCI and its subsidiaries | The Company | 2 | Accounts Receivable | 7,749,658 | " | 2.0% |
| | | | | Sale Revenue | 489,133 | There is no significant difference of price to non-related parties. The credit period is net 120 days, and will be adjusted if necessary. | 0.2% |
| 3 | BCI and its subsidiaries | CIH and its subsidiaries | 3 | Accounts Receivable | 539,099 | " | 0.1% |
| | | | | Sale Revenue | 6,223,144 | There is no significant difference of price to non-related parties. The credit period is net 120 days, and will be adjusted if necessary. | 3.0% |
| 3 | BCI and its subsidiaries | CEB | 3 | Accounts Receivable | 9,246,169 | " | 2.4% |
| | | | | Sale Revenue | 505,951 | There is no significant difference of price to non-related parties. The credit period is net 120 days. | 0.2% |
| 4 | Webteck | The Company | 2 | Accounts Receivable | 752,953 | " | 0.2% |
| | | | | Sale Revenue | 23,791,364 | The price is based on the operating cost. The credit period is net 60 days from delivery, and will be adjusted if necessary. | 11.3% |
| 5 | Etrade and its subsidiaries | Webtek | 3 | Accounts Receivable | 3,839,629 | " | 1.0% |
| | | | | Sale Revenue | 7,242,596 | The price is based on the operating cost. The credit period is net 60 days from delivery, and will be adjusted if necessary. | 3.4% |
| 6 | Forever | The Company | 2 | Accounts Receivable | 3,259,677 | " | 0.8% |
| | | | | Sale Revenue | 12,491,712 | The price is based on the operating cost. The credit period is net 60 days from delivery, and will be adjusted if necessary. | 5.9% |
| | | | | Accounts Receivable | 10,824,683 | " | 2.8% |

(Continued)

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

Table 7 Business relationships and significant intercompany transactions:

(For the three-month ended March 31, 2019)

(In Thousands of New Taiwan Dollars)

| No. (Note 1) | Company name | Counter party | Relationship (Note 2) | Intercompany transactions | | | Percentage of the consolidated net revenue or total assets |
|-----------------|--------------|---------------------|--------------------------|---|----------------------|---|---|
| | | | | Accounts name | Amount | Terms | |
| 7 | Arcadyan | Arcadyan Germany | 3 | Sale Revenue | 486,243 | There is no significant difference of price to non-related parties. The credit period is net 120 days from delivery. | 0.2% |
| 7 | Arcadyan | TTI | 3 | Accounts Receivable Other Receivable | 610,927 227,588 | " The price is based on the operating cost. The credit period is net 90 days from the end of month of delivery. | 0.2% 0.1% |
| 7 | Arcadyan | Arcadyan AU | 3 | Sale Revenue | 384,445 | There is no significant difference of price to non-related parties. The credit period is net 45 days from delivery. | 0.2% |
| 8 | CNC | Arcadyan | 3 | Accounts Receivable Processing Revenue | 247,382 2,942,080 | " 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. | 0.1% 1.4% |
| 9 | TTI | THAC | 3 | Accounts Receivable Other Receivable | 2,872,574 17,057 | " The credit period is net 90 days from the end of the month of delivery and depended on funding demand. | - - |
| 10 | THAC | TTI | 3 | Processing Revenue | 72,411 | The price is based on the operating cost. The credit period is net 60 days from the end of the month of delivery and depended on funding demand. | - |
| 11 | CBN | Speedlink | 3 | Contract Liabilities Other Receivable | 32,655 117,394 | " The credit period is net 60 days from the end of the month. | - - |

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.

(Continued)

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

Table 8 The following is the information on investees for the three-months ended March 31, 2019 (excluding information on investees in Mainland China):
(March 31, 2019)

(In Thousands of New Taiwan Dollars/ shares)

| Investor Company | Investee Company | Location | Main Businesses and Products | Original Investment Amount | | Ending Balance | | | Net income (losses) of investee | Share of profits/losses of investee | Note |
|------------------|--|------------------------|--|----------------------------|-------------------|----------------|-------------------------|-----------------------|---------------------------------|-------------------------------------|----------|
| | | | | March 31, 2019 | December 31, 2018 | Shares | Percentage of Ownership | Carrying Value | | | |
| The Company | Bizcom | Milpitas, USA | Warranty services and marketing of LCD TVs and notebook PCs | 36,369 | 36,369 | 100 | 100% | 438,904 | (5,556) | (3,357) | (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% | 8,120,384 | 50,415 | 50,415 | (Note 2) |
| | CIH | British Virgin Islands | Sales and manufacturing of notebook PCs and investments | 1,787,680 | 1,787,680 | 53,001 | 100% | 35,559,062 | 505,168 | 505,168 | (Note 2) |
| | Panpal | Taipei City | Investment | 5,171,837 | 5,171,837 | 500,000 | 100% | 5,008,436 (Note 1) | 36,175 | 36,175 | (Note 2) |
| | Gempal | Taipei City | Investment | 900,036 | 900,036 | 90,000 | 100% | 1,608,525 (Note 1) | 16,849 | 16,849 | (Note 2) |
| | Kinpo Group management consultant company ("Kinpo Group management") | Taipei City | Consultation, training services, etc. | 3,000 | 3,000 | 300 | 38% | 4,621 | 218 | 84 | |
| | Ripal | Tainan City | Manufacturing of electric appliance and audiovisual electric products | 60,000 | 60,000 | 6,000 | 100% | 56,315 | 4,519 | 4,519 | (Note 2) |
| | Avalue Technology, Inc. | New Taipei City | Manufacturing, processing, and import and export business of industrial motherboards | 559,189 | 559,189 | 15,240 | 22% | 611,668 | 62,725 | 14,684 | |
| | Unicore | Taipei City | Animal medication retail and wholesale | 200,000 | 200,000 | 20,000 | 100% | 160,999 | (3,649) | (3,649) | (Note 2) |
| | CEH | British Virgin Islands | Investment | 34 | 34 | 1 | 100% | 3,632,184 | - | - | (Note 2) |
| | Allied Circuit | Taoyuan City | Production and sales of PCB boards | 395,388 | 395,388 | 10,158 | 20% | 332,552 | 7,041 | 1,437 | |
| | Maxima Ventures I, Inc. ("Maxima") | Taipei City | Investment | 1,260 | 1,260 | 126 | 23% | 3,152 | (104) | (23) | |
| | Lipo Holding Co., Ltd. ("Lipo") | Cayman Islands | Investment | 489,450 | 489,450 | 98 | 49% | 656,482 | (22,282) | (10,918) | |
| | CPE | Netherlands | Investment | 197,463 | 197,463 | 6,427 | 100% | 836,202 | 6,046 | 6,046 | (Note 2) |
| | ATK | Hsinchu City | Design, research & development, and selling of DVD, Combo, CD-RW Drives | 202,908 | 202,908 | 899 | 28% | 10,377 | 19 | 5 | (Note 2) |
| | 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% | 74,334 | (5,798) | (1,927) | |
| | Hong Ji | Taipei City | Investment | 1,000,000 | 1,000,000 | 100,000 | 100% | 1,083,828 | 15,845 | 15,845 | (Note 2) |
| | Hong Jin | Taipei City | Investment | 295,000 | 295,000 | 29,500 | 100% | 337,276 | 8,336 | 8,336 | (Note 2) |
| | Auscom | Austin, TX USA | R&D of notebook PC related products and components | 101,747 | 101,747 | 3,000 | 100% | 125,943 | (400) | (400) | (Note 2) |
| | Arcadyan | Hsinchu City | R&D, manufacturing and sales of wireless network, integrated household electronics, and mobile office products | 1,325,132 | 1,325,132 | 41,305 | 21% | 2,135,350 | 371,307 | 79,213 | (Note 2) |
| | FGH | British Virgin Islands | Investment | 2,754,741 | 2,754,741 | 89,755 | 100% | 4,620,762 | (68,616) | (68,616) | (Note 2) |
| | HSI | British Virgin Islands | Investment | 1,346,814 | 1,346,814 | 42,700 | 100% | 714,840 | (21,998) | (21,998) | (Note 2) |
| | CEP | Poland | Maintenance and warranty services of notebook PCs | 90,156 | 90,156 | 136 | 100% | 10,214 | (5,429) | (5,429) | (Note 2) |
| | Zhaopal | Taipei City | Investment | 1,358,000 | 1,358,000 | 135,800 | 100% | 6,190 | - | - | (Note 2) |
| | Yongpal | Taipei City | Investment | 1,188,500 | 1,188,500 | 118,850 | 100% | 5,509 | - | - | (Note 2) |
| | Kaipal | Taipei City | Investment | 510,500 | 510,500 | 51,050 | 100% | 3,110 | - | - | (Note 2) |
| | Lead-Honor Optronics. Co., Ltd. ("Lead-Honor") | Taoyuan City | Manufacturing of electric appliance and audiovisual electric products | 42,000 | 42,000 | 2,772 | 42% | - | - | - | |
| | Infinno Technology Corporation ("Infinno") | Hsinchu County | Manufacturing of electronic components, wholesale and retail sale of precision instruments and electronic materials | 109,837 | 109,837 | 5,650 | 27% | 20,310 | (4,574) | (1,244) | |
| | HengHao | Taipei City | Manufacturing of PCs, computer periphery devices, and electronic components | 5,329,757 | 5,329,757 | 63,815 | 100% | (344,944) | (227,349) | (227,349) | (Note 2) |
| | Mactech | Taichung City | Manufacturing of equipment and lighting, retailing of equipment and international trading | 219,601 | 219,601 | 21,756 | 53% | 246,490 | (291) | (154) | (Note 2) |
| | BCI | British Virgin Islands | Investment | 2,636,051 | 2,636,051 | 90,820 | 100% | 6,267,070 | 208,483 | 208,483 | (Note 2) |
| | CBN | Hsinchu County | R&D and sales of cable modem, digital setup box, and other communication products | 284,827 | 284,827 | 29,060 | 43% | 784,948 | 5,960 | 2,638 | (Note 2) |

(Continued)

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

Table 8 The following is the information on investees for the three-months ended March 31, 2019 (excluding information on investees in Mainland China):
(March 31, 2019)

(In Thousands of New Taiwan Dollars/ shares)

| Investor Company | Investee Company | Location | Main Businesses and Products | Original Investment Amount | | Ending Balance | | | Net income (losses) of investee | Share of profits/losses of investee | Note |
|------------------|---|------------------------|--|----------------------------|-------------------|----------------|-------------------------|-------------------|---------------------------------|---|----------|
| | | | | March 31, 2019 | December 31, 2018 | Shares | Percentage of Ownership | Carrying Value | | | |
| | Rayonnant | Taipei City | Manufacturing and sales of PCs, computer periphery devices, and electronic components | 295,000 | 295,000 | 29,500 | 100% | 30,846 | (10,479) | (10,479) | (Note 2) |
| | CRH | British Virgin Islands | Investment | 377,328 | 377,328 | 12,500 | 100% | 90,211 | (17,460) | (17,460) | (Note 2) |
| | Acendant Private Equity Investment Ltd. ("APE") | British Virgin Islands | Investment | 943,922 | 943,922 | 31,253 | 35% | 982,895 | 6,618 | 6,618 | |
| | CORE | British Virgin Islands | Investment | 4,318,860 | 4,318,860 | 147,000 | 100% | 7,708,008 | 56,544 | 56,544 | (Note 2) |
| | Etrade | British Virgin Islands | Investment | 1,532,029 | 1,532,029 | 46,900 | 65% | (601,145) | (297,787) | (281,776) | (Note 2) |
| | Webtek | British Virgin Islands | Selling of mobile phones | 3,340 | 3,340 | 100 | 100% | 558,632 | (16,012) | (16,012) | (Note 2) |
| | Forever | British Virgin Islands | Selling of mobile phones | 1,575 | 1,575 | 50 | 100% | 1,493,110 | (54) | (54) | (Note 2) |
| | UCGI | Taipei City | Manufacturing and retail sale of computers and electronic components | 100,000 | 100,000 | 10,000 | 100% | (414,505) | (38,241) | (38,241) | (Note 2) |
| | Palcom | Taipei City | Selling of mobile phones | 100,000 | 100,000 | 10,000 | 100% | 108,361 | (1,301) | (1,301) | (Note 2) |
| | GLB | New Taipei City | Manufacturing and wholesale of medical equipment | 246,860 | 246,860 | 15,000 | 50% | 279,546 | 37,402 | 18,613 | (Note 2) |
| | Shennona | Delaware, USA | Medical care IOT business | 14,598 | 14,598 | 2,500 | 100% | 1,849 | (3,607) | (3,607) | (Note 2) |
| | Shennona Taiwan Co, Ltd. | Taipei City | Management&Consultant, Rental and Leasing Business, wholesale and retail sale of precision instruments and International Trade | 6,000 | - | 600 | 100% | 6,000 | - | - | |
| | Hippo Screen Neurotech Co., Ltd. | Taipei City | Management&Consultant, Rental and Leasing Business, wholesale and retail sale of precision instruments and International Trade | 42,000 | - | 4,200 | 70% | 42,000 | - | - | (Note 2) |
| | | | | | | | | 83,416,901 | | 317,678 | |
| Webtek | Etrade | British Virgin Islands | Investment | 770,500 | 770,500 | 25,000 | 35% | (192,441) | (297,787) | Investment gain(losses) recognized by Webtek | (Note 2) |
| Forever | GIA | British Virgin Islands | Selling of mobile phones | - | - | - | 100% | - | - | Investment gain(losses) recognized by Forever | (Note 2) |
| 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% | 401,140 | 371,307 | Investment gain(losses) recognized by Panpal | (Note 2) |
| | Allied Circuit | Taoyuan City | Production and selling of PCB boards | 148,263 | 148,263 | 2,927 | 6% | 95,828 | 7,041 | Investment gain(losses) recognized by Panpal | |
| Gempal | Others 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% | 564,968 | 371,307 | 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% | 105,411 | 7,041 | Investment gain(losses) recognized by Gempal | |
| Just | Others CDH (HK) | Hong Kong | Investment | 1,920,009 | 1,920,009 | 62,298 | 100% | 3,542 | 42,397 | Investment gain(losses) recognized by Just | (Note 2) |
| | CII | British Virgin Islands | Investment | 284,931 | 284,931 | 9,245 | 100% | 5,737,755 | (1,951) | Investment gain(losses) recognized by Just | (Note 2) |
| | CPI | British Virgin Islands | Sales of monitors, LCD TVs and related components | 15,410 | 15,410 | 500 | 100% | 219,085 | - | Investment gain(losses) recognized by Just | (Note 2) |
| | | | | | | | | 900,328 | - | | |

(Continued)

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

Table 8 The following is the information on investees for the three-months ended March 31, 2019 (excluding information on investees in Mainland China):
(March 31, 2019)

(In Thousands of New Taiwan Dollars/ shares)

| Investor Company | Investee Company | Location | Main Businesses and Products | Original Investment Amount | | Ending Balance | | | Net income (losses) of investee | Share of profits/losses of investee | Note |
|------------------|------------------|------------------------|--|----------------------------|-------------------|----------------|-------------------------|----------------|---------------------------------|---|----------|
| | | | | March 31, 2019 | December 31, 2018 | Shares | Percentage of Ownership | Carrying Value | | | |
| CII | AEI | U.S.A | Sales and maintenance of LCD TVs | 30,820 | 30,820 | 1,000 | 100% | 49,475 | (146) | Investment gain(losses) recognized by CII | (Note 2) |
| | MEL | U.S.A | Investment | 253,772 | 253,772 | - | 100% | 257,908 | (1,803) | Investment gain(losses) recognized by CII | (Note 2) |
| | MTL | U.S.A | Investment | 31 | 31 | - | 100% | 31 | - | Investment gain(losses) recognized by CII | (Note 2) |
| | Smart | British Virgin Islands | Sales of electronic products and related components | 31 | 31 | 1 | 100% | 399 | (2) | Investment gain(losses) recognized by CII | (Note 2) |
| MEL and MTL | CMX | Mexico | Manufacturing, sales and maintenance of LCD TVs | 248,101 | 248,101 | 32,903 | 100% | 257,908 | (1,803) | Investment gain(losses) recognized by MEL and MTL | (Note 2) |
| CIH | CIH (HK) | Hong Kong | Investment | 2,305,413 | 2,305,413 | 74,803 | 100% | 33,590,107 | 496,653 | Investment gain(losses) recognized by CIH | (Note 2) |
| | Jenpal | British Virgin Islands | Investment | 226,527 | 226,527 | 7,350 | 100% | 106,155 | 748 | Investment gain(losses) recognized by CIH | (Note 2) |
| | CCM | British Virgin Islands | Investment | 157,182 | 157,182 | 5,100 | 51% | 57,837 | 839 | Investment gain(losses) recognized by CIH | (Note 2) |
| | PFG | British Virgin Islands | Sales of notebook PCs and related components | 31 | 31 | 1 | 100% | 423,242 | - | Investment gain(losses) recognized by CIH | (Note 2) |
| | FWT | British Virgin Islands | Investment | 459,218 | 459,218 | 14,900 | 100% | 459,575 | 45 | Investment gain(losses) recognized by CIH | (Note 2) |
| 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% | 484,922 | 371,307 | 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% | 28,120 | 7,041 | Investment gain(losses) recognized by Hong Ji | (Note 2) |
| 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% | 247,648 | 371,307 | Investment gain(losses) recognized by Hong Jin | (Note 2) |
| Arcadyan | Arcadyan Holding | British Virgin Islands | Investment | 1,240,526 | 1,240,526 | 32,780 | 100% | 1,322,392 | 123,873 | Investment gain(losses) recognized by Arcadyan | (Note 2) |
| | Arcadyan USA | U.S.A | Sales of wireless network products | 23,055 | 23,055 | 1 | 100% | 51,654 | (1,418) | Investment gain(losses) recognized by Arcadyan | (Note 2) |
| | Arcadyan Germany | Germany | Technology support and sales of wireless network products | 1,125 | 1,125 | 0.5 | 100% | 62,749 | (565) | Investment gain(losses) recognized by Arcadyan | (Note 2) |
| | Arcadyan Korea | Korea | Sales of wireless network products | 2,879 | 2,879 | 20 | 100% | 8,448 | 779 | Investment gain(losses) recognized by Arcadyan | (Note 2) |
| | Zhi-Pal | Taipei City | Investment | 48,000 | 48,000 | 34,980 | 100% | 451,665 | 1,301 | Investment gain(losses) recognized by Arcadyan | (Note 2) |

(Continued)

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

Table 8 The following is the information on investees for the three-months ended March 31, 2019 (excluding information on investees in Mainland China):
(March 31, 2019)

(In Thousands of New Taiwan Dollars/ shares)

| Investor Company | Investee Company | Location | Main Businesses and Products | Original Investment Amount | | Ending Balance | | | Net income (losses) of investee | Share of profits/losses of investee | Note |
|----------------------|------------------------------------|------------------------|--|----------------------------|-------------------|----------------|-------------------------|----------------|---------------------------------|--|----------|
| | | | | March 31, 2019 | December 31, 2018 | Shares | Percentage of Ownership | Carrying Value | | | |
| Arcadyan | TTI | Taipei City | R&D and sales of household digital products | 308,726 | 308,726 | 25,028 | 61% | 661,062 | 126,253 | Investment gain(losses) recognized by Arcadyan | (Note 2) |
| | AcBel Telecom | Taipei City | Investment | 23,000 | 23,000 | 4,494 | 51% | 33,840 | (95) | Investment gain(losses) recognized by Arcadyan | (Note 2) |
| | Arcadyan UK | UK | Technical support of wireless network products | 1,988 | 1,988 | 50 | 100% | 2,882 | 114 | Investment gain(losses) recognized by Arcadyan | (Note 2) |
| | Arcadyan AU | Australia | Sales of wireless network products | 1,161 | 1,161 | 50 | 100% | 13,606 | 7,384 | Investment gain(losses) recognized by Arcadyan | (Note 2) |
| | CBN | Hsinchu County | Sales of communication and electronic components | 11,925 | 11,925 | 533 | 1% | 14,508 | 5,960 | Investment gain(losses) recognized by Arcadyan | (Note 2) |
| | Golden Smart Home Technology Corp. | Taipei City | Selling of hardware and software integration of high-tech systems | 15,692 | 15,692 | 1,229 | 16% | - | (7,038) | Investment gain(losses) recognized by Arcadyan | (Note 2) |
| Arcadyan and Zhi-pal | Arcadyan Brasil | Brazil | Sales of wireless network products | 81,593 | 81,593 | 968 | 100% | 4,439 | (9,908) | Investment gain(losses) recognized by Arcadyan | (Note 2) |
| Arcadyan Holding | Sinoprime | British Virgin Islands | Investment | 278,921 | 278,921 | 9,050 | 100% | 281,325 | 1,541 | Investment gain(losses) recognized by Arcadyan Holding | (Note 2) |
| | Arch Holding | British Virgin Islands | Investment | 339,359 | 339,539 | 35 | 100% | 960,690 | 123,224 | Investment gain(losses) recognized by Arcadyan Holding | (Note 2) |
| Sinoprime | Arcadyan Vietnam | Vietnam | Manufacturing of wireless network products | - | - | - | 100% | - | - | Investment gain(losses) recognized by Sinoprime | (Note 2) |
| TTI | Quest | Samoa | Investment | 36,984 | 36,984 | 1,200 | 100% | 106,307 | 32,956 | Investment gain(losses) recognized by TTI | (Note 2) |
| | TTJC | Japan | Sales of household digital electronic products | 1,341 | 1,341 | 0.1 | 100% | 382 | (390) | Investment gain(losses) recognized by TTI | (Note 2) |
| Quest | Exquisite | Samoa | Investment | 36,059 | 36,059 | 1,170 | 100% | 105,466 | 32,956 | Investment gain(losses) recognized by Quest | (Note 2) |
| AcBel Telecom | Leading Images | British Virgin Islands | Investment | 1,541 | 1,541 | 50 | 100% | 9,654 | (120) | Investment gain(losses) recognized by AcBel Telecom | (Note 2) |
| Leading Images | Astoria GmbH | Germany | Sales of wireless network products | 865 | 865 | 25 | 100% | 9,246 | (123) | Investment gain(losses) recognized by Leading Images | (Note 2) |
| Zhi-Pal | CBN | Hsinchu County | Produces and sales of communication and electronic components | 36,272 | 36,272 | 13,140 | 20% | 357,508 | 5,960 | Investment gain(losses) recognized by Zhi-Pal | (Note 2) |
| HSI | IUE | British Virgin Islands | Investment | 924,600 | 924,600 | 30,000 | 100% | 429,623 | (27,339) | Investment gain(losses) recognized by HSI | (Note 2) |
| | Goal | British Virgin Islands | Investment | 391,414 | 391,414 | 12,700 | 100% | 313,178 | 5,341 | Investment gain(losses) recognized by HSI | (Note 2) |
| IUE | CVC | Vietnam | R&D, manufacturing, sales, and maintenance of notebook PCs, computer monitors, LCD TVs and electronic components | 924,600 | 924,600 | 30,000 | 100% | 454,395 | (27,339) | Investment gain(losses) recognized by IUE | (Note 2) |

(Continued)

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

Table 8 The following is the information on investees for the three-months ended March 31, 2019 (excluding information on investees in Mainland China):
(March 31, 2019)

(In Thousands of New Taiwan Dollars/ shares)

| Investor Company | Investee Company | Location | Main Businesses and Products | Original Investment Amount | | Ending Balance | | | Net income (losses) of investee | Share of profits/losses of investee | Note |
|------------------|---|------------------------|--|----------------------------|-------------------|----------------|-------------------------|----------------|---------------------------------|---|----------|
| | | | | March 31, 2019 | December 31, 2018 | Shares | Percentage of Ownership | Carrying Value | | | |
| Goal | CDM | Vietnam | Construction of and investment in infrastructure in Ba-Thien industrial district of Vietnam | 391,414 | 391,414 | 12,700 | 100% | 371,956 | 5,341 | Investment gain(losses) recognized by Goal | (Note 2) |
| Rayonnant | APH | British Virgin Islands | Investment | 257,454 | 257,454 | 8,651 | 41% | 56,392 | (29,543) | Investment gain(losses) recognized by Rayonnant | (Note 2) |
| | Forming Co., Ltd. | Taoyuan City | R&D and manufacturing of electronic materials | 27,300 | 27,300 | 1,820 | 21% | - | - | Investment gain(losses) recognized by Rayonnant | (Note 2) |
| CRH | APH | British Virgin Islands | Investment | 385,250 | 385,250 | 12,500 | 59% | 90,210 | (29,543) | Investment gain(losses) recognized by CRH | (Note 2) |
| HHT | HHA | British Virgin Islands | Investment | 1,429,235 | 1,429,235 | 46,882 | 100% | 189,153 | (63,584) | Investment gain(losses) recognized by HHT | (Note 2) |
| HHA | HHB | British Virgin Islands | Investment | 1,444,904 | 1,444,904 | 46,882 | 100% | 206,782 | (63,571) | Investment gain(losses) recognized by HHA | (Note 2) |
| HHB | HengHao Trading Co., Ltd. | British Virgin Islands | Marketing and international trade | 308 | 308 | 10 | 100% | 405 | 2 | Investment gain(losses) recognized by HHB | (Note 2) |
| CBN | Speedlink | British Virgin Islands | Import and export business | 1,514 | 1,514 | 50 | 100% | 2,053 | 31 | Investment gain(losses) recognized by CBN | (Note 2) |
| | CBNB | Belgium | The import and export business of broad band network products and related components, as well as technical support and advisory services | 6,842 | 6,842 | 20 | 100% | 6,741 | (63) | Investment gain(losses) recognized by CBN | (Note 2) |
| FGH | Wah Yuen Technology Holding Ltd. and its subsidiaries | Mauritius | Investment | 2,766,264 | 2,766,264 | 95,862 | 37% | 4,691,489 | (185,782) | Investment gain(losses) recognized by FGH | (Note 2) |
| CORE | BSH | British Virgin Islands | Investment | 4,530,540 | 4,530,540 | 147,000 | 100% | 7,708,008 | 56,544 | Investment gain(losses) recognized by CORE | (Note 2) |
| APH | PEL | British Virgin Islands | Investment | 97,114 | 97,114 | 3,151 | 100% | 49,267 | (4,507) | Investment gain(losses) recognized by APH | (Note 2) |
| | Rayonnant(HK) | Hong Kong | Investment | 554,760 | 554,760 | 18,000 | 100% | 89,154 | (25,039) | Investment gain(losses) recognized by APH | (Note 2) |
| BCI | CMI | British Virgin Islands | Investment | 2,490,872 | 2,490,872 | 80,820 | 100% | 3,945,343 | 145,166 | Investment gain(losses) recognized by BCI | (Note 2) |
| | PRI | British Virgin Islands | Investment | 308,200 | 308,200 | 10,000 | 100% | 2,321,728 | 63,316 | Investment gain(losses) recognized by BCI | (Note 2) |
| GLB | Rapha | New Taipei City | Detectors and test strip | 6,500 | 6,500 | 1,275 | 100% | 427 | (34) | Investment gain(losses) recognized by GLB | (Note 2) |
| Unicore | Raycore | Taipei City | Animal medication retail and wholesale | 25,500 | 25,500 | 1,275 | 51% | 21,315 | (1,944) | Investment gain(losses) recognized by Unicore | (Note 2) |

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.

(Continued)

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

Table 9 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/ shares)

| Name of investee | Main businesses and products | Total amount of paid-in capital | Method of investment | Accumulated outflow of investment from Taiwan as of January 1, 2019 | Investment flows | | Accumulated outflow of investment from Taiwan as of March 31, 2019 | Net income (losses) of the investee | Percentage of ownership | Investment income (losses) (Note 4) | Book value | Accumulated remittance of earnings in current period |
|--|--|---------------------------------|----------------------|---|------------------|--------|--|-------------------------------------|-------------------------|-------------------------------------|------------|--|
| | | | | | Outflow | Inflow | | | | | | |
| CPC | Manufacturing and sales of monitors | 1,140,340 | (Note 1) | 1,140,340 | - | - | 1,140,340 | 47,921 | 100% | 47,921 | 2,103,790 | - |
| CDT | Manufacturing and sales of notebook PCs, mobile phones, and Digital products | 616,400 | (Note 2) | 616,400 | - | - | 616,400 | (25,899) | 100% | (25,899) | 170,969 | - |
| CET | Manufacturing of notebook PCs | 369,840 | (Note 2) | 369,840 | - | - | 369,840 | (41,248) | 100% | (41,248) | 4,807,844 | - |
| CSD | Manufacturing of notebook PCs | 275,093 | (Note 2) | (Note 3) | - | - | - | (34,836) | 100% | (34,836) | (293,902) | - |
| 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 | 72,331 | (Note 2) | (Note 3) | - | - | - | (7,470) | 51% | (3,810) | (45,467) | - |
| BT | Maintenance and warranty service of notebook PCs | 30,820 | (Note 2) | 30,820 | - | - | 30,820 | (57,835) | 100% | (57,835) | (256,074) | - |
| CGS | Production and processing chipresistors, ceramic capacitors, diodes, and other latest electronic components and related precision electronic equipment; selling self-produced products | 9,170 | (Note 2) | (Note 3) | - | - | - | 3,416 | 100% | 3,416 | (34,941) | - |
| LIZ Electronics (Kunshan) Co., Ltd. | Research & development, and manufacturing chip components(chip resistors, ceramic chip diode ; selling self-produced products and providing after-sales service. Performing wholesale and trading business of electronic components, semiconductors, special materials for electronic components, and spare parts | 986,240 | (Note 1) | 410,831 | - | - | 410,831 | (24,439) | 43% | (10,553) | 602,284 | - |
| LIZ Electronics (Nantong) Co., Ltd. | Research, manufacture and sales of communication devices, mobile phones, electronic computer, smart watch, and provide related technology service | 616,400 | (Note 1) | 45,305 | - | - | 45,305 | (15,899) | 48% | (7,576) | 444,455 | - |
| CIC | Manufacturing of notebook PCs | 369,840 | (Note 2) | 369,840 | - | - | 369,840 | 258,357 | 100% | 258,357 | 7,755,063 | - |
| CPO | Manufacturing and sales of LCD TVs | 372,922 | (Note 1) | 372,922 | - | - | 372,922 | (7,060) | 100% | (7,060) | 2,860,009 | - |
| CIT | Manufacturing of notebook PCs | 739,680 | (Note 2) | 739,680 | - | - | 739,680 | 363,494 | 100% | 363,494 | 20,878,786 | - |

(Continued)

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

Table 9 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/ shares)

| Name of investee | Main businesses and products | Total amount of paid-in capital | Method of investment | Accumulated outflow of investment from Taiwan as of January 1, 2019 | Investment flows | | Accumulated outflow of investment from Taiwan as of March 31, 2019 | Net income (losses) of the investee | Percentage of ownership | Investment income (losses) (Note 4) | Book value | Accumulated remittance of earnings in current period |
|--|---|---------------------------------|----------------------|---|------------------|--------|--|-------------------------------------|-------------------------|-------------------------------------|-------------|--|
| | | | | | Outflow | Inflow | | | | | | |
| CST | International trade and distribution of computers and electronic components | 43,148 | (Note 2) | 43,148 | - | - | 43,148 | 2,236 | 100% | 2,236 | 51,824 | - |
| CIN | Software and hardware R&D of computers, mobile phones and electronic components | 61,640 | (Note 2) | 61,640 | - | - | 61,640 | 9 | 100% | 9 | 767 | - |
| 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" | 308,200 | (Note 2) | 157,182 | - | - | 157,182 | 313 | 51% | 160 | 8,999 | - |
| CIJ | Investment and consulting services | 480,792 | (Note 2) | 480,792 | - | - | 480,792 | (926) | 100% | (926) | 954,885 | - |
| CDE | Manufacturing and sales of LCD TVs | 462,300 | (Note 2) | (Note 3) | - | - | - | (1,209) | 100% | (1,209) | 925,003 | - |
| CIS | Outward investment and consulting services | 2,490,872 | (Note 1) | 2,490,872 | - | - | 2,490,872 | 145,166 | 100% | 145,166 | 3,945,343 | - |
| CEC | R&D and manufacturing of notebook PCs, tablet PCs, digital products, network switches, wireless AP, and automobile electronic products | 2,465,600 | (Note 2) | (Note 3) | - | - | - | 144,647 | 100% | 144,647 | 3,913,818 | - |
| CMC | Corporate management consulting, financial and tax consulting, investment consulting, and investment management consulting services | 24,656 | (Note 2) | (Note 3) | - | - | - | 494 | 100% | 494 | 24,975 | - |
| CEQ | R&D, manufacturing and sales of notebook PCs and related components. Also provides related maintenance and warranty services | 308,200 | (Note 1) | 308,200 | - | - | 308,200 | 63,316 | 100% | 63,316 | 2,321,728 | - |
| Compal Precision Module (Jiangsu) Co., Ltd. | Manufacturing and selling of magnesium alloy injection molding | 12,636,200 | (Note 2) | 2,546,564 | - | - | 2,546,564 | (11,291) | 37% | (4,135) | 5,820,917 | - |
| Changbao Electronic Technology (Chongqing) Co., Ltd. | Production and marketing of magnesium alloy molding | 1,849,200 | (Note 2) | 353,074 | - | - | 353,074 | (167,888) | 37% | (61,481) | 983,490 | - |
| Rayonnant (Taicang) | Manufacturing and sales of aluminum alloy and magnesium alloy products | 554,760 | (Note 2) | 385,250 | - | - | 385,250 | (25,036) | 100% | (25,036) | 89,755 | - |
| CCI Nanjing | Manufacturing and processing of mobile phones and tablet PCs | 678,040 | (Note 1) | 678,040 | - | - | 678,040 | 45,252 | 100% | 45,252 | (1,017,491) | - |
| CDCN | Manufacturing and processing of mobile phones and tablet PCs | 178,756 | (Note 1) | 178,756 | - | - | 178,756 | 339 | 100% | 339 | 87,868 | - |
| CWCN | Manufacturing and processing of mobile phones and tablet PCs | 1,510,180 | (Note 1) | 585,580 | - | - | 585,580 | (92,107) | 100% | (92,107) | 343,982 | - |

(Continued)

COMPAL ELECTRONICS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Table 9 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/ shares)

| Name of investee | Main businesses and products | Total amount of paid-in capital | Method of investment | Accumulated outflow of investment from Taiwan as of January 1, 2019 | Investment flows | | Accumulated outflow of investment from Taiwan as of March 31, 2019 | Net income (losses) of the investee | Percentage of ownership | Investment income (losses) (Note 4) | Book value | Accumulated remittance of earnings in current period |
|--|---|---------------------------------|----------------------|---|------------------|--------|--|-------------------------------------|-------------------------|-------------------------------------|------------|--|
| | | | | | Outflow | Inflow | | | | | | |
| Hanhelt | R&D and manufacturing of electronic communication equipment | 61,640 | (Note 1) | 61,640 | - | - | 61,640 | (62) | 100% | (62) | 3,144 | - |
| Arcadyan SVA Arcadyan | R&D and sales of wireless network products | 403,742 | (Note 1) | 567,704 (Note 7) | - | - | 567,704 | (308) | 100% | (308) | 129,475 | - |
| CNC | Manufacturing and wireless network products | 383,709 | (Note 1) | 339,359 (Note 8) | - | - | 339,359 | 123,224 | 100% | 123,224 | 960,690 | - |
| THAC | Manufacturing of household electronics products | 103,247 | (Note 1 - 10) | 35,443 | - | - | 35,443 | 32,956 | 100% | 32,956 | 104,942 | - |
| HengHao HengHao Optoelectronic Technology (Kunshan) Co., Ltd. ("HengHao Kunshan") | Production of touch panels and related components | 1,232,800 | (Note 1) | 1,226,728 | - | - | 1,226,728 | (64,164) | 100% | (64,164) | 53,122 | - |
| Lucom Display Technology (Kunshan) Limited("Lucom") | Manufacturing of notebook PCs and related modules | 462,300 | (Note 2) | 200,300 (Note 12) | - | - | 200,300 | 592 | 100% | 592 | 135,934 | - |

(ii) Limitation on investment in Mainland China:

(In Thousands of USD)

| Names of Company | Accumulated Investment in Mainland China as of March 31, 2019 | 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 | 16,782,630 (US\$544,537) (Note 5) | 23,148,471 (US\$751,086) | (Note 6) |
| Arcadyan | 942,514 (US\$30,581) | 942,514 (US\$30,581) | 5,678,508 |
| HengHao | 1,444,596 (US\$46,872) | 1,444,596 (US\$46,872) | 365,077 |

Note 1: Indirectly investment in Mainland China through companies registered in the third region.

Note 2: Indirectly investment in Mainland China through an existing company registered in the third region.

Note 3: Investees held by Kunshan Botai Electronics Co., Ltd. ("BT"), Compal Investment (Jiansu) Co., Ltd. ("CIJ"), Compal Electronic (Sichuan) Co., Ltd. ("CIS"), Compal Electronics Technology (Kunshan) Co., Ltd. ("CET"), and Compal Electronics (China) Co., Ltd. ("CPC") through their own funds.

Note 4: The investment income (loss), except for Compal Precision Module (Jiangsu) Co., Ltd., was determined based on the financial report reviewed by the CPAs.

Note 5: Including the investment amount of sold or dissolved companies, including Beijing Compower Xuntong Electronic Technology Co., Ltd., VAP Optoelectronics (NanJing) Corp., Flextronics Technology (Shanghai) Ltd. Lucom, LCFC (HeFei) Electronics Technology Co., Ltd. and the increased investment amount from merging with Compal Communication Co., Ltd.

Note 6: As the Company has obtained the certificate of being qualified for operating headquarters, issued by Industrial Development Bureau, MOEA, the upper limit on investment in mainland China is not applicable.

Note 7: Arcadyan paid US\$18,420 thousands and acquired 100% shares of SVA Arcadyan from Accton Asia through Arcadyan Holding in 2010.

Note 8: Arcadyan paid US\$8,561 thousands and acquired 100% shares of CNC from Just through Arcadyan Holding in 2007.

Note 9: SVA Arcadyan decreased its capital amounting to US\$15,000 thousands to offset accumulated losses in March 2009.

Note 10: Arcadyan's subsidiary TTI obtained the control over THAC with US\$1,150 thousands on February 28, 2013 (the date of stock transferring).

Note 11: The amounts in New Taiwan Dollars were translated at the exchange rates at the balance sheet date or the average exchange rate.

Note 12: The Company had an accumulated investment amounting to US\$7,350 thousands in the previous years. In the first half of 2014, HengHao paid the Company and LG US\$3,184 thousands and US\$3,315 thousands, respectively, for organization restructure, to obtain 100% ownership of Lucom.

(iii) Significant transactions:

For the three months ended March 31, 2019, 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" and "Business relationships and significant intercompany transactions".