Stock Code: 3596

Arcadyan Technology Corporation

2019 Annual Report

This English-version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.

Taiwan Stock Exchange Market Observation Post System:
http://newmops.twse.com.tw
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Deputy Spokesperson: Lu Fong-Yu/ Executive Vice President
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Headquarter: 8F, No 8, Guangfu Rd., Hsinchu, Taiwan
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Plant: None.

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Auditors: Kuo Kuan-Ying, Yen Hsin-Fu
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Overseas Securities Exchange
None.

Corporate Website
http://www. arcadyan.com

I. Letter to Shareholders

Dear Shareholders:

1. Business Results of 2019

(1) Business Plan Implementation Results and Budget Plan Implementation Status

In 2019, the Company's consolidated net operating income for the whole year was NT$32,897,900 thousand, representing an annual increase of 24%. The net operating profit and after tax net profit were NT $1,727,512 thousand and NT$1,356,986 thousand respectively, and the after tax earnings per share was NT$6.85.

(2) Financial Status and Profitability

The financial operation of the Company adheres to the principle of steadiness, and the use of long-term and short-term funds are properly planned according to the Company's operating conditions. The current ratio in 2019 was 169% and the debt ratio was 55%; the financial structure was sound.

In 2019, the profit was NT$1,356,986 thousand, the return on assets was 6.0%, and the return on equity was 13.0%.

(3) Progress in Research and Development

A. The developed products are including: Whole Home Wifi (Wifi Mesh Network) solution, 4G/LTE Small Cell integrated SON (Self Organizing Network) features, Indoor and Outdoor LTE Routers/Gateways, 802.11ax and 802.11ac (Single-band, Dual-band and Tri-band) Wireless Routers, 802.11ax and 802.11ac VDSL Routers, Repeaters used to expand Wifi coverage, Android TV OTT/IP STB support Ultra-high resolution (4K) and HDR (High Dynamic Range Imaging), GPON OLT/ONT Fiber products, and DOCSIS 3.1 & 3.0 Cable Modems.

B. Keep integrating and optimizing the new functions into the next generation IAD, such as Zigbee, Z-wave, BLE, DECT ULE and NFC, and introducing AI (Artificial Intelligence) algorithm, Intelligent Diagnostic functions and IEEE1905.1 Multi-interfaces Management

System.

C. Target to develop 5G CPE (Customer Premise Equipment), 5G Small Cell, Smart Home Gateway plus IOT (Internet of Things) applications, AI/Big Data/Cloud computing integration technology.

2. 2020 Business Prospects

(1) Operating Strategy

A. Keep enlarging the existing telecom market share and developing new telecom customers in emerging markets; expanding the product categories of existing telecom customers, from fixed line to optical fiber products; providing the rapid customized products and services to all customers; and supporting the customers to design and develop competitive products by their needs, in order to efficiently make market segmentation for them.

B. Strengthen the technical capability of software and hardware on Android TV OTT and IP-STB; develop the next generation products, new markets and new customers for Android TV OTT/IP-STB; and optimize the profit rate on above-mentioned product portfolio.

C. Cut into the Cable Modem market; aggressively develop and integrate Smart Home, IOT, IOV (Internet of Vehicles) and AI product lines; commercialize 5G CPE, 5G/4G LTE Small Cell and the derivatives.

D. Cooperate with local technical suppliers in each market segment and country, to penetrate the local telecom markets together.

E. Technical collaborate with the key chipset vendors and front-end suppliers to lead new technology trend and penetrate the product markets together.

F. Keep scaling up the capacity of Vietnam manufacturing site, and optimizing the capacity transferring between our China manufacturing site and Vietnam manufacturing site, in order to maximum reduce the business impacts of the new coronavirus (COVID-19) and the tariff war.

(2) Expected Sales Overview

With the popularization of smart mobile devices in various countries, coupled with the rapid development trend of 5G/4G, Cloud Computing, IOT, IOV and AI, Networking devices will continue to grow rapidly under the continuous construction of broadband infrastructure in various regions. However, in the first half of this year, affected by the COVID-19 epidemic, the Company expects that the shipments of broadband wireless network devices in 2020 will only slightly increase by 3% ~ 5% compared with the previous year.

(3) Key Production and Marketing Policies

A. In the next stage of product planning, we will continue to develop gateways supporting Smart Home and IOT functions; wireless modules built in consumer audio-visual products (such as DVD, Smart TV and home audio); high-end CPE demanded by ISP vendors such as 5G/4G LTE Small Cell and IAD that support fixed mobile convergence; high-end Android TV OTT/IP STB with ultra-high resolution (4K) and high dynamic range imaging (HDR); and the new generation Cable Modem and G.fast Router. We will also introduce AI algorithm, Big Data/Cloud Computing functions into the new intelligent CPE.

B. Keep expanding the JDM business scale to gain the advantage of a greater economic scale, scaling up the production capacity of the Vietnam manufacturing site, appropriately diversifying the overseas production risk, and enhancing the manufacturing flexibility by above-mentioned multiple manufacturing sites.

C. Increase the sales proportion of high-margin and high-price products.

3. Future Development Strategy and Impact of External Competition Environment, Regulatory Environment and Overall Business Environment

(1) Future Development Strategy of the Company

Currently, Arcadyan is doing well in the telecom market. Although it takes time to develop new business in the telecom market, the entry barriers for our competitors are also high. Therefore, we will keep focusing on the new business development in the telecom market, developing our self-own software codebases, and establishing a reliable Triple Play Enable software platform. In addition, Android TV OTT and IP STB have become our key product lines to develop. From the view of the business side, we will continue to explore new markets and new customers; from the view of technology side, we will enhance the integration between software, hardware, and whole system. Moreover, with the advent of the 5G era, Arcadyan has been following the latest 3GPP standards and actively developing 5G Small Cells, integrating fixed and mobile networks, and building our self-own technology for the 5G cross-domain ecosystem. This will make us to respond to the latest market demands immediately and cut in new customers quickly. In the future, we will dig out the market demands deeply, stay with the development trend of Triple Play closely, and integrate above technology into the applications of smart handheld devices. We are also targeting at the fields of Smart Home, IOT, IOV, AI analysis and cloud computing, and further invest in the developments of 5G/4G, IAD, IP STB/Android TV OTT, GPON and V2V (Vehicle to Vehicle) applications to provide the total solutions to all customers.

(2) Impact of External Competition, Regulatory Environment and Overall Business Environment

With the diversification of network services and the development of multimedia applications such as video on demand, the global consumer demand for higher bandwidth continues to increase, and the number of global broadband users are growing rapidly as well. With the increasing popularity of broadband communication and the global commitment to the wide coverage of 4G and the quick introducing of 5G, more and more Networking equipment manufacturers and major EMS providers have invested in the related products, developing process, and manufacturing procedure. It has led to a sharp increase in the overall market and price competition. In addition, at present, the Chinese market leads the world in 5G technology evolution and demand popularization, which also drives the growth and competitive advantage of Chinese Networking device manufacturers. All these manufacturers are aggressively doing strategic planning, entering the existing market at a destructive price, and putting a big budget in R&D to elevate their technical capability. Moreover, the new coronavirus (COVID-19) epidemic hits China's supply chain at the beginning of the first half of this year, and is now spreading to the global economy. The impact is not only a lack of labor and materials in manufacturing, but also the uncertainty of on-time supply and the price stability of key components. In the same period, the market demand is also huge shrinking accordingly. It is expected that the challenges on all aspects of future operation will be even more severe. Therefore, Arcadyan will keep upgrading key technology, strengthening supply chain management flexibility, building cross-country manufacturing capacity, improving cost competitiveness, enhancing the advantage of time-to-market, and actively maintaining the mutual trust and mutual benefit with our telecom customers, so as to increase our market share.

4. Conclusion

Finally, we would like to extend our most sincere thanks to all shareholders for your long-term support. All employees of Arcadyan will continue to strengthen our R&D and market development on the basis of existing technical core competence and competitive advantage, effectively integrate and utilize our resources, continue to work toward the Company's growth and prosperity, and create maximum benefits for the Company and its shareholders. At the same time, we also hope all shareholders can continue to give encouragement and advice to our management team.

Your truly,

Chen Jui-Tsung, Chairman of the Board

Tseng Chao-Peng, Chief Executive Officer

Huang Shih-Wei, Chief Accounting Officer

II. Company Overview

1. Date of Incorporation: May 9, 2003

2. Company History

(1) Yearly Major Events

January 2017	Developed voice control system.
August 2017	Passed certification of ISO 27005 (certification of information security risk management).
October 2017	Integration of voice control system and smart home application on 4K HDR Hybrid STB.
December 2017	Developed 10G PON network routing gateway.
December 2017	Developed MoCA Adaptor products.
March 2018	Passed certification of ISO 14006 (certification for incorporating eco-design).
March 2018	Developed 11ax tri-band products.
October 2018	Developed Android TV Hybrid STB with CA/DRM digital TV copyright protection.
December 2018	Passed certification of Wi-Fi Easy Mesh Controller.
March 2019	Passed certification of Wi-Fi Easy Mesh Agent.
July 2019	Developed DOCSIS 3.1 cable modem home gateway.
July 2019	Developed Android TV set-top box with smart speaker function.
October 2019	Developed 10GPON BOSA on-board IAD.
November 2019	Developed 5G indoor home gateway.
December 2019	Establish Cloud Management System.

(2) For the Most Recent Year up to the Publication Date of this Annual Report, mergers and acquisitions, investment in affiliated companies, restructuring, transfer or change in shareholdings of Directors, Supervisors or major Shareholders with a stake of 10% or more, change

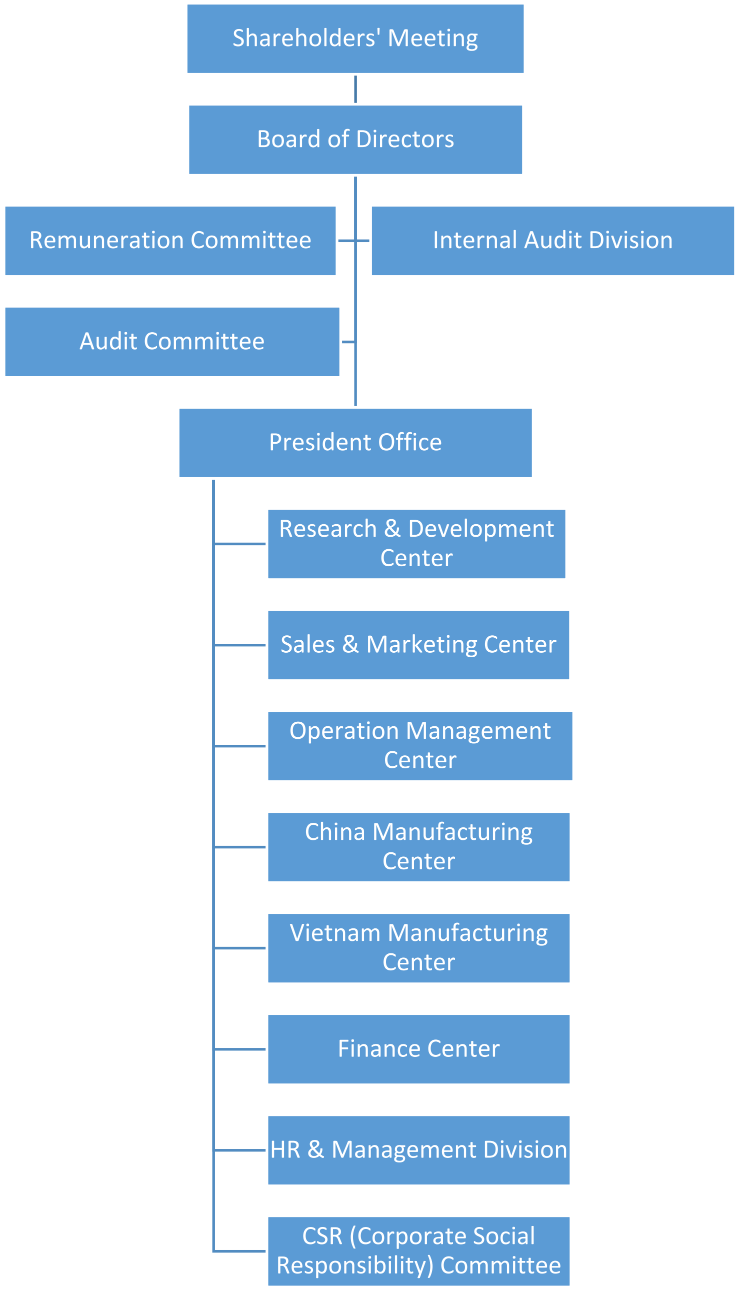
of management right, material change in business activities or contents, and other matters that will significantly impact the Shareholders' interest and the Company:

April 2017	Invested in Arcadyan Technology Australia Pty Ltd as the sales office in Australia.
November 2017	Tatung Technology Inc. invested in Tatung Japan Co. Ltd. as the sales office in Japan.
March 2019	Invested in Arcadyan Technology (Vietnam) Co., Ltd., as the global production base.

III. Report on Corporate Governance

1. Organization of the Company

(1) Organzational Chart (as of December 31, 2019)



(2) Tasks of Descriptions:

Functions:	Main Responsibilities:
Remuneration Committee	1. Establishing and reviewing performance of Directors and Managers, as well as policy, system, standard and structure of remuneration and compensation on a regular basis. 2. Evaluating and establishing the remuneration and compensation of Directors and Managers on a regular basis.
Audit Committee	The main objective is to supervising the following items, 1. Fair presentation of the financial reports of the Company. 2. Appointing, dismissing and evaluating the independence and performance of certificated public accountants. 3. The effective implementation of the internal control system of the Company. 4. Compliance with relevant laws and regulations by the Company. 5. Management of the existing or potential risks of the Company.
Internal Audit Division	In charging of the planning, execution and improvement of the internal audit of the Company.
President Office	Establishing the operational goals of the Company, taking charge, directing and overseeing the overall business operations.
Research & Development Center	Conducting R&D on new technologies and new products development, including assessment of the feasibility of new product development, testing programing development, integration of technologies.
Sales & Marketing Center	1. Expanding and developing sales operation. 2. Overseeing the communication channels of customer service. 3. Managing marketing strategy and business operation. 4. Designing, planning and implementation of marketing projects.
Operation Management Center	1. Managing products and controlling project schedules. 2. Collaborating with R&D and manufacturing divisions and arranging for trial-run manufacturing to facilitate mass production. 3. Overseeing procurement, import and export, and production material control. 4. Designing and managing the engineering and manufacturing of products, managing and testing of product quality. 5. Constructing and overseeing network environment, and installing and maintaining the mainframe computer system and peripheral equipment. 6. Planning for introduction and conducting overall maintenance of ERP/MES, other online systems, developing operating procedures and assessing feasibilities. 7. Planning, designing and implementation of legal patent related matters.

Functions:	Main Responsibilities:
	8. Assisting in cost control of products and procurement to increase the overall profitability.
China Manufacturing Center	Supervising the overall production matters in the factory of China.
Vietnam Manufacturing Center	Supervising the overall production matters in the factory of Vietnam.
Finance Center	1. Preparing and examining the accounting and tax matters, and preparing financial reports. 2. Preparing budgets, difference analysis and control of variances. 3. Managing financial matters, establishing short, medium and long term capital funding and arrangement. 4. Cost computing, analyzing and planning for inventory physical count
HR & Management Division	1. Establishing, amending and implementation of company management system. 2. Conducting performance assessment for Employees, establishing promotion, retirement and other HR systems. 3. Planning and conducting staff training. 4. Computing salary, labor, health and group insurance. 5. Managing administrative matters.
CSR (Corporate Social Responsibility) Committee	1. Establishing and executing the overall Corporate Social Responsibility (CSR) operating mechanism of the Company. 2. Forming task teams to promote environmental protection, corporate governance, labor rights, and other activities related to social welfare. 3. Taking charge of the relevant activities and summarizing the results and performance.

2. Directors, Supervisors, President, Vice Presidents, Senior Managers and Department Heads

(1) Directors

April 20, 2020

Position	Nationality or Country of Incorporation	Name	Gender	Date of Election (Appointment)	Term of Office	Initial Date of Election	Shareholding at the Date of Election		Current Shareholding		Current Shareholding of Spouse, Minor Child(ren)		Shares Held under Another Person(s)		Main Working (Education) Experience	Concurrent Position(s) in the Company or other companies	Spouse or Relative within the Second Degree of Kinship Holding Other Managerial, Director or Supervisor Position			Remark
							Number of Shares	Percentage of Shareholding	Number of Shares	Percentage of Shareholding	Number of Shares	Percentage of Shareholding	Number of Shares	Percentage of Shareholding			Position	Name	Relationship	
Director	R.O.C.	Compal Electronics Inc.	Not applicable	June 13, 2017	Three years	October 12, 2006	41,304,504	21.84%	41,304,504	19.81%	0	0%	0	0%	Not applicable	Not applicable.	Not applicable	Not applicable	Not applicable	Note 3
Chairman	R.O.C.	Compal Electronics Inc. Representative: Chen Jui-Tsung	Male	June 13, 2017	Three years	October 12, 2006	0	0%	0	0%	0	0%	0	0%	Bachelor of Electrical Engineering, National Cheng Kung University Vice Chairman and CSO of Compal Electronics Inc.	Note 4	None.	None.	None.	Note 3
Director	R.O.C.	Compal Electronics Inc. Representative: Wong Chung-Pin	Male	June 13, 2017	Three years	October 12, 2006	0	0%	429	0%	0	0%	0	0%	Master in Management Science, National Chiao Tung University Director and CEO of Compal Electronics Inc.	Note 4	None.	None.	None.	Note 3
Director	R.O.C.	Compal Electronics Inc. Representative: Peng Sheng-Hua	Male	June 13, 2017	Three years	October 12, 2006	0	0%	0	0%	0	0%	0	0%	Master in Electrical Engineering, National Taiwan University Director and Executive Vice President of Compal Electronics Inc.	Note 4	None.	None.	None.	Note 3
Director	R.O.C.	Compal Electronics Inc. Representative: Liu Chung-Pao (Note 1)	Male	June 13, 2017	Three years	October 12, 2006	0	0%	13,079	0.01%	0	0%	0	0%	EMBA, National Chiao Tung University Vice President of Arcadyan Technology Corporation	Note 4	None.	None.	None.	Note 3
Director	R.O.C.	Tseng Chao-Peng (Note 2)	Male	June 25, 2019	Three years	June 25, 2019	4,059	0%	26,669	0.01%	0	0%	0	0%	MBA, Oklahoma State University President of Arcadyan Technology Corporation	Note 4	None.	None.	None.	Note 3

Position	Nationality or Country of Incorporation	Name	Gender	Date of Election (Appointment)	Term of Office	Initial Date of Election	Shareholding at the Date of Election		Current Shareholding		Current Shareholding of Spouse, Minor Child(ren)		Shares Held under Another Person(s)		Main Working (Education) Experience	Concurrent Position(s) in the Company or other companies	Spouse or Relative within the Second Degree of Kinship Holding Other Managerial, Director or Supervisor Position			Remark
							Number of Shares	Percentage of Shareholding	Number of Shares	Percentage of Shareholding	Number of Shares	Percentage of Shareholding	Number of Shares	Percentage of Shareholding			Position	Name	Relationship	
Independent Director	R.O.C.	Lee Ying-Jen	Male	June 13, 2017	Three years	June 13, 2008	0	0%	0	0%	0	0%	0	0%	PhD in Electrical Engineering, National Taiwan University Chairman of Litemax Electronics Inc. .	Note 4	None.	None.	None.	Note 3
Independent Director	R.O.C.	Wen Ching-Jang	Male	June 13, 2017	Three years	June 13, 2008	0	0%	0	0%	0	0%	0	0%	PhD in Electrical Engineering, National Taiwan University Chairman of New E Materials Co., Ltd.	Note 4	None.	None.	None.	Note 3
Independent Director	R.O.C.	Yang Wen-An	Male	June 13, 2017	Three years	June 13, 2008	0	0%	0	0%	0	0%	0	0%	Master of Commerce, National Taiwan University Chairman of Der Ben Financial Consulting Co., Ltd.	Note 4	None.	None.	None.	Note 3
Director	R.O.C.	Wei Je-He	Male	June 13, 2017	Three years	June 22, 2012	0	0%	0	0%	0	0%	0	0%	PhD in Electrical Engineering, University of Washington Honorary Professor of National Chiao Tung University	Note 4	None.	None.	None.	Note 3

Note 1: On April 12, 2019, Compal Electronics Inc. appointed new Director representative: Tseng Chao-Peng stepped down and Liu Chung-Pao Liu was appointed.

Note 2: Serving as Director representative of Compal Electronics Inc. between March 9, 2017 and April 12, 2019. From June 25, 2019, serving as Director as a natural person.

Note 3: If the CEO or manager of equivalent position (the highest manager) and the Company Chairperson are the same person, or his or her spouse, or the kinship of the first degree, related information regarding the arrangement in term of reasons, rationale, necessity and response measures shall be provided: None.

Note 4: Concurrent Position(s) in the Company or other companies

Position	Name	Current Positions(s) in the Company or other Companies	
Director	Chen Jui-Tsung	Vice Chairman and CSO	Compal Electronics Inc.
		Chairman	Palcom International Corporation, Compal System Trading (Kunshan) Co., Ltd., Unicom Global, Inc., Ripal Optotronics Co., Ltd., General Life Biotechnology Co., Ltd., UniCore Biomedical Co., Ltd., Raycore Biotech Co., Ltd., Ray-Kwong Medical Management Consulting Co., Ltd., Rally Biopharma Co., Ltd., Aco Smartcare Co.,Ltd., Arce Therapeutics, Inc.
		Director	Arcadyan Holding (BVI) Corp.、Arcadyan Technology N.A. Corporation, Arch Holding (BVI) Corp., Ascendant Private Equity Investment Ltd., Big Chance International Co., Ltd., Billion Sea Holdings Limited, Bizcom Electronics, Inc., Center Mind International Co., Ltd., Compal Display Holding (HK) Limited, Compal Electronics (Holding) Ltd., Compal Electronics International Ltd., Compal International Holding Co., Ltd., Compal International Holding (HK) Limited, Compal International Ltd., Compal Rayonnant Holdings Ltd., Compalead Electronics B.V., Core Profit Holdings Limited, Etrade Management Co., Ltd., Flight Global Holding Inc., Forever Young Technology Inc., Fortune Way Technology Corp., Giant Rank Trading Limited, Goal Reach Enterprises Ltd., High Shine Industrial Corp., Intelligent Universal Enterprise Ltd., Jenpal international Ltd., Just International Ltd., Prisco International Co., Ltd., Prospect Fortune Group Ltd., Sinoprime Global Inc., Smart International Trading Ltd., Wah Yuen Technology Holding Ltd., Webtek Technology Co., Ltd., Compal (Vietnam) Co., Ltd., Compal Optoelectronics (Kunshan) Co., Ltd., Compal Information Technology (Kunshan) Co., Ltd., Compal Information Research & Development (Nanjing) Co., Ltd., Compal Development & Management (Vietnam) Co., Ltd., Compal Information (Kunshan) Co., Ltd., Compal Electronics Technology (Kunshan) Co., Ltd., Compal Electronics, (China) Co., Ltd., Compal Networking (Kunshan) Co., Ltd., Hong Jin Investment Co., Ltd., Hong Ji Capital Co., Ltd., Kunshan Botai Electronics Co., Ltd., Kinpo Group Management Consultant Company, Kinpo Electronics, Inc., Gempal Technology Corp., Panpal Technology Corp., Compal Digital Technology (Kunshan) Co., Ltd., Compal Broadband Networks, Inc., Compal Investment (Sichuan) Co., Ltd., Compal Investment (Jiangsu) Co., Ltd., Compal Display Electronics (Kunshan) Co., Ltd. Compal Electronics (Chengdu) Co., Ltd., Compal Management (Chengdu) Co., Ltd., Compal Electronics (ChongQing) Co., Ltd., HengHao Technology Co. Ltd., Mactech Co., Ltd., Compal Smart Device (Chongqing) Co., Ltd.,
		CEO	Hong Jin Investment Co., Ltd., Hong Ji Capital Co., Ltd., Panpal Technology Corp., Gempal Technology Corp.
Director	Wong Chung-Pin	Chairman	Wah Yuen Technology Holding Ltd., Rayonnant Technology Co., Ltd., HengHao Technology Co. Ltd., Compal Broadband Networks, Inc., HippoScreen Neurotech Corp.,Shennona Co., Ltd.,
		Director	Allied Power Holding Corp., Amexcom Electronics, Inc., Auscom Engineering Inc., Bizcom Electronics, Inc., Compal Connector Manufacture Ltd., HengHao Holdings A Co., Ltd., HengHao Holdings B Co., Ltd., HengHao Trading Co., Ltd., Primetek Enterprises Limited, Shennona Corporation, Sirqul Inc., Speedlink Tradings Limited, Compal Electronics, Inc., Unicom Global, Inc., Ripal Optotronics Co., Ltd., Mactech Co., Ltd., Compal Management (Chengdu) Co., Ltd., Compal Investment (Sichuan) Co., Ltd., Compal System Trading (Kunshan) Co., Ltd., Compal Information Technology (Kunshan) Co., Ltd., Compal Information (Kunshan) Co., Ltd., Compal Electronics Technology (Kunshan) Co., Ltd., Compal

Position	Name	Current Positions(s) in the Company or other Companies	
			Electronics (ChongQing) Co., Ltd., Compal Electronics (Chengdu) Co., Ltd., Compal Digital Technology (Kunshan) Co., Ltd., Taiwan Sanga Co., Ltd., UniCore Biomedical Co., Ltd., General Life Biotechnology Co., Ltd., Panpal Technology Corp., Hong Jin Investment Co., Ltd., Maxima Ventures I, Inc.,Taiwan, Kinpo Group Management Consultant Company, Aco Smartcare Co.,Ltd., Infinno Technology Corp.,
		Supervisor	Hong Ya Technology Corporation
		Executive Director	Compower Global Service Co., Ltd.
		CEO	Compal Electronics Inc.
Director	Peng Sheng-Hua	Chairman	Compal Wireless Communications (Nanjing) Co., Ltd., Compal Digital Communications (Nanjing) Co., Ltd., Hanhelt Communications (Nanjing) Co.,Ltd., Compal Communications (Nanjing) Co., Ltd.
		Director	Amexcom Electronics, Inc., Bizcom Electronics, Inc., Compal Electronics, Inc., Gempal Technology Corp., Hong Ji Capital Co., Ltd.,Ripal Optotronics Co., Ltd., UniCore Biomedical Co., Ltd., Compal Optoelectronics (Kunshan) Co., Ltd., Compal Investment (Jiangsu) Co., Ltd., Compal Display Electronics (Kunshan) Co., Ltd., Compal Electronics, (China) Co., Ltd., Palcom International Corporation, Compal Smart Device (Chongqing) Co., Ltd.
		CEO	Compal Investment (Jiangsu) Co., Ltd., Compal Display Electronics (Kunshan) Co., Ltd., Palcom International Corporation, Compal Wireless Communications (Nanjing) Co., Ltd., Compal Digital Communications (Nanjing) Co., Ltd., Hanhelt Communications (Nanjing) Co.,Ltd., Compal Communications (Nanjing) Co., Ltd., Compal Smart Device (Chongqing) Co.,Ltd.
		Executive Vice President	Compal Electronics Inc.
		Supervisor	General Life Biotechnology Co., Ltd.
Director	Liu Chung-Pao	Director	Leading images limited, Arcadyan Technology (Shanghai) Corp.
		CEO	Compal Networking (Kunshan) Co., Ltd, Arcadyan Technology (Shanghai) Corp.
Director	Tseng Chao-Peng	Chairman	Tatung Technology Inc., Arcadyan Technology (Shanghai) Corp., Zhi-Bao Technology Inc., AcBel Telecom Inc., Arcadyan Technology (Vietnam) Co., Ltd.
		Director	Arcadyan Holding (BVI) Corp., Arcadyan Technology Limited, Arcadyan Technology N.A. Corp., Arcadyan Technology Corporation Korea, Arcadyan Technology Australia Pty Ltd, Arch Holding (BVI) Corp., Exquisite Electronic Co., Ltd., Leading Images Limited, Quest International Group Co., Ltd., Sinoprime Global Inc. (BVI), Compal Networking (Kunshan) Co., Ltd, Tatung Home Appliances (WuJiang) Co., Ltd, Tatung Technology of Japan Co., Ltd.
		CEO	Arcadyan Technology N.A. Corp., Arcadyan Technology Corporation., Zhi-Bao Technology Inc.
		Manager	Arcadyan Germany Technology GmbH

Position	Name	Current Positions(s) in the Company or other Companies	
Independent Director	Lee Ying-Jen	Chairman	Litemax Electronics Inc.
		Director	Aaeon Technology Inc., Aaeon Technology (Suzhou) Inc., Litemax Technology, Inc., Yen Sun Technology Corp., Eutech Microelectronics Inc.
		Independent Director	Axis Corporation
Independent Director	Wen Ching-Jang	Chairman	New-E Materials Co., Ltd.
		Director	Bioptik Technology Inc.
Independent Director	Yang Wen-An	Chairman	Der Ben Financial Consulting Co., Ltd.
		Director and Partner	BDO Taiwan Union & Co.
		Independent Director	E&E Recycling Inc.
Director	Wei Je-He	Chair Professor	Department of Electrical Engineering, Tatung University
		Adjunct Professor	Department of Electronics Engineering, National Chiao Tung University
		Director	Unizyx Holding Corporation, Macronix International Co., Ltd.
		Independent Director	Genesis Photonics Inc., Sunplus Technology Co., Ltd.
		Chairman	National Information Infrastructure Enterprise Promotion Association

Major Corporate Directors

April 21, 2020

Name of Corporate Director	Major Shareholders of Corporate Directors (note)
Compal Electronics Inc.	Silchester International Investors International Value Equity Trust (5.26%), Kinpo Electronics Inc. (3.44%), Silchester International Investors International Value Equity Group Trust (2.65%), Yuanta/P-shares Taiwan Dividend Plus ETF (2.37%), Labor Pension fund (2.02%), Labor Insurance Fund (1.81%), Silchester International Investors International Value Equity Taxable Trust (1.78%), JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds (1.69%), Fubon Life Insurance Co., Ltd. (1.46%), Vanguard Emerging Markets Stock Index Fund, A Series of Vanguard International Equity Index Funds (1.38%)

Note: If the Major Shareholders are legal persons, see the table below.

Major Shareholder(s) as Legal Person(s)

April 24, 2020

Name of Legal Person(s)	Major Shareholders of Legal Person(s)
Kinpo Electronics, Inc.	Compal Electronics Inc. (8.46%), Cathay Life Insurance Co., Ltd. (5.36%), Jipo Investment Inc. (3.15%), Shen Tsai-Lai-Shun (2.85%), Nan Shan Life Insurance Co., Ltd. (2.79%), Citi (Taiwan) Bank Custodian for Norges Bank (2.27%), JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds (1.61%), Panpal Technology Corp. (1.58%), Ho Bao Investment Co., Ltd. (1.53%), Tsai Li-Chu (1.48%),
Fubon Life Insurance Co., Ltd.	Fubon Financial Holding Co., Ltd. (100.00%)

Professional qualifications and independence analysis of directors and supervisors

April 20, 2020

Criteria / Name	Having Met One of the Following Professional Qualifications, Together with at Least Five Years Work Experience			Independence Criteria (Note)												Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Having Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	11	12	
Representative of Compal Electronics Inc.: Chen Jui-Tsung			✓			✓	✓		✓			✓	✓	✓		0
Representative of Compal Electronics Inc.: Wong Chung-Pin			✓			✓	✓		✓			✓	✓	✓		0
Representative of Compal Electronics Inc.: Peng Sheng-Hua			✓			✓	✓		✓			✓	✓	✓		0
Representative of Compal Electronics Inc.: Liu Chung-Pao			✓			✓	✓	✓	✓	✓	✓	✓	✓	✓		0
Tseng Chao-Peng			✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Lee Ying -Jen			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Wen Ching-Jang			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Yang Wen-An		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Wei Je-He	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2

Note: Director and Supervisor who meet the following conditions two years before appointment or during the term of appointment, indicate with "✓" at the corresponding boxes below.

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

(2) Not a director or supervisor of the company or any of its affiliates. (The same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, or subsidiary of the same parent company as appointed in accordance with the laws of Taiwan or with the laws of the country of the parent company or subsidiary.)

(3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the company or ranks as one of its top ten shareholders.

(4) Not a managerial officer mentioned in paragraph (1), or a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship mentioned in paragraphs (2) and (3).

(5) Not a director, supervisor, or employee of an institutional shareholder that directly holds five percent or more of the total number of issued shares of the company, or ranks as its top five shareholders, or the designated representative pursuant to Article 27 Section 1 or 2 in the company as director/supervisor. (The same does not apply, however, in cases where the person is an independent director of the

company, its parent company, or any subsidiary, or subsidiary of the same parent company as appointed in accordance with the laws of Taiwan or with the laws of the. country of the parent company or subsidiary.)

(6) Not a director, supervisor, or employee of other company with the Board seats or more than half of the voting shares under control of one person. (The same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, or subsidiary of the same parent company as appointed in accordance with the laws of Taiwan or with the laws of the country of the parent company or subsidiary.)

(7) Not a director, supervisor, or employee of other company whose chairman or general manager are the same person or spouse of the company. (The same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, or subsidiary of the same parent company as appointed in accordance with the laws of Taiwan or with the laws of the country of the parent company or subsidiary)

(8) Not a director, supervisor, managerial officer, or shareholder holding five percent or more of the shares of a specified company or institution that has a financial or business relationship with the company. (The same does not apply, however, if specified company or institution possessing shareholdings of more than 20% and less than 50% of the total number of issued shares of the Company, and in cases where the person is an independent director of the company, its parent company, or any subsidiary, or subsidiary of the same parent company as appointed in accordance with the laws of Taiwan or with the laws of the country of the parent company or subsidiary)

(9) Not a professional individual, or an owner, partner, director, supervisor, or managerial officer of a sole proprietorship, partnership, company, or institution that provides auditing services or for the past two years, has provided commercial, legal, financial, accounting services or consultation amounted to less than a cumulative NTD500,000 to the company or to any affiliate of the company, or a spouse thereof. However, this does not apply to members of Compensation Committee, Public Tender Offer Review Committee or Special Merger and Acquisition Committee carrying out their duties in accordance with Securities and Exchange Act or Business Mergers and Acquisitions Act.

(10) Not a spouse or a relative within two degrees of consanguinity to any director.

(11) Does not meet any of the criteria described in Article 30 of the Company Act.

(12) Not the proxy of any government agency, juridical person, or their representative that is a shareholder in the Company as outlined in Article 27 of the Company Act.

(2) President, Vice President, Senior Managers and Department Heads:

April 20, 2020

Position	Nationality	Name	Gender	Date of Election (Appointment)	Shares Held		Current Shares Held by Spouse, Minor Child(ren)		Shares Held under Another Person(s)		Main Working (Education) Experience	Concurrent Position(s) in the Company or other companies	Spouse or relative within the second degree of kinship Holding Managerial Position			Remark
					Number of Shares	Percentage of Shareholding	Number of Shares	Percentage of Shareholding	Number of Shares	Percentage of Shareholding			Position	Name	Relationship	
President	R.O.C.	Tseng Chao-Peng	Male	February 23, 2017	26,669	0.01%	0	0%	0	0%	MBA, Oklahoma State University Director of Arcadyan Technology Corporation	Note 1	None	None	None	Note 2
Executive Vice President	R.O.C.	Lu Fong-Yu	Male	May 9, 2003	8,780	0%	0	0%	0	0%	Master of Computer Engineering, National Chiao Tung University computer engineering Director of Tatung Technology Inc.	Note 1	None	None	None	Note 2
Senior Vice President	R.O.C.	Chen Chien-Lin	Female	March 26, 2012	242,150	0.12%	4,737	0%	0	0%	Master of Information Engineering, University of Michigan Director of Tatung Technology Inc.	Note 1	None	None	None	Note 2
Vice President	R.O.C.	Liu Chung-Pao	Male	May 9, 2003	13,079	0.01%	0	0%	0	0%	EMBA, National Chiao Tung University Vice President of Accton Technology Corporation	Note 1	None	None	None	Note 2
Vice President	R.O.C.	Hsiung Nien-Che	Male	May 3, 2017	60	0%	0	0%	0	0%	EMBA, National Chiao Tung University Director of Tatung Technology Inc.	Note 1	None	None	None	Note 2
Vice President	R.O.C.	Lee Chih-Fang	Male	August 1, 2018	162,939	0.08%	11,572	0.01%	0	0%	Bachelor of Electrical Engineering, National Central University Assistant Vice President of Accton Technology Corporation	None.	None	None	None	Note 2
Vice President	R.O.C.	Kuo Shin-Lung	Male	August 1, 2018	13,143	0.01%	11,061	0.01%	0	0%	Bachelor of Electronic Engineering, Fu Jen Catholic University Vice President of Delta Networks, Inc	Note 1	None	None	None	Note 2
Chief Accounting Officer	R.O.C.	Huang Shih-Wei	Male	March 14, 2018	7,790	0%	0	0%	0	0%	Master in Accounting, Soochow University Deputy Director of Compal Electronics Inc.	Note 1	None	None	None	Note 2
Internal Audit	R.O.C.	Peng Yi-Ling	Female	April 17, 2006	0	0%	0	0%	0	0%	Bachelor of Accounting, Yuan Ze University Senior Auditor of KPMG Junior Manager of Masterlink Securities Corporation	None.	None	None	None	Note 2

Note 1: List of Concurrent Positions Held by Managers

Position	Name	Concurrent Positions in Other Companies
President	Tseng Chao-Peng	Chairman: Tatung Technology Inc., Arcadyan Technology (Shanghai) Corp., Zhi-Bao Technology Inc., AcBel Telecom Inc., Arcadyan Technology (Vietnam) Co., Ltd. Director: Arcadyan Holding (BVI) Corp., Arcadyan Technology Limited, Arcadyan Technology N.A. Corp., Arcadyan Technology Corporation Korea, Arcadyan Technology Australia Pty Ltd, Arch Holding (BVI) Corp., Exquisite Electronic Co., Ltd., Leading Images Limited, Quest International Group Co., Ltd., Sinoprime Global Inc. Arcadyan Technology Corporation., Compal Networking (Kunshan) Co., Ltd., Tatung Home Appliances (WuJiang) Co., Ltd, Tatung Technology of Japan Co., Ltd. CEO: Arcadyan Technology N.A. Corp., Zhi-Bao Technology Inc. Manager: Arcadyan Germany Technology GmbH
Executive Vice President	Lu Fong-Yu	Chairman: Tatung Home Appliances (WuJiang) Co., Ltd, Compal Networking (Kunshan) Co., Ltd. Director: Tatung Technology Inc., Zhi-Bao Technology Inc., AcBel Telecom Inc., Arcadyan Technology (Shanghai) Corp., Arcadyan Technology Australia Pty Ltd CEO: AcBel Telecom Inc.
Senior Vice President	Chen Chien-Lin	Director: Tatung Technology Inc., Arcadyan Technology (Shanghai) Corp.
Vice President	Liu Chung-Pao	Director: Leading Images limited, Arcadyan Technology (Shanghai) Corp. CEO: Compal Network Information (Kunshan) Co., Ltd., Arcadyan Technology (Shanghai) Corp.
Vice President	Hsiung Nien-Che	Director: Tatung Technology Inc., Arcadyan do Brazil Ltda.
Vice President	Kuo Shin-Lung	Director: Chimei Motor Electronics Inc.
Chief Accounting Officer	Huang Shih-Wei	Supervisor: Tatung Technology Inc., Zhi-Bao Technology Inc., AcBel Telecom Inc., Arcadyan Technology (Shanghai) Corp., Tatung Home Appliances (WuJiang) Co., Ltd.

Note 2: If the CEO or manager of equivalent position (the highest manager) and the Company Chairperson are the same person, or his or her spouse, or the kinship of the first degree, related information regarding the arrangement in term of reasons, rationale, necessity and response measures shall be provided: None.

3. Remuneration of Directors, Supervisors, President, Vice Presidents in the Most Recent Year

(1) Remuneration of Directors and Independent Directors

Unit: NT$ thousand

Position	Name	Remuneration of Director								Sum of A, B, C and D as a percentage of after-tax profit (%)		Compensation to Directors Also Serving as Company Employees								Sum of A, B, C, D, E, F and G as a percentage of after-tax profit		Remuneration from Affiliates Other than Subsidiaries
		Remuneration (A)		Pension (B)		Remuneration of Director (C)		Business Department Implementation Fees for Services Rendered (D)				Salary, Bonuses, and Special Allowances etc (E)		Pension (F)		Share of Profit as an Employee (G)						
		The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company		All companies included in the financial statements		The Company	All companies included in the financial statements	
																Cash amount	Stock amount	Cash amount	Stock amount			
Chairman	Representative of Compal Electronics Inc.: Chen Jui-Tsung	0	0	0	0	9,412 (Note 3)	9,412 (Note 3)	800	860	0.78%	0.78%	15,144 (Note 4)	15,144 (Note 4)	275	275	7,086 (Note 5)	0	7,086 (Note 5)	0	2.71%	2.72%	85,520
Director	Representative of Compal Electronics Inc.: Wong Chung-Pin																					
Director	Representative of Compal Electronics Inc.: Peng Sheng-Hua																					
Director	Representative of Compal Electronics Inc.: Liu Chung-Pao (Note 1)																					
Director	Tseng Chao-Peng (Note 2)																					
Director	Wei Je-He																					
Independent Director	Lee Ying-Jen	0	0	0	0	2,400	2,400	540	540	0.22%	0.22%	0	0	0	0	0	0	0	0	0	0	0
Independent Director	Wen Ching-Jang																					
Independent Director	Yang Wen-An																					

1. The correlation between the policies, standards, and structure of the remuneration, and the responsibilities, risk and time undertaken by the Independent Director: In accordance with Articles of Incorporation, article 22, the remuneration is determined by the participation and contribution in the operation of the Company, while taking into consideration the performance of counterparts, all of which the Board meeting is authorized to resolve.
2. In addition to the disclosure in the above table, in the most recent fiscal year, the compensation received by Directors from all companies included in the financial statements for service rendered (e.g. in the capacity of non-Employee consultant): None.

Note 1: On April 12, 2019, Compal Electronics Inc. appointed new Director representative: Tseng Chao-Peng stepped down and Liu Chung-Pao was appointed.
Note 2: On June 25, 2019, Tseng Chao-Peng was elected as Director in by-election.
Note 3: Referring to the estimated directors' compensation approved by the Board of Directors meeting.
Note 4: Bonuses and Special Allowances include vehicles.
Note 5: Referring to the estimated directors' compensation approved by the Board of Directors meeting.

■Remuneration bracket table

Range of Remuneration for Directors	Name of Director(s)			
	Sum of the first 4 items (A+B+C+D)		Sum of the first 7 items (A+B+C+D+E+F+G)	
	The Company	All consolidated companies(H)	The Company	All consolidated companies (I)
Less than NTS$1,000,000	Chen Jui-Tsung, Wong Chung-Pin, Peng Sheng-Hua, Liu Chung-Pao, Lee Ying-Jen, Wen Ching-Jang, Yang Wen-An, Wei Je-He	Chen Jui-Tsung, Wong Chung-Pin, Peng Sheng -Hua, Liu Chung-Pao, Lee Ying -Jen, Wen Ching- Jang, Yang Wen-An, Wei Je-He	Chen Jui-Tsung, Wong Chung-Pin, Peng Sheng -Hua, Lee Ying -Jen, Wen Ching- Jang, Yang Wen-An, Wei Je-He	Chen Jui-Tsung, Wong Chung-Pin, Peng Sheng -Hua, Lee Ying -Jen, Wen Ching- Jang, Yang Wen-An, Wei Je-He
NTS$1,000,000 (including) to NTS$2,000,000 (excluding)	Tseng Chao-Peng	Tseng Chao-Peng		
NTS$2,000,000 (including) to NTS$3,500,000 (excluding)	-	-	-	-
NTS$3,500,000 (including) to NTS$5,000,000 (excluding)	-	-	-	-
NTS$5,000,000 (including) to NTS$10,000,000 (excluding)	Compal Electronics Inc.	Compal Electronics Inc.	Compal Electronics Inc.	Compal Electronics Inc.
NTS$10,000,000 (including) to NTS$15,000,000 (excluding)	-	-	Liu Chung-Pao	Liu Chung-Pao
NTS$15,000,000 (including) to NTS$30,000,000 (excluding)	-	-	Tseng Chao-Peng	Tseng Chao-Peng
NTS$30,000,000 (including) to NTS$50,000,000 (excluding)	-	-	-	-
NTS$50,000,000 (including) to NTS$100,000,000 (excluding)	-	-	-	-
More than NTS$100,000,000	-	-	-	-
Total	10 persons	10 persons	10 persons	10 persons

(2) Compensation of President and Vice Presidents

Unit: NT$ thousand

Position	Name	Salary (A)		Pension (B)		Bonuses and Special Allowance (C)		Employee Earnings Distribution (D)				Sum of A, B, C and D as a percentage of after-tax profit (%)		Compensation from Affiliates Other than Subsidiaries
		The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company		All companies included in the financial statements		The Company	All companies included in the financial statements	
								Cash amount	Stock amount	Cash amount	Stock amount			
President	Tseng Chao-Peng	27,539	27,539	1,047 (Note 1)	1,047 (Note 1)	51,963 (Note 2)	51,963 (Note 2)	21,861 (Note 3)	0	21,861 (Note 3)	0	7.80%	7.80%	None
Executive Vice President	Lu Fong-Yu													
Senior Vice President	Chen Chin-Lin													
Vice President	Liu Chung-Pao													
Vice President	Hsiung Nien-Che													
Vice President	Lee Chih-Fang													
Vice President	Kuo Shin-Lung													
Chief Accounting Officer	Huang Shih-Wei													

Note 1: Referring to the allowance and contribution of the expensing of pension.
Note 2: Bonuses and Special Allowances include vehicles.
Note 3: Referring to the estimated Directors' compensation approved by the Board of Directors meeting.

■Compensation bracket table

Range of Compensation Paid to President and Vice Presidents	Names of President and Vice Presidents	
	The Company	All companies included in the financial statements
Less than NTS$1,000,000	-	-
NTS$1,000,000 (including) to NTS$2,000,000 (excluding)	-	-
NTS$2,000,000 (including) to NTS$3,500,000 (excluding)	-	-
NTS$3,500,000 (including) to NTS$5,000,000 (excluding)	-	-
NTS$5,000,000 (including) to NTS$10,000,000 (excluding)	Huang Shih-Wei	Huang Shih-Wei
NTS$10,000,000 (including) to NTS$15,000,000 (excluding)	Liu Chung-Pao, Chen Chien-Lin, Hsiung Nien-Che, Lee Chih-Fang, Kuo Shin-Lung	Liu Chung-Pao, Chen Chien-Lin, Hsiung Nien-Che, Lee Chih-Fang, Kuo Shin-Lung
NTS$15,000,000 (including) to NTS$30,000,000 (excluding)	Tseng Chao-Peng, Lu Fong-Yu	Tseng Chao-Peng, Lu Fong-Yu
NTS$30,000,000 (including) to NTS$50,000,000 (excluding)	-	-
NTS$50,000,000 (including) to NTS$100,000,000 (excluding)	-	-
More than NTS$100,000,000	-	-
Total	8	8

■Earnings granted to management team

April 20, 2020
Unit: NT$ thousand

	Position	Name	Stock amount	Cash amount	Total	Total as a percentage of after-tax profit (%)
Manager	President	Tseng Chao-Peng	0	21,861 (Note)	21,861	1.66%
	Executive Vice President	Lu Fong-Yu				
	Senior Vice President	Chen Chien-Lin				
	Vice President	Liu Chung-Pao				
	Vice President	Hsiung Nien-Che				
	Vice President	Lee Chih-Fang				
	Vice President	Kuo Shin-Lung				
	Chief Accounting Officer	Huang Shih-Wei				

Note: Referring to the estimated directors' compensation approved by the Board of Directors meeting.

(3) The percentage of total remuneration paid by the Company and by all companies included in the consolidated financial statements for the two most recent fiscal years to Directors, Supervisors, President, and Vice Presidents of the Company, relative to net income, and the correlation between policies, standards, and portfolios for the payment of remuneration, the procedures for determining remuneration, and business performance and future risks.

Analysis of the proportion of the total remuneration of Directors, Supervisors, President and Vice Presidents paid by the Company and all companies in the consolidated financial statement to net profit after tax in individual financial statements:

Unit: NT$ thousand

Item	2019		2018	
	Amount	%	Amount	%
Directors	115,622	8.80%	71,795	8.24%
President and Vice Presidents				
After tax net profit in consolidated financial statements	1,313,498		871,519	

■The correlation between policies, standards, portfolios for the payment of remuneration, the procedures for determining remuneration, and business performance and future risks:

- The remuneration and compensation of Directors and Managers is processed in accordance with the Article of Incorporation and human resource regulations of the Company, assessed by the Remuneration Committee and resolved by the Board of Directors.
- The remuneration above took into consideration the payment paid by counterparts in the industry, as well as personal performance, the operating performance of the Company and a reasonable correlation to future risks.

4. Implementation of Corporate Governance

(1) Board of Directors

- Term of Board of Directors: June 13, 2017 to June 12, 2020.
- There were seven Board meetings during 2019. The attendance of Directors is as follows:

Position	Name	Attendance in Person	By Proxy	Attendance Rate (%)	Remark
Chairman	Compal Electronics Inc. Representative: Chen Jui-Tsung	7	0	100%	
Director	Compal Electronics Inc. Representative: Wong Chung-Pin	6	1	86%	
Director	Compal Electronics Inc. Representative: Peng Sheng-Hua	6	1	86%	
Director	Compal Electronics Inc. Representative: Liu Chung-Pao (Note 1)	1	4	20%	
Director	Tseng Chao-Peng (Note 2)	6	0	100%	
Independent Director	Lee Ying-Jen	6	1	86%	
Independent Director	Wen Ching-Jang	6	1	86%	
Independent Director	Yang Wen-An	7	0	100%	
Director	Wei Je-He	7	0	100%	

Note 1: On April 12, 2019, Compal Electronics Inc. appointed new Director representative: Tseng Chao-Peng stepped down and Liu Chung-Pao was appointed. In 2019, Liu Chung-Pao should attended 5 Board meetings.

Note 2: On June 25, 2019, Tseng Chao-Peng was elected as Director in by-election. In 2019, Tseng Chao-Peng should attended 6 Board meetings.

Other notes:

1.For Board of Directors meetings that meet any of the following descriptions, state the date, session, the discussed topics, Independent Directors' opinions and how the company has responded to such opinions:

(1) Conditions described in Article 14-3 of the Securities and Exchange Act: Not applicable as the Company has established the Audit Committee. Regarding the matters described in Article 14-5 of the Securities and Exchange Act, please refer to the operation of the Audit Committee.

(2) Any other documented objections or qualified opinions raised by Independent Directors against board resolutions in relation to matters other than those described above: None.

2.For the recusal of Director(s), the name of Director(s), the content of the resolution, the reason of recusal and the participation of voting for the resolution.

Time of the Board meeting	Content of resolution	Recusal Name of Director(s)	Reason of recusal	Participation of voting for the resolution
May 7, 2019, the 13th meeting of the 7th term of Board of Directors	Salary adjustment for 2019.	Liu Chung-Pao	Holding concurrent position as Manager of the Company.	Liu did not participate in the discussion and voting to avoid conflict of interest. The resolution was passed after the convener solicited opinion from the rest of the Board and received no objection.
	Disbursement of Dragon Boat and Mid-Autumn Festivals bonuses for 2019.	Liu Chung-Pao	Holding concurrent position as Manager of the Company.	
July 8, 2019, the 14th meeting of the 7th term of Board of Directors	Allotment of shares to Managers from cash capital increase	Tseng Chao-Peng, Liu Chung-Pao	Holding concurrent positions as Managers of the Company.	Tseng and Liu did not participate in the discussion and voting to avoid conflict of interest. The resolution was passed after the convener solicited opinion from the rest of the Board and received no objection.
August 7, 2019, the 15th meeting of the 7th term of Board of Directors	Disbursement of Employee compensation for 2018	Tseng Chao-Peng, Liu Chung-Pao	Holding concurrent positions as Managers of the Company.	Tseng and Liu did not participate in the discussion and voting to avoid conflict of interest. The resolution was passed after the convener solicited opinion from the rest of the Board and received no objection.
	Disbursement of remuneration of Directors for 2018	Chen Jui-Tsung and other Directors	Discussion of disbursement amount for themselves and the legal persons they represented.	They did not participate in the discussion and voting to avoid conflict of interest.

November 7, 2019, the 16th meeting of the 7th term of Board of Directors	Disbursement of year-end bonus for 2019	Tseng Chao-Peng, Liu Chung-Pao	Holding concurrent positions as Managers of the Company.	Tseng and Liu did not participate in the discussion and voting to avoid conflict of interest. The resolution was passed after the convener solicited opinion from the rest of the Board and received no objection.

3. Public listed companies shall disclose the frequency and timing of self-evaluation (or peer evaluation), and scopes, methodology and content of assessment conducted by the Board of Directors, as well as the execution status by the Board.

   The Company is in the process of establishing the self-evaluation or peer evaluation methodology and procedures of the Board of Directors. The procedures will be implemented after resolved by the Board in 2020.

4. Enhancing the valuation regarding the target achievement and execution by the Board of Directors in the current and most recent year (e.g. establishing Audit Committee, increase information transparency).

   In accordance with Regulations Governing Procedure for Board of Directors Meetings of Public Companies, the Company has established “Rules and Procedures for Board of Directors Meetings” for legal compliance. The attendance of Directors in the Board meetings is disclosed on Market Observation Post System, and material resolutions of the Board meetings are disclosed on the Company website.

   Further, the Company appointed three Independent Directors on the Shareholders’ Meeting and they form the Remuneration Committee to assist in assessing and evaluating the remuneration of Directors and compensation for Managers.

   The three Independent Directors form the Audit Committee and hold at least one meeting every quarter. The following is the main supervising purview: fair representation of the financial reports, hiring (and dismissal), and assessment of independence and performance of CPAs, the effective implementation of internal control, legal compliance, and the existing or potential risks management of the Company.

(2) Audit Committee:

- Term of Audit Committee: June 13, 2017 to June 12, 2020.
- The duties of the Audit Committee include: reviewing and examining financial reports, internal audit function, significant assets, derivative transactions, loan of funds, endorsement or guarantee provision; appointment or dismissal, fee proposal and independence assessment of CPAs; relief of duties of finance, accounting or internal control supervisors; attending to whistle-blowing cases and inspecting legal compliance of the Company on a regular basis.

There were seven Audit Committee meetings during 2019. The attendance of Directors is as follows:

Position	Name	Attendance in Person	By Proxy	Attendance Rate (%)	Remark
Independent Director	Lee Ying-Jen	6	1	86%	
Independent Director	Wen Ching-Jang	6	1	86%	
Independent Director	Yang Wen-An	7	0	100%	

Other notes:

1. For Audit Committee meetings that meet any of the following descriptions, state the date, session, the discussed topics, independent directors' opinions and how the company has responded to such opinions:

(1) Matters described in Article 14-5 of the Securities and Exchange Act

Board of Directors Date/Session	Content of resolution and follow-up actions	Matters described in Article 14-5 of the Securities and Exchange Act	Resolution that has not been passed by the Audit Committee but passed by two-thirds or more of all directors
March 19, 2019 7th Committee 11th Meeting	1. Financial reports for 2018	V	None.
	2. Statement of internal control system for 2018.	V	None.
	3. Loaning funds to subsidiary, Arcadyan Technology (Vietnam) Co., Ltd.	V	None.
	4. Loaning funds to subsidiary, Arcadyan do Brazil Ltda.	V	None.
	Resolution of the Audit Committee meeting (March 19, 2019): The resolution was passed after the convener solicited opinion from the attending members and received no objection.		
	Response of the Company toward the opinion of the Audit Committee: The resolution was passed after the convener solicited opinion from the attending members and received no objection.		

Board of Directors Date/Session	Content of resolution and follow-up actions	Matters described in Article 14-5 of the Securities and Exchange Act	Resolution that has not been passed by the Audit Committee but passed by two-thirds or more of all directors
April 9, 2019 7th Committee 12th Meeting	1. Issuance of first domestic unsecured convertible corporate bonds.	V	None.
	2. Issuance of cash capital increase for 2019.	V	None.
	Resolution of the Audit Committee meeting (April 9, 2019): The resolution was passed after the convener solicited opinion from the attending members and received no objection.		
	Response of the Company toward the opinion of the Audit Committee: The resolution was passed after the convener solicited opinion from the attending members and received no objection.		
May 7, 2019 7th Committee 13th Meeting	1. Amendment of "Procedures for Acquisition or Disposal of Assets."	V	None.
	2. Amendment of "Procedures for Loaning Funds to other parties."	V	None.
	3. Amendment of "Procedures for Endorsements and Guarantees."	V	None.
	Resolution of the Audit Committee meeting (May 7, 2019): The resolution was passed after the convener solicited opinion from the attending members and received no objection.		
	Response of the Company toward the opinion of the Audit Committee: The resolution was passed after the convener solicited opinion from the attending members and received no objection.		
July 8, 2019 7th Committee 14th Meeting	1.Loaning funds to subsidiary, Arcadyan do Brazil Ltda.	V	None.
	Resolution of the Audit Committee meeting (July 8, 2019): The resolution was passed after the convener solicited opinion from the attending members and received no objection.		
	Response of the Company toward the opinion of the Audit Committee: The resolution was passed after the convener solicited opinion from the attending members and received no objection.		
August 7, 2019 7th Committee 15th Meeting	1. Financial reports for Q2 of 2019	V	None.
	2. Loaning funds to subsidiary, Arcadyan Technology Limited.	V	None.
	Resolution of the Audit Committee meeting (August 7, 2019): The resolution was passed after the convener solicited opinion from the attending members and received no objection.		
	Response of the Company toward the opinion of the Audit Committee: The resolution was passed after the convener solicited opinion from the attending members and received no objection.		
December 3, 2019 7th Committee 17th Meeting	1. Increase investment in Arcadyan Technology (Vietnam) Co., Ltd.	V	None.
	Resolution of the Audit Committee meeting (December 3, 2019): The resolution was passed after the convener solicited opinion from the attending members and received no objection.		
	˙Response of the Company toward the opinion of the Audit Committee: The resolution was passed after the convener solicited opinion from the attending members and received no objection.		

(2) Except for the aforesaid events, any resolution that has not been passed by the Audit

Committee but passed by two-thirds or more of all directors: None.

2. For the recusal of Independent Director(s), the name of Independent Director, the content of the resolution, the reason of recusal and the participation of voting for the resolution: None.
3. Method of communication between Independent Directors, the Internal Audit Officer, and CPA (communication should include material matters, method and results pertaining to financial reports and business operation).
   (1) Method of communication between Independent Directors, the Internal Audit Officer, and CPA:
   - By the end of the following month after completing the audited items, the Internal Audit Officer shall submit an audit report to the members of the Audit Committee. Should the Independent Directors require clarification of the audit and follow-up actions, they should contact the Internal Audit Officer at any time.
   - The Internal Audit Officer and the Independent Directors shall hold at least one meeting every quarter, reporting the execution of internal audit and the operating status of internal control.
   - Should an auditing need arises, the Internal Audit Officer should submit a written report or make a verbal report to the members of the Audit Committee.

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

Date	Communication Items
March 19, 2019	Reporting of internal audit conducted in 2018 Q4 and Internal Control System Statement.
April 9, 2019	Reporting of internal audit conducted in January and February of 2019
May 7, 2019	Reporting of internal audit conducted in March 2019.
July 8, 2019	Reporting of internal audit conducted in April and May of 2019.
August 7, 2019	Reporting of internal audit conducted in June 2019.
November 7, 2019	Reporting of internal audit conducted in 2019 Q3 and audit plan for 2020.
December 3, 2019	Reporting of internal audit conducted in October 2019.

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

Date	Communication Items
March 19, 2019	CPAs reported on key audit items and results of finding, and engaged in discussion and communication with the attending members pertaining to their queries.

(3) Corporate Governance Implementation and Deviations from the "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies"

Assessment criteria	Actual governance			Deviation and causes of deviation from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Summary description	
1. Has the company established and disclosed its corporate governance principles based on the "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies?"	V		In accordance with "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies", the Company has established "Corporate Governance Best Practice Procedures" and make relevant disclosure on the Company website and Market Observation Post System.	No material deviation.
2. Shareholding structure and shareholders' interests				
(1) Has the Company implemented a set of internal procedures to handle shareholders' suggestions, queries, disputes, and litigations?	V		(1) In addition to designating specialized units to address the suggestions, queries, disputes, and litigations from shareholders, the Company has also appointed a spokesperson and acting spokesperson that take actions and make relevant responses. The Company website has also provided contact details and e-mail to handle investor relations.	No material deviation.
(2) Is the Company constantly informed of the identities of its major shareholders and the ultimate controller?	V		(2) The Company has appointed a share administration agency to renew register of shareholders and register of major shareholders to closely monitor the list of shareholder(s) with de facto control, submitting the information of the changes in accordance with rules governing information reporting for public listed companies.	No material deviation.
(3) Has the Company established and implemented risk management practices and firewalls for companies it is affiliated with?	V		(3) The Company and its affiliated companies operate independently. Each company has its internal control system and regulations. The Company has established and executed the rules governing the supervision of subsidiaries.	No material deviation.
(4) Has the Company established internal policies that prevent insiders from trading securities against non-public information?	V		(4) Pertaining to the internal control system, the Company has established "Insider Trading Prevention Procedures." The directors, managers and employees who obtain material information via their positions, work or controlling interest, must conform to the Procedures.	No material deviation.

Assessment criteria	Actual governance			Deviation and causes of deviation from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Summary description	
3. Composition and responsibilities of the Board of Directors (1) Has the Board established and implemented policies to ensure the diversity of it?	V		(1) The Company has nine directors, including three Independent Directors, in which one is an external individual director. Seven directors do not assume managerial positions in the Company; every director possesses professional background, including business, legal, accounting, technology, management, professional skills and industrial experience, which form a diversified composition. The current Board members who are commendable in leadership quality, business judgement, operation and management, and product knowledge include Chen Jui-Tsung, Wong Chung-Pin, Peng Sheng-Hua, Tseng Chao-Peng, Liu Chung-Pao, Lee Ying-Jen and Wen Ching-Jang; member with accounting knowledge and financial analytical capability includes Yang Wen-An; member with academic accomplishment includes Wei Je-He Directors who are also employees of the Company represent 22% of the Board; Independent Directors represent 33% of the Board. All three Independent Directors have more than 10 years of directorship experience. The average age of the directors falls between 60 and 70 years old. The target of Board diversification shall be taken into consideration when one director with telecommunication knowledge is to be elected in the coming future to provide professional advice on operational matters, improve the competitiveness of the Company, thus completing the function of the Board. The Board shall establish the diversity policy pertaining to the composition of Directors, and provide disclosure on the Company website and Market Observation Post System.	No material deviation.
(2) Apart from the Remuneration		V	(2) Apart from the Remuneration	The Company shall

Assessment criteria	Actual governance			Deviation and causes of deviation from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Summary description	
Committee and Audit Committee, has the Company assembled other functional committees at its own discretion?			Committee established in accordance with the law, and the Audit Committee established ahead of stipulated time voluntarily, the Company has yet to establish other functional committees.	establish other functional committees according to future needs.
(3) Has the Company established a set of policies and assessment methodology to evaluate the performance of the Board? Is regular performance evaluation conducted, at least once a year, and the evaluation result is submitted to the Board to serve as a reference in determining the remuneration of individual Directors and nomination for a re-election?		V	(3) The Company has yet to establish policies and assessment methodology to evaluate the performance of the Board.	The Company is planning to establish policies and assessment methodology to evaluate the performance of the Board in 2020.
(4) Does the Company assess the independence of external auditors on a regular basis?	V		(4) The auditing firm of the Company and its employees are required to submit an "Independent Auditor's Report." After verification, in addition to audit and tax fees, the Company confirmed that there is no other business interest and relations with the CPAs. Further, when the Board discussing the independence and engagement of the auditing CPAs, the recommended CPAs are required to submit CVs and their independence declaration (declaring not in violation of Ethical Standards Publication No. 10) for the independence evaluation discussion of the Board. The Audit Committee and Board of Directors assess the independence and qualification of the CPAs regularly every year. The most recent assessment is completed on November 7, 2019.	No material deviation.
4. Does the TWSE/TPEx listed company dedicate competent managers or sufficient number of managers to take charge of corporate governance, and designate supervisors thereof to oversee the corporate governance affairs (including but not limited to providing information required for	V		The Company has designated specific personnel to take charge of corporate governance. On November 7, 2019, the Board passed the resolution to establish a Supervisor for corporate governance, so as to provide the information required for the Directors and Independent Directors to perform their duties, convene Board/Shareholders' meetings in	No material deviation.

Assessment criteria	Actual governance			Deviation and causes of deviation from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Summary description	
director/supervisor's operations, assisting the Board and Supervisors in legal compliance, convening Board/Shareholders' meetings in accordance with the law, applying for/changing company registry, and producing meeting minutes of Board/Shareholders' meetings)?			accordance with the law, prepare meeting minutes of Board/ Shareholders' meetings, monitor and amend the corporate governance principles and procedures on a regular basis, and implement corporate governance management. The first Head of Corporate Governance is expected to complete the training hours required before end of 2020.	
5. Has the Company established a means of communicating with its interested parties stakeholders (including but not limited to shareholders, employees, customers, suppliers, et cetera) or created a interested party section on the Company website? Does the Company respond to interested parties' questions on corporate responsibilities?	V		The Company maintains good communication channels with its banks, creditors and employees, respecting and protecting their legal interests. The Company has provided phone numbers and e-mails for queries and investor relations. Various interested parties may also reach the Company via e-mail when needed.	No material deviation.
6. Does the Company appoint the professional share administration agency to handle the affairs of the shareholders' meeting?	V		The Company has appointed Chinatrust Transfer Agent to handle the affairs of the shareholders' meeting.	No material deviation.
7. Information disclosure (1) Has the company established a website that discloses financial, business and corporate governance-related information?	V		(1) The information on the Company website, www.arcadyan.com is collected and maintained by specific unit.	No material deviation.
(2) Does the Company adopt other avenues for information disclosure (e.g. setting up an English website, designating specific personnel to collect and provide disclosure on the Company, implementing spokesperson system, disclosing the process of institutional investor conferences on the Company website and et cetera)?	V		(2) The Company provides disclosure on the relevant information on the Company website and Market Observation Post System from time to time. Further, the Company has established Investor Relations section on its Chinese and English websites, providing adequate disclosure on financial information, institutional investor conferences and corporate governance for the reference of shareholders and the public.	No material deviation.
(3) Does the Company publicly announce and file the annual financial reports within two months after the accounting year-end, and publicly announce and file the first, second and		V	(3) In accordance with regulations stipulated by the competent authority, the Company publicly announces and files the yearly financial reports three months after the accounting year-end, and also publicly announces and files	No material deviation.

Assessment criteria	Actual governance			Deviation and causes of deviation from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Summary description	
third quarterly financial reports and monthly operating status report before the stipulated deadlines?			the first, second and third quarterly financial reports and monthly operating status report before the stipulated deadlines.	
8. Does the Company have other important information for better understanding the Company's corporate governance system (including but not limited to interests and rights of employees, care for employees, investor relations, relations with suppliers, relations with interested parties, continuing education of directors and supervisors, execution of risk management policies and risk measuring standards, execution of customer policies, liability insurance for the Company's directors and supervisors)?	V		(Note 1)	No material deviation.
9. Please describe improvements that have been made pertaining to the results of the corporate governance evaluation as prescribed by the Taiwan Stock Exchange Corporate Governance Center, as well as priorities and measures for matters that have yet to be improved: The main improvements made in 2019, mainly are: (1) The English version financial reports for the year was uploaded seven days before the Shareholders' Meeting. (2) Designated Supervisors to oversee corporate governance and their purview has been described on the Company website. (3) The Company website has disclosed the structure of information security risk management and established the information security policy and management measures. (4) Amended the "Corporate Governance Best Practice Procedures", "Rules and Procedures for Board of Directors Meetings" and "Business Integrity Procedures and Behaviors."For matters that have yet to be improved, the Company shall continue its effort in making improvements. In the future, the Company shall maintain effective corporate governance in all operating aspects, as well as implementing the transparency of information disclosure and enhancing shareholders' interest.				

Note 1: Does the Company have other important information to provide better understanding of the corporate governance system?

1. Employee interest: The Company has established Staff Benefit Committee to plan for employee group insurance, arrange for regular medical check-ups and implement pension system. The Company also provides numerous avenues for education, as fostering good labor-management relations and creating equal opportunity for employment are deemed important.
2. Employee welfare: Fostering a good and trusting relationship with employees by providing a satisfactory and steady welfare system for employees' lives, and proper educational training to them. For example, subsidizing the social activities of employees, and providing entertainment, staff quarters and welfare of employees staying in staff quarters.
3. Code of conduct or ethical policies for employees: To implement the corporate governance principles and provide the code of conduct, legal compliance and moral principles for employees, so as to protect the assets, rights and reputation of the Company and

shareholders, the Company has established the following business ethical policies:

- Conforming to the rules and regulations of the law.
- Protecting the rights of employees, customers, shareholders, suppliers, community and environment.
- Insisting on the adoption of business ethics, fair transaction, integrity in management, transparency of information, protection of IPs, personal safety and business secrets.

4. Investor relations: The Company has established an investor relations department to bridge the communication between the Company and the investors. In addition to regular and irregular institutional investor conferences, the Company has established Investor Relations section on its website which not only provides disclosure on company information, but also allows investors to fully comprehend the operating results and long term operating strategy of the Company.
5. Relationship with suppliers: The Company enters into contracts with all suppliers to protect mutual interest and foster a good working relationship.
6. Interested parties' rights: The interested parties are able to communicate and make suggestions with the Company to protect their legal rights.
7. Status of financial personnel obtaining licenses issued by the competent authorities: The Head of Financial Division possesses CPA qualification of ROC and Certified Internal Auditor (CIA) qualification; the Head of Internal Audit Division possesses CIA qualification, which meets the practicing requirement of an internal auditor.
8. Implementation of risk management policies and risk assessment standard: Conducting various risk management and assessment in accordance with the internal regulations.
9. Execution of customer policy: The Company fosters a stable and good relationship with customers to create profit.
10. Purchase of insurance against liabilities of Directors: The Company has purchased insurance for all Directors against liabilities. The insurance premium for 2019 amounted to US$10,000 thousand (NT$303,950 thousand) and on March 19, 2019, the content of the insurance was reported to the Board of Directors.
11. Continuing Education for Directors, Supervisors and Managers

Position	Name	Date of training	Organized by	Course title	Hours of training
Accounting Supervisor	Huang Shih-Wei	September 19, 2019~ September 20, 2019	Accounting Research and Development Foundation	Training program for the Accounting Officer	12
Head of Auditing	Peng Yi-Ling	September 10, 2019	Securities & Futures Institute	The compliance of internal control in accordance with rules and regulations of the law.	6
		November 25, 2019	The Institute of Internal Auditors-Chinese Taiwan	The Company established Procedures for Acquisition or Disposal of Assets and introduced other relevant internal control and audit system.	6

(4) If the Company has established the Remuneration Committee, its composition, responsibilities and operation should be disclosed:

The Remuneration Committee holds meeting at least twice per year. It is responsible for assisting the assessment and evaluation of the remuneration of Directors and the salary standard of the Managers so as to align the disbursement of compensation to the performance of individuals and the Company, justifying the remuneration and salary, and attracting and keeping outstanding talents.

Professional Qualifications and Independence Analysis of Remuneration Committee Members

Title	Criteria / Name	Having Met One of the Following Professional Qualifications, Together with at Least Five Years Work Experience			Independence Criteria (Note 1)										Number of Other Public Companies in which the Individual is Concurrently Serving as an Remuneration Committee Member	Remark (Note 2)
		An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the Company in a public or private junior college, college or university	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Having Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10		
Independent Director	Wen Ching-Jang			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	Not applicable
Independent Director	Lee Ying-Jen			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	Not applicable
Independent Director	Yang Wen-An		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	Not applicable

Note 1: Please check "✓" in the box for a member, who during the two years before being elected or during the term of office, any of the following applied.

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

(2) Not a director or supervisor of the Company or any of its affiliates. (The same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, or subsidiary of the same parent company as appointed in accordance with the laws of Taiwan or with the laws of the country of the parent company or subsidiary.)

(3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the Company or ranks as one of its top ten shareholders.

(4) Not a managerial officer mentioned in paragraph (1), or a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship mentioned in paragraphs (2) and (3).

(5) Not a director, supervisor, or employee of an institutional shareholder that directly holds five percent or more of the total number of issued shares of the Company, or ranks as its top five shareholders, or the designated representative pursuant to Article 27 Section 1 or 2 in the Company as director/supervisor. (The same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, or subsidiary of the same parent company as appointed in accordance with the laws of Taiwan or with the laws of the. country of the parent company or subsidiary.)

(6) Not a director, supervisor, or employee of other company with the Board seats or more than half of the voting shares under control of one person. (The same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, or subsidiary of the same parent company as appointed in accordance with the laws of Taiwan or with the laws of the country of the parent company or subsidiary.)

(7) Not a director, supervisor, or employee of other company whose chairman or general manager are the same person or spouse of the Company. (The same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, or subsidiary of the same parent company as appointed in accordance with the laws of Taiwan or with the laws of the country of the parent company or subsidiary)

(8) Not a director, supervisor, managerial officer, or shareholder holding five percent or more of the shares of a specified company or institution that has a financial or business relationship with the company. (The same does not apply, however, if specified company or institution possessing shareholdings of more than 20% and less than 50% of the total number of issued shares of the Company, and in cases where the person is an independent director of the company, its parent company, or any subsidiary, or subsidiary of the same parent company as appointed in accordance with the laws of Taiwan or with the laws of the country of the parent company or subsidiary)

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

(10) For matters described in Article 30 of the Company Act, none was found.

Note 2: If the member of the committee also serves as a Director, please describe if "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange " article 6, subparagraph 5 is observed.

■Attendance of Members at Remuneration Committee Meetings

1. The Company elected three members of the Remuneration Committee.
2. The term of the current Committee: June 20, 2017 to June 12, 2020. There were five Remuneration Committee meetings for the fiscal year and the qualifications and attendance records of the Committee member are as follows:

Position	Name	Attendance in Person	By Proxy	Attendance Rate (%)	Remark
Convener	Wen Ching-Jang	4	1	80%	
Committee Member	Lee Ying-Jen	4	1	80%	
Committee Member	Yang Wen-An	5	0	100%	

■Other notes:

1. If the Board of Directors declines to adopt or modify a recommendation of the remuneration committee, it should specify the date of the meeting, the session, the nature of motion, the resolution made by the Board of Directors, and the Company's response to the remuneration committee's opinion (e.g., if the amount of remuneration passed by the Board of Directors has discrepancy with the recommended amount by the Remuneration Committee, the circumstances and cause for the difference shall be specified): None.
2. If resolutions of the Remuneration Committee are objected by members or become subjected to a qualified opinion, which has been recorded or declared in writing, then the date of the meeting, the session, the nature of the motion, all members' opinions and the response to members' opinions should be specified: None.
3. The matters discussed and resolutions passed by the Remuneration Committee, and the response of the Company toward the opinion of the Committee:

Remuneration Committee Date/Session	Content of resolution and follow-up actions	Objection or qualified opinion of the Remuneration Committee
March 19, 2019 3th Committee 8th Meeting	1. Appropriation of the remuneration to directors and compensation to employees fro 2018.	None.
	2. Appropriation ratio of the remuneration to directors and compensation to employees fro 2019.	None.
	Opinion of Remuneration Committee: None.	
	Resolution of Remuneration Committee: All attending members agreed and passed the resolution, and the matter was submitted to the Board for discussion.	
	Response of the Company toward the Remuneration Committee's opinion: All resolutions were passed by attending Directors without objection.	
May 7, 2019 3th Committee, 9th Meeting	1. Adjustment of salary for 2019.	None.
	2. Disbursement of Dragon Boat and Mid-Autumn Festivals bonuses for 2019.	None.
	Opinion of Remuneration Committee: None.	
	Resolution of Remuneration Committee: All attending members agreed and passed the resolution, and the matter was submitted to the Board for discussion.	
	Response of the Company toward the Remuneration Committee's opinion: As Tseng Chao-Peng and Liu Chung-Pao were the managers of the Company and to avoid conflict of interest, they recused from the discussion and voting. All resolutions had been passed by the attending Directors without objection.	
July 8, 2019 3th Committee 10th Meeting	1. Allotment of shares to managers from cash capital increase.	None.
	Opinion of Remuneration Committee: None.	
	Resolution of Remuneration Committee: All attending members agreed and	

Remuneration Committee Date/Session	Content of resolution and follow-up actions	Objection or qualified opinion of the Remuneration Committee
	passed the resolution, and the matter was submitted to the Board for discussion.	
	Response of the Company toward the Remuneration Committee's opinion: As Tseng Chao-Peng and Liu Chung-Pao were the Managers of the Company and to avoid conflict of interest, they recused from the discussion and voting. All resolutions had been passed by the attending Directors without objection.	
August 7, 2019 3th Committee 11th Meeting	1. Disbursement of employee compensation for 2018.	None.
	2. Disbursement of remuneration of directors for 2018.	None.
	Opinion of Remuneration Committee: None.	
	Resolution of Remuneration Committee: All attending members agreed and passed the resolution, and the matter was submitted to the Board for discussion.	
	Response of the Company toward the Remuneration Committee's opinion: As Tseng Chao-Peng and Liu Chung-Pao were the managers of the Company and to avoid conflict of interest, they recused from the discussion and voting. All resolutions had been passed by the attending Directors without objection and as proposed by the Remuneration Committee. For the second resolution, due to their positions or the legal person(s) they represent, Chen Jui-Tsung and other Directors did not participate in the discussion and voting pertaining to the disbursement amount to them. All resolutions had been passed by the attending directors without objection.	
November 7, 2019 3th Committee 12th Meeting	1. Disbursement of year-end bonus for 2019.	None.
	Opinion of Remuneration Committee: None.	
	Resolution of Remuneration Committee: All attending members agreed and passed the resolution, and the matter was submitted to the Board for discussion.	
	Response of the Company toward the Remuneration Committee's opinion: As Tseng Chao-Peng and Liu Chung-Pao were the managers of the Company and to avoid conflict of interest, they recused from the discussion and voting. All resolutions had been passed by the attending directors without objection.	

■Functions:

1. Prescribe and periodically review the performance review and remuneration policy, system, standards, and structure for Directors/Independent Directors, and managerial officers.

2. Periodically evaluate and prescribe the remuneration of Directors/Independent Directors, and management team.

(5) Corporate Social Responsibility

Assessment criteria	Actual governance			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Summary description	
1. Has the Company performed risk assessment pertaining to the environment, community and corporate governance issues related to the operation of the Company in accordance with materiality principle, and established the corresponding risk management policies or strategies?	V		Using an analytical method based on materiality principle, the Company performed a questionnaire on known interested parties to find out about their interest level on environmental protection, social and corporate governance issues. In the process of managing the business, the Company can implement preventive and mitigating measures for potential risks, and establish the relevant early warning measures as a reference for risk management and business strategy. Please refer to page 283-285 of the annual report.	No material deviation.
2. Does the company have a unit that specializes (or is involved) in CSR practices? Is the CSR unit run by senior management and reports its progress to the Board of Directors?		V	The Company has established “CSR Committee”, integrating the companies of the Group and welfare entities to promote social welfare activities. The Committee established the relevant projects every year, organizing various talks, experiential activities, assisting colleagues to implement CSR in their daily lives.	Proposal shall be presented to the Board for authorizing the CEO office oversee the CSR operation.
3. Environmental issues (1) Has the Company developed an appropriate environmental management system, given the distinctive characteristics of its industry?	V		(1) Conforming to the domestic Occupational Safety and Health Act, the Company has established an effective occupational safety and health management system.	No material deviation.
(2) Is the Company committed to achieving efficient use of resources, and using renewable materials that produce less impact on the environment?	V		(2) The Company continues to implement resource recycling and waste reduction at industrial level, closely putting into effect garbage sorting and recycling and reducing single-use items, such as cups, utensils, so as to curtail the overloading of the environment.	No material deviation.
(3) Has the Company made an assessment on the present and future potential risks and opportunities posed by climate changes to the Company and undertaken countermeasures pertaining to climate changes?	V		(3) In face of potential risk of surge in the cost of raw materials, and the changes undertaken to alleviate climate change to create opportunities for the Company, all employees shall participate in green design, and prevention of pollution to create an environment that is safe, hygienic and untroubled, considering from the perspective of carbon emission when designing and transporting. The	No material deviation.

Assessment criteria	Actual governance			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Summary description	
			Company shall continue to promote and implement eco-design in products, using innovative technologies to alleviate the impact climate change has on the environment while increasing product safety.	
(4) Has the Company measured its greenhouse gas emission, water use and total weight of waste for the past two years, and established policies pertaining to energy conservation, reduction in carbon and greenhouse gas emission, reduction in water use, or management of waste disposal?	V		(4) According to the inspection of greenhouse gas emission, the yearly greenhouse gases emitted in 2018 and 2019 as computed by converting the electric meter data was 1,467 and 1,683 tonnes respectively. The water use was 19,168 and 19,427 tonnes respectively. The waste, including common waste and recyclable garbage was 23 tonnes and 34 tonnes respectively. The Company shall continue its effort in environmental protection. The Company has established policies on energy conservation, carbon reduction, reduction of greenhouse gas emission and water use, and other waste treatment. For details, please see the CSR Report.	No material deviation.
4. Social Issues (1) Has the company developed its policies and procedures in accordance with laws and International Bill of Human Rights?	V		(1) The Company meets the requirement of the CSR management system, while management policies and procedures meet the domestic labor laws and international treaties, conforming to Labor Standard Act and other relevant regulations, ensuring the legal rights of Employees, forming Staff Benefit Committee, contributing to pension funds, holding regular labor-management meetings, providing channels for voicing and communicating of opinion for both labor and management.	No material deviation.
(2) Has the Company established and implemented reasonable employee benefit measures (including salary, leave and other benefits), reasonably reflecting the operating results in employee salary?	V		(2) The Company complies Labor Standard Act and other relevant regulations in establishing various salary and welfare measures, providing competitive benefits that can motivate Employees. Further, regular performance appraisals and disbursement of performance bonus are made to share the operating results of the Company with the Employees.	No material deviation.
(3) Does the company	V		(3) The Company has implemented an	No material deviation.

Assessment criteria	Actual governance			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Summary description	
provide employees with a safe and healthy work environment? Are employees trained regularly on safety and health issues?			environmental safety and health systems and established emergency response system as part of its commitment in creating a safe and healthy environment, and is committed to constant improvement and creation of an environment that is safe, hygienic and untroubled. Every year, the Company shall organize regular safety and health related talks to meet the sustainable development target.	
(4) Has the company implemented an effective training program that helps Employees develop skills over the course of their career?	V		(4) Career planning and training of the employees are deemed important to the Company. As such, the Company encourages its employees to participate in various training programs, including both internal and external ones. The internal training programs focus on the exchange of technical know-how, increasing the capability of employees and the management skills of the supervising team; for the external training programs, it would depend on the need of the Company. Employees are sent for programs in which the Company provides good opportunities for special training to the Employees.	No material deviation.
(5) Pertaining to the health and safety of customer when using the Company's products and services, consumer privacy, marketing and labeling, does the Company comply with the relevant regulations and international standards, and establish relevant policies on consumer protection and complaint procedure?	V		(5) In accordance with consumer protection regulations of various countries, manufacturing and sales parties share the responsibility toward the consumers. Conforming to the environmental protection regulations of the EU and international standards (EU RoHS, EACH/SVHC, EICC et cetera). Maintaining a good communication channel with customers, providing clear and effective customer complaint procedure pertaining to products and services.	No material deviation.
(6) Has the Company established policy on supplier management, demanding suppliers to observe code of conduct pertaining to environmental protection,	V		(6) In accordance with the policy, the Company requires all suppliers to fill in a "Supplier Evaluation Form" and produce the relevant ISO certification documents; the evaluation includes quality, environment, engineering technologies, going green. Meanwhile when conducting	No material deviation.

<table>
<tr><th rowspan="2">Assessment criteria</th><th colspan="3">Actual governance</th><th rowspan="2">Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary description</th></tr>
<tr><td>labor safety and health or labor rights, and monitoring their implementation?</td><td></td><td></td><td>the survey on CSR undertaken by suppliers, the Company requires suppliers to observe “Code of Conduct for Suppliers.”In addition to quality, on-time delivery and pricing, they must conform to the rules and regulations prescribed by the law on quality, environmental protection, safety and health before they can become qualified suppliers of the Company. For management and counseling, the Company provides an interactive management for exchange of information with customers to obtain the latest and most accurate source of information; for the auditing aspect, improvement reports are issued for those who fail to meet the requirements. Upon re-examination, those who still fail shall be removed as a supplier.</td><td></td></tr>
<tr><td>5. Does the Company refer to universal standard or guideline for report preparation when preparing for CSR Report and other non-financial disclosure reports? Does the Company obtain the confirmation or affirmation opinion from third party for the aforementioned reports?</td><td>V</td><td></td><td>The Company has referred to the universal standard or guideline for report preparation in preparing for CSR Report. However, a confirmation from a third party is yet to be obtained. Please see the Company website for the content of the report.</td><td>No material deviation.</td></tr>
<tr><td colspan="5">6. If the Company has established integrity management principles in accordance with “Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies”, please describe the current practices and any deviations from the Best Practice Principles:
The Company has prepared the CSR Report and disclosed it on the Company website and established “CSR Principles” as the governing guideline, incorporating CSR into the overall operating development of the Company and the collective companies of the Group and promoting various CSR activities.</td></tr>
<tr><td colspan="5">7. Other information relevant to understanding the Company’s business integrity:
(1) Going green and environmental protection: To avoid damaging the ecosystem, the R&D team of the Company focuses on the eco-design of products and has introduced a lead-free manufacturing process successfully and at the same time, meeting the international environmental protection requirements of removing lead, cadmium, mercury, hexavalent chromium and other hazardous chemicals, implementing Eco-design in 2017, and obtaining ISO 14006 certification for incorporating eco-design.
(2) In 2005, the Company obtained both the Environment Management System- ISO 14001:2004 certificate from AFAQ-EAQA Management System and the Occupational Health and Safety Management System - OHSAS 18001 certificate from EAQA/BestCERT Management System in 2005. The Company also received Taiwan Occupational Safety and Health Management System certification in 2009. The certification was issued by Health Promotion Administration of Ministry of Health and Welfare under the Executive Yuan.</td></tr>
</table>

<table>
<tr><th rowspan="2">Assessment criteria</th><th colspan="3">Actual governance</th><th rowspan="2">Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary description</th></tr>
<tr><td colspan="5">(3) Production Centers of Mainland China obtained Social Accountability 8000 (SA8000) in 2013, showing the performance and commitment in CSR by the Company, increasing the loyalty and sense of belonging of the Employees, and establishing a positive corporate image.
(4) The Company has established energy conservation, carbon reduction, reduction of greenhouse gas emission and water use, and other waste treatment management policies: Including a Carbon Disclosure Project (CDP) which is mainly to strengthen the ability of the Company in responding to climate change, such as inspection on carbon emission, checking the result of carbon reduction and establishing regulations on evaluation and physical risks, and further transitioning various risks into opportunities for green circular economy, to increase the sustainable development; for energy management, every factory area tracks the KPI management every month, in which depending on how well the KPIs are met, improvement measures and planning will be proposed; for water resource management, due to the high water use of the Company, which mainly comprises of employee daily water use, many facilities and infrastructure have to be inspected and improved, and awareness for good lifestyle habits is promoted; for waste management, the canteens at the headquarters and factories do not use single-use utensils, while paper use in the verification system of the production is reduced, thus decreasing waste due to human error. The employees at the factory areas have been trained professionally and rigorously in safety, health and environmental protection, and thus no major pollution incident has occurred over the years.
(5) For the community participation, contribution, service and welfare, consumer rights, human rights and other activities related to corporate social responsibility, the Company voluntarily takes part in many social welfare activities every year. Via the planning and execution initiated by “CSR Committee”, the Company makes contribution to the community through numerous activities, to meet its corporate social responsibility. The activities in 2019 are as follows:
Charity activities, donations and sponsorships:
● Taiping Elementary School: Subsidizing after-school care project, dreamer project and Children’s Day presents.
● Jinshan Elementary School: Dreamer project.
● Huashan Social Welfare Foundation: Donation for New Year meals and provision of gift boxes for Dragon Boat and Mid-Autumn Festivals.
● Holding visually impaired massage charity.
● Children Are Us Foundation: Purchasing cakes for Mother’s Day and Mid-Autumn Festival, and donating the cakes to underprivileged children.
● World Peace Organization: Sponsoring charity children’s play and cultural trip for underprivileged children; sponsoring sprout projects for remote elementary schools; gifting mooncake to remote villages for Mid-Autumn Festival; sponsoring charity art exhibition and New Year for Hungry Children Project;
● Hsinchu Building Hearts for Home: Donating for summer study activities for children.
● Eden Social Welfare Foundation: Charity project for developmental delay children.
● World Vision Taiwan: Sponsoring domestic children.
● HCI organization: Participating in Dreamers Project.
● Taiwan People’s Food Bank Association: Gifting the food offerings from first business day of the year and Ghost Festival’s praying rituals.
● Ai-Heng Training Center for Mental Retardation: Green charity flea market.
● Hsinchu Fund for Children and Families: Donating to indigenous children service project.
● Spinal Cord Injury Foundation: Donating to the building of modules for medical surveys.
● R.O.C Resource Matching Association: Christmas gifting activities.
● Huichu Organization: Sponsoring charity flea market activities, and donating the proceeds to School of Taiya
● Hua-Guang Intellectual Development Center: Commissioning the Sediq people for rice planting, and donating the rice to Hua-Guang Intellectual Development Center.</td></tr>
</table>

Assessment criteria	Actual governance			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Summary description	
● Kuen Tai Cultural and Education Foundation: Donating to dreamer project of Chiayi Rural Elementary School. ● Andrew Charity Association: Donating to the food bank project for underprivileged children. ● Yu An Retarded Children's Home: Holding donation drive to raise funds for the handicapped. ● Taiwan Joy Baby Community Association: Donating funds for preparing dinner for kids after tuition at remote area. ● The list above details the donation from the Company and its Employees. The donation amounted to NT$1,697,244, where 578 people participated and 2,293 people benefited.t				

(6) Status of Implementation of Integrity Operation

Assessment criteria	Actual governance			Deviation and causes of deviation from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Summary description	
1. Establishment of Corporate Conduct and Ethics Policy and Implementation Measures				
(1) Does the Company establish corporate conduct and ethics policy that is approved by the Board of Directors and document such policy and procedure, as well as ensuring the commitment of the Board and Management team in the implementation of the policy thereof, in the bylaws and publicly available documents?	V		(1) In accordance with the "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies", as approved by the Board of Directors, the Company has established and conformed to the "Ethical Corporate Management Best Practice Principles" and "Business Integrity Procedures and Behaviors."	No material deviation.
(2) Has the Company established an risk assessment mechanism for unethical conduct, analyzed and evaluated activities that contain a higher risk of unethical conduct in the operating aspect on a regular basis, and established measures for the prevention of unethical conduct, which at least covering the business activities prescribed in the "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" article 7 paragraph 2?	V		(2) The Company has established the "Code of Conduct for Employees", "Ethical Corporate Management Best Practice Principles" and "Business Integrity Procedures and Behaviors" to govern the whistle-blowing and punishment for unethical conducts. Via various internal control mechanisms, the Company examines the status of compliance on a regular basis.	No material deviation.
(3) Does the Company establish	V		(3) The "Ethical Corporate Management	No material

Assessment criteria	Actual governance			Deviation and causes of deviation from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Summary description	
relevant policies which are duly enforced to prevent unethical conduct, provide and implement operating procedures, behavioral guidelines, penalty for violation and appeal system in such policies, as well as evaluating and amending the aforementioned policies on a regular basis?			Best Practice Principles" specifically provides for: prohibition of giving and taking a bribe, prohibition of illegal political donation, prohibition of illegal philanthropic donation or sponsorship, prohibition of unreasonable gifting, reception or other illegal interests, prohibition of violating intellectual properties, prohibition of unfair competition, prevention of products or services damaging the interests of Stakeholders. Further, the behavioral guidelines, penalty for violation and complaint system are properly implemented. In addition to strengthening awareness training for new Employees and implementation in the operation, the Company assesses the need to make timely amendments to the content on a regular basis.	deviation.
2. Implementation of integrity management				
(1)Does the Company evaluate the integrity of all counterparties It has business relationships with? Are there any integrity clauses in the agreements it signs with business partners?	V		(1) The Company insists on integrity management. Business contracts consist of provisions that prohibit non-ethical principle.	No material deviation.
(2)Does the Company task a unit that reports directly to the Board of Directors and with promoting ethical standards, making periodical updates (at least once a year) to the Board on business integrity management policy, as well as the supervision of measures for prevention of unethical conduct?		V	(2) The business integrity management policy of the Company is established collaboratively by relevant competent units, and supervised by Internal Audit Division, which makes regular reporting to the Board of Directors.	Depending on future needs, the Company shall establish specific unit to oversee business integrity management that is under the purview of the Board of Directors when necessary.
(3)Does the Company have any policy that prevents conflict of interest, and channels that facilitate the report of conflicting interests?	V		(3) The "Code of Conduct for Employees" established by the Company has provided for the relevant policy. Another appropriate channel shall be established.	No material deviation.
(4)Has the Company implemented	V		(4) To ensure the implementation of	No material

Assessment criteria	Actual governance			Deviation and causes of deviation from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Summary description	
effective accounting and internal control systems for the purpose of maintaining business integrity? Are these systems reviewed by internal or external auditors on a regular basis?			business integrity management, the Company has elected three Independent Directors in the Board of Directors, formed Remuneration and Audit Committees, established comprehensive and effective internal control system, relevant procedures and accounting system. The Company executes and timely assesses the implementation in accordance with these policies, so as to ensure the constant effectiveness of the design and implementation of the systems. On a yearly basis, the Company conducts self-assessment, where the internal audit unit inspect the self-assessment reports of all other units and subsidiaries, which include control of environment, risk assessment, control of operation, information and communication, and supervision. Together with the findings of internal control infractions or discrepancies to be improved on that have been uncovered, the self-assessment results shall serve as an important reference to the Board of Directors and CEO an evaluating the effectiveness of the overall internal control system and producing the Statement of the Internal Control System.	deviation.
(5)Does the Company conduct internal and external ethical training programs on a regular basis?	V		(5) In addition to disclosing “Ethical Corporate Management Best Practice Principles” on the Company website, awareness workshop is also conducted for new employees. In 2019, the internal and external educational training related to ethical corporate management (including courses on the compliance of ethical corporate management, accounting system and internal control and et cetera) enrolled 3 persons, totaling 15 hours of training.	No material deviation.

Assessment criteria	Actual governance			Deviation and causes of deviation from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Summary description	
3. Implementation of whistle-blowing system				
(1) Does the Company provide incentives and means for employees to report malpractice? Does the Company dedicate personnel to investigate the reported malpractice?	V		(1) The Company has installed mailboxes to receive malpractice reports from within or outside the Company and has established the relevant penalization in which the appropriate department and personnel shall handle, depending on the nature of the underlying issue.	No material deviation.
(2) Has the Company implemented any standard procedures or confidentiality measures for handling reported malpractices?	V		(2) The complaint and whistle-blowing procedures are regulated by statutes of the law. Meanwhile, the identity of the whistle-blower shall be kept confidential. Appropriate protection measures shall be implemented to ensure the confidentiality and privacy of the whistle-blower.	No material deviation.
(3) Does the Company assure malpractice reporters that they will not be mistreated for making such reports?	V		(3) As such, the Company shall adopt confidentiality measure in accordance with the law. The Company handles complaint and whistle-blowing cases with a confidentiality principle and in a quick, fair and objective manner. If the whistle-blower is an employee, the Company guarantees that the employee will not be mistreated for filing a complaint or informing on a malpractice.	No material deviation.
4. Enhanced information disclosure Has the company disclosed relevant CSR principles and implementation on its website and Market Observation Post System?	V		The Company has established a website, www.arcadyan.com, to disclose matters on corporate governance. The Company has established a specific unit to oversee the financial disclosure made at Market Observation Post System, and appointed a spokesperson for external communication.	No material deviation.
5. If the Company has established business integrity policies in accordance with "Ethical Corporate Management Best Practice Principles for TWSE/TPEx-Listed Companies", please describe its current practices and any deviations from the Best Practice Principles: The Company has established "Business Integrity Principles." The execution and the principles established have no material deviation.				
6. Other information relevant to understanding the Company's business integrity (e.g. reviews over business integrity principles and other circumstances): The Company has publicly disclosed "Business Integrity Principles" and "Business Integrity Procedures and Behaviors" at the Company website, and has established a special section on business integrity for all employees.				

(7) Corporate Governance Guidelines and Regulations

The Company website is www.arcadyan.com, providing information on corporate governance guidelines and regulations for investors:

- Articles of Incorporation
- Rules of Procedure for Shareholders' Meetings
- Rules and Procedures for Board of Directors Meetings
- Procedures for the Election of Directors
- Procedures for Acquisition or Disposal of Assets
- Procedures for Endorsements and Guarantees
- Procedures for Loaning of Funds to Other Parties
- Audit Committee Charter
- Remuneration Committee Charter
- Corporate Governance Best Practice Principles
- Corporate Social Responsibility Best Practice Principles
- Codes of Conduct for Directors and Managers
- Ethical Corporate Management Best Practice Principles
- Procedures for Ethical Management and Guidelines for Conduct
- Insider Trading Prevention Procedures
- Rules Governing Financial and Business Matters Between this Corporation and its Affiliated Enterprises
- Procedures of Application to Suspend and Resume Trading

(8) Other Important Information Regarding Corporate Governance

1. The information on the Company website, www.arcadyan.com is collected and maintained by specific personnel, making and renewing disclosure on a regular basis, providing investors information on the financial and business aspects, and the institutional investor conferences.
2. To establish the management of insider trading prevention to avoid inappropriate leaking of material internal information and ensure the consistency and accuracy of information communicated to the public, the Company has established "Insider Trading Prevention Management" in the internal control system. Via the Company website, contracts and training, the Company conduct relevant awareness programs and inform the directors, managers and all employees of the regulations to conform to.

(9) Internal Control Systems

1. Internal Control Statement

Arcadyan Technology Corporation.
Statement of the Internal Control System

Date: March 17, 2020

The Company states the following with regard to its internal control system during fiscal year 2019, based on the findings of a self-assessment:

I. The Company acknowledges that the establishment, implementation and maintenance of internal control system are the responsibilities of the Board of Directors and Managers of the Company. As such, the Company has established the aforementioned system. Its objectives are to provide reasonable assurance for effectiveness and efficiency of its operations (including profitability, performance and guarantee of assets safety etc.), reporting that is reliable, timely and transparent and conformity to applicable rules, regulations and laws.

II. The internal control system has its inherent limitations. Regardless of how exhaustive the design is, an effective internal control system can only provide reasonable assurance for the achievement of the aforementioned three objectives. Further, due to changes in the environment or circumstances, the effectiveness of the internal control system may vary accordingly. Nevertheless, the Company's internal control system has set up a self-supervision mechanism. Once a deficiency has been identified, the Company will take the remedial actions immediately.

III. In accordance with the determining criteria for the effectiveness of the internal control system prescribed in the "Regulations Governing the Establishment of Internal Control Systems by Public Companies" (hereafter "the Regulations"), the Company evaluated the effectiveness of the design and execution for its internal control system. The determining criteria of the internal control system prescribed in the "Regulations" are based on the process of management control, dividing the internal control system into five composite factors: 1. control of environment, 2. risk evaluation, 3. control of operations, 4. information and communication, and 5. supervision. The composition of each element also includes several items. Please refer to the "Regulations" for the aforesaid items.

IV. The Company has adopted the aforementioned determining criteria of the internal control system to evaluate the effectiveness of design and execution for its own internal control system.

V. Based on the evaluation result of the preceding paragraph, the Company believes that its internal control system (including the supervision and management of its subsidiaries) as of December 31, 2019, including understanding the achievement for the objectives of effectiveness and efficiency of its operations, reliability, timeliness and transparency of its reporting and compliance with the applicable regulations and laws, was effective in design and execution, and can be reasonably assured of the achievement of the aforementioned objectives.

VI. This statement will serve as the main content of the Company's annual report and prospectus, and will be publicly announced. If the aforesaid public content has any illegal events including falseness or concealment etc., it shall to be liable to the legal liabilities stipulated in Article 20, 32, 171 and 174 of the Securities and Exchange Act.

VII. This Statement has been passed by the Board of Directors Meeting of the Company held on March 17, 2020, where 0 of the 9 attending directors expressed dissenting opinions, and the remainder all affirmed the content of this Statement.

Arcadyan Technology Corporation

Chairman: Chen Jui-Tsung

President: Tseng Chao-Peng

2. Hiring an accountant to audit the Company's internal control system, the audit report prepared by the CPAs should be disclosed: None.

(10) For the most recent year until the publication date of the annual report, penalties imposed against the Company and its staff, or penalties imposed by the company against its staff for violations of internal control or regulations. State any corrective actions taken in the most recent years up to the date of the annual report: None.

(11) For the most recent year until the publication date of the annual report, major resolutions made in Shareholders' and Board meetings

1. Shareholders' meeting

■Time：9:00 am, June 25, 2019
Venue: 6F of the Company, No. 8, Section 2, Guangfu Road, Hsinchu City

■Major Resolutions:

(1) By-election of one Director of 7th Board of Directors
(2) Ratified the Business Report and Financial Statements for 2018.
(3) Ratified the distribution of earnings for 2018.
(4) Approval for the cash distribution from capital reserve.
(5) Approval for the amendment of "Articles of Incorporation."
(6) Amendment of "Procedures for Acquisition or Disposal of Assets."
(7) Approval for amendment of "Procedures for Loaning Funds to Other Parties."
(8) Approval for the amendment of "Procedures for Endorsements and Guarantees."
(9) Approval for Directors of the Company from the non-competition restrictions.

■Post-meeting Execution:

(1) The 2018 distribution of cash dividends is summarized as follows:
   - Cash dividend: NT$0.30 per share
   - Record date of stock: August 10, 2019
   - Distribution Date: August 30, 2019

(2) Summary of cash distribution from capital reserve:
   - Cash dividend: NT$0.50 per share

- Cash distributed from capital reserve: August 10, 2019
- Distribution Date: August 30, 2019

(3) Amendment for Articles of Incorporation: Obtained approval from MOEA on July 25, 2019 and disclosed on the Company website.

(4) Amended partial articles of "Procedures for Acquisition or Disposal of Assets": Announced on Market Observation Post System and on the Company website on June 25, 2019.

(5) Amended partial articles of "Procedures for Loaning Funds to Other Parties": Announced on Market Observation Post System and the Company website on June 25, 2019.

(6) Amended partial articles of "Procedures for Endorsements and Guarantees": Announced on Market Observation Post System and the Company website on June 25, 2019.

(7) Approval for Directors of the Company from the non-competition restrictions: Announced on Market Observation Post System and the Company website on June 25, 2019.

2. Board of Directors

Date	Major Resolutions
March 19, 2019	1. Approval for the appropriation of the remuneration to Directors and compensation to employees for 2018. 2. Approval for the appropriation ratio of the remuneration to Directors and compensation to Employees for 2018. 3. Approval for the financial reports for 2018. 4. Approval for Internal Control System Statement for 2018. 5. Approval for convening the Shareholders' Meeting for 2019. 6. Approval for loaning fund to subsidiary, Arcadyan Technology (Vietnam) Co., Ltd. 7. Approval for loaning fund to subsidiary, Arcadyan do Brazil Ltda. 8. Approval for cancellation of employee restricted shares that does not meet vesting conditions. 9. Approval for application for the renewal of credit limit with the banks.
April 9, 2019	1. Approval for issuance of first domestic unsecured convertible corporate bonds. 2. Approval for processing the issuance of cash capital increase for 2019.

Date	Major Resolutions
May 7, 2019	1. Approval for the proposals and nominations of the Shareholders' Meeting for 2019. 2. Approval for business reports for 2018. 3. Approval for business plan for 2019. 4. Cancellation of employee restricted shares that does not meet vesting conditions. 5. Approval for the distribution of earnings for 2018. 6. Approval for the cash distribution from capital reserve. 7. Approval for adjustment of salary for 2019. 8. Approval for disbursement of Dragon Boat and Mid-Autumn Festivals bonuses for 2019. 9. Approval for the amendment of "Articles of Incorporation." 10. Amendment of "Procedures for Acquisition or Disposal of Assets." 11. Approval for amendment of "Procedures for Loaning Funds to Other Parties." 12. Approval for the amendment of "Procedures for Endorsements and Guarantees" 13. Approval for the amendment of "Rules and Procedures for Board of Directors Meetings." 14. Approval for directors from the non-competition restrictions. 15. Approval for managers from the non-competition restrictions. 16. Approval for application for the renewal of credit limit with the banks.
July 8, 2019	1. Approval for the cash dividend and cash distribution from capital reserve. 2. Approval for fund loaning to subsidiary, Arcadyan do Brazil Ltda. 3. Approval for allotment of shares to managers from cash capital increase.
August 7, 2019	1. Approval for the disbursement of employee compensation for 2018. 2. Approval for the disbursement of remuneration of Directors for 2018. 3. Approval for fund loaning to subsidiary, Arcadyan Technology Limited. 4. Approval for application for the new addition and renewal of credit limit with the banks.
November 7, 2019	1. Approval for the Internal audit plan for 2020. 2. Approval for the assessment of the independence and competence of the CPAs. 3. Approval for the disbursement of year-end bonus for 2019. 4. Approval for the amendment of "Audit Committee Charter".

Date	Major Resolutions
	5. Approval for the amendment of the "Corporate Governance Best Practice Procedures", and formulate "Rules Governing the Scope of Powers of Independent Directors" and "Procedures for Ethical Management and Guidelines for Conduct." 6. Approval for the appointment of Supervisor for Corporate Governance. 7. Approval for cancellation of employee restricted share that does not meet vesting conditions. 8. Approval for application for the renewal of credit limit with the banks.
December 3, 2019	1. Approval for increase in investment in Arcadyan Technology (Vietnam) Co., Ltd.
March 17, 2020	1. Approval for the appropriation of the remuneration to Directors and compensation to employees for 2019. 2. Approval for the appropriation ratio of the remuneration to Directors and compensation to Employees for 2020. 3. Approval for the financial reports for 2019. 4. Approval for Internal Control System Statement for 2019. 5. Approval for cancellation of employee restricted shares that does not meet vesting conditions. 6. Approval for the distribution of earnings for 2019. 7. Approval for the disbursement of cash dividend for 2019. 8. Approval for the cash distribution from capital reserve. 9. Approval for convening the Shareholders' Meeting for 2020. 10. Approval for the election proposal for the 8th term of the Board of Directors. 11. Approval for the change of CPAs. 12. Approval for fund loaning to subsidiary, Arcadyan Technology (Vietnam) Co., Ltd. 13. Approval for the amendment of "Rules and Procedures for Board of Directors Meetings", "Audit Committee Charter" and "Remuneration Committee Charter." 14. Approval for application for the renewal of credit limit with the banks.
May 6, 2020	1. Approval for the nomination qualification of the 8th term Directors and Independent Directors. 2. Approval for the candidates of the 8th term Directors and Independent Directors of the Company from the non-competition restrictions. 3. Approval for managers of the Company from the non-competition

Date	Major Resolutions
	restrictions. 4. Approval for the proposals and nominations of the Shareholders' Meeting for 2020. 5. Approval for business reports for 2019. 6. Approval for business plan for 2020. 7. Cancellation of employee restricted shares that does not meet vesting conditions. 8. Approval for adjustment of salary for 2020. 9. Approval for disbursement of Dragon Boat and Mid-Autumn Festivals bonuses for 2020. 10. Approval for "Procedures of Performance Evaluation of the Board of Directors and Functional Committees." 11. Approval for the amendment of "Corporate Governance Best Practice Principles", "Corporate Social Responsibility Best Practice Principles" and "Procedures for Ethical Management and Guidelines for Conduct." 12. Approval for application for the renewal of credit limit with the banks.

(12) For the Most Recent Year up to the Publication Date of this Annual Report, major issues of record or written statements made by any Director or Supervisor dissenting to important resolutions passed by the Board of Directors: None.

(13) For the Most Recent Year up to the Publication Date of this Annual Report, resignation or dismissal of the Company's key individuals, including the Chairman, CEO, and Heads of Accounting, Finance, Internal Audit, and R&D: None.

5. Information Regarding the Company's Audit Fee and Independence

(1) Audit Fees

Unit: NT$ thousand

Accounting Firm	Name of CPA	Audit fee	Non-audit fee					Period covered by CPA's audit	Remark
			System design	Company registration	Human resource	Others (Note)	Subtotal		
KPMG	Kuo Kuan-Ying	4,286	0	747	0	687	1,434	January 1 to December 31, 2019	
	Yen Hsin-Fu								

Note: Others include transfer pricing report of NT$375 thousand and tax consultation of NT$312 thousand.

(2) For non-audit fees paid to CPAs, accounting firms, and affiliated companies thereof that amount to more than 1/4 of the audit fees, disclosure should made regarding the amount of audit and non-audit fees, and the service content of audit and non-audit fees: Please provide description with the table above.

(3) Changes in the accounting firm that result in lesser audit fees paid in comparison to the previous year, and disclosure for the change in audit fee, and the reason for the change: None

(4) Reduction of audit fees by more than 10% compared to the previous year, and disclosure for the amount and percentage reduced, and the reason for the reduction: None

6. Replacement in CPA: None.

7. If the Chairman, President, and Financial or Accounting Manager of the Company Had Worked for the Accounting firm or Related Parties thereof in the Most Recent Year: None.

8. Change in Shareholidng of Directors, Supervisors, Managers and Major Shareholders in the Most Recent Year up to the Publication Date of this Annual Report.

(1) Changes in shareholding of Directors, Supervisors, Managers and major Shareholders

Unit: Share

Position	Name	2019		As of April 20, 2020	
		Increase (decrease) in Shares Held	Increase (decrease) in Shares Pledged	Increase (decrease) in Shares Held	Increase (decrease) in Shares Pledged
Director/Major Shareholder	Compal Electronics Inc.	0	0	0	0
Director/Major Shareholder	Compal Electronics Inc. Representative: Chen Jui-Tsung				
Director/Major Shareholder	Compal Electronics Inc. Representative: Wong Chung-Pin				
Director/Major Shareholder	Compal Electronics Inc. Representative: Peng Sheng-Hua				
Director/Major Shareholder	Compal Electronics Inc. Representative: Liu Chung-Pao (Note 1)				
Director/Major Shareholder	Compal Electronics Inc. Representative: Tseng Chao-Peng (Note 1)				
Director	Wei Je-He	0	0	0	0
Independent Director	Lee Ying-Jen	0	0	0	0
Independent Director	Wen Ching-Jang	0	0	0	0
Independent Director	Yang Wen-An	0	0	0	0
Director cum President	Tseng Chao-Peng (Note 2)	22,610	0	0	0
Executive Vice President	Lu Fong-Yu	(12,228)	0	0	0
Senior Vice President	Chen Chien-Lin	(6,984)	0	0	0
Vice President	Liu Chung-Pao	13,061	0	0	0
Vice President	Hsiung Nien-Che	(79,940)	0	0	0
Vice President	Lee Chih-Fang	(17,607)	0	0	0
Vice President	Kuo Shin-Lung	13,064	0	0	0

Position	Name	2019		As of April 20, 2020	
		Increase (decrease) in Shares Held	Increase (decrease) in Shares Pledged	Increase (decrease) in Shares Held	Increase (decrease) in Shares Pledged
Chief Accounting Officer	Huang Shih-Wei	7,790	0	0	0
Head of Internal Audit	Peng Yi-Ling	(20)	0	0	0

Note 1: On April 12, 2019, Compal Electronics Inc. appointed new Director representative: Tseng Chao-Peng stepped down and Liu Chung-Pao was appointed.

Note 2: On June 25, 2019, Tseng Chao-Peng was elected as Director in by-election.

(2) Shares transferred to or pledged with related parties

1. Share transferred to related parties: None.
2. Shares pledged with related parties: None.

9. Relationship among the Top Ten Shareholders

April 20, 2020
Unit: Share

Name	Shares held by oneself		Current Shares Held by Spouse, Minor Child(ren)		Total shares held in the names of others shares held		Spouse, relative of second degree or closer, and relationships among top 10 shareholders		Remark
	Number of Shares	Percentage of Shareholding	Number of Shares	Percentage of Shareholding	umber c Shares	Percentage of Shareholding	Name	Relationship	
Compal Electronics Inc. Representative: Hsu Sheng-Hsiung	41,304,504	19.81%	0	0%	0	0%	Hong Ji Capital Co., Ltd., Gempal Technology Corp., Panpal Technology Corp., Hong Jin Investment Co., Ltd.	Subsidiaries of the Company: Hong Ji Capital Co., Ltd., Gempal Technology Corp., Panpal Technology Corp., Hong Jin Investment Co., Ltd.	
Hong Ji Capital Co., Ltd. Representative: Hsu Sheng-Hsiung	9,278,643	4.45%	0	0%	0	0%	Compal Electronics Inc.	Parent company of the Company	
Gempal Technology Corp. Representative: Hsu Sheng-Hsiung	9,278,643	4.45%	0	0%	0	0%	Compal Electronics Inc.	Parent company of the Company	
Panpal Technology Corp. Representative: Hsu Sheng-Hsiung	8,191,724	3.93%	0	0%	0	0%	Compal Electronics Inc.	Parent company of the Company	
Fubon Life Insurance Co., Ltd. Representative: Tsai Ming-Hsing	7,187,601	3.45%	0	0%	0	0%	None.	None.	
TransGlobe Life Insurance Inc. Representative: Peng Teng-Te	5,521,772	2.65%	0	0%	0	0%	None.	None.	
Hong Jin Investment Co., Ltd. Representative: Hsu Sheng-Hsiung	4,609,160	2.21%	0	0%	0	0%	Compal Electronics Inc.	Parent company of the Company	
Chinatrust Transfer Agent in custody for Employee Restricted Shares of Arcadyan Technology Corporation.	4,364,000	2.09%	0	0%	0	0%	None.	None.	
JPMorgan Chase Bank N.A., in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	3,567,082	1.71%	0	0%	0	0%	None.	None.	
Vanguard Emerging Markets Stock Index Fund, A Series of Vanguard International Equity Index Funds	2,179,219	1.05%	0	0%	0	0%	None.	None.	

10. Comprehensive Shareholding Information Relating to Company, Directors, Management and Companies Affiliated through Direct and Indirect Investment

December 31, 2019
Unit: Share; %

Investees	Invested by the Company		Held by Directors, Supervisors, Managers, and directly/indirectly controlled entities		Aggregated investment	
	Number of Shares	Percentage of Shareholding	Number of Shares	Percentage of Shareholding	Number of Shares	Percentage of Shareholding
Arcadyan Holding (BVI) Corp.	59,780,148	100%	0	0%	59,780,148	100%
Arcadyan Technology N.A. Corp.	1,000	100%	0	0%	1,000	100%
Arcadyan Germany Technology GmbH	500	100%	0	0%	500	100%
Arcadyan Technology Corporation Korea	20,000	100%	0	0%	20,000	100%
Arcadyan do Brasil Ltda.	964,510	99%	3,722	1%	968,232	100%
Arcadyan Technology Limited	50,000	100%	0	0%	50,000	100%
Arcadyan Technology Australia Pty Ltd	50,000	100%	0	0%	50,000	100%
Zhi-Pal Technology Inc.	34,980,000	100%	0	0%	34,980,000	100%
Tatung Technology Inc.	25,027,910	61%	670,770	2%	25,698,680	63%
AcBel Telecom Inc.	4,494,111	51%	0	0%	4,494,111	51%
Golden Smart Home Technology Corp.	1,228,807	11%	0	0%	1,228,807	11%
Sinoprime Global Inc. (BVI)	0	0%	9,050,000	100%	9,050,000	100%
Arcadyan Technology (Vietnam) Co., Ltd.	0	0%	0	100%	0	100%
Arcadyan Technology (Shanghai) Corp.	0	0%	0	100%	0	100%
Arch Holding (BVI) Corp.	0	0%	34,900	100%	34,900	100%
Compal Networking (Kunshan) Co., Ltd.	0	0%	0	100%	0	100%
Tatung Technology of Japan Co., Ltd.	0	0%	300	100%	300	100%
Quest International Group Co., Ltd.	0	0%	1,200,000	100%	1,200,000	100%
Exquisite Electronic Co., Ltd.	0	0%	1,170,000	100%	1,170,000	100%
Tatung Home Appliances (Wujiang) Co., Ltd.	0	0%	0	100%	0	100%
Leading Images Limited	0	0%	50,000	100%	50,000	100%
Astoria Networks GmbH	0	0%	25,000	100%	25,000	100%
Compal Broadband Networks, Inc.	533,217	1%	42,199,813	63%	42,733,030	64%

IV. Fund Raising

1. Capital and Shares

(1) Source of capital

Unit: thousand shares: NT$ thousand; April 20, 2020

Year	Month	Issue price	Authorized capital (note)		Paid-up capital		Remark		
			Number of Shares	Amount	Number of Shares	Amount	Source of capital	Paid in properties other than cash	Others
2015	3	10	200,000	2,000,000	189,183	1,891,828	New issuance of cash capital increase of NT$250,000 thousand.	None.	Approved by MOEA on March 4, 2015 in document number 10401023500.
2015	8	10	200,000	2,000,000	189,144	1,891,438	Cancellation of employee restricted shares of NT$390 thousand.	None.	Approved by MOEA on August 31, 2015 in document number 10401181100.
2016	8	10	200,000	2,000,000	189,119	1,891,191	Cancellation of employee restricted shares of NT$247 thousand.	None.	Approved by MOEA on August 29, 2016 in document number 10501211450.
2018	11	10	200,000	2,000,000	193,619	1,936,191	Cancellation of employee restricted shares of NT$45,000 thousand.	None.	Approved by MOEA on November 22, 2018 in document number 10701146380.
2019	4	10	200,000	2,000,000	193,577	1,935,771	Cancellation of employee restricted shares of NT$420 thousand.	None.	Approved by MOEA on April 8, 2019 in document number 10801038100.
2019	5	10	200,000	2,000,000	193,555	1,935,551	Cancellation of employee restricted shares of NT$220 thousand.	None.	Approved by MOEA on May 29, 2019 in document number 10801060720.
2019	7	10	300,000	3,000,000	208,535	2,085,351	New issuance of cash capital increase of $150,000 thousand and employee restricted shares of NT$200 thousand	None.	Approved by MOEA on December 10, 2019 in document number 10801172780.
2020	4	10	300,000	3,000,000	208,483	2,084,831	Cancellation of employee restricted shares of NT$520 thousand.	None.	Approved by MOEA on April 20, 2020 in document number 10901054250.

Unit; share; April 20, 2020

Share type	Authorized capital			Remark
	Outstanding shares (publicly listed)	Unissued shares	Total (Note)	
Registered ordinary shares	208,483,090	91,516,910	300,000,000	Authorized capital includes 40 million stock warrant, preferred shares with warrants, corporate bonds with warrants in capital.

■ Shelf registration system information: Not applicable.

(2) Shareholder Structure

April 20, 2020; unit; share

Shareholder Structure / Analysis	Governmental agencies	Financial institutions	Others legal person(s)	Individuals	Foreign institutions and foreigners	Total
Number of shareholders	0	10	187	26,896	147	27,240
Shares Held	0	17,445,755	79,214,618	88,748,214	23,074,503	208,483,090
Percentage of Shareholding	0.00%	8.37%	37.99%	42.57%	11.07%	100.00%

(3) Share ownership distribution

April 20, 2020; unit: share

Range of Shareholding	Number of Shareholders	Shares Held	Percentage of Shareholding
1 to 999	7,263	696,661	0.33
1,000 to 5,000	16,451	31,143,648	14.94
5,001 to 10,000	1,987	14,846,459	7.12
10,001 to 15,000	590	7,344,799	3.52
15,001 to 20,000	283	5,133,499	2.46
20,001 to 30,000	239	5,875,355	2.82
30,001 to 50,000	191	7,562,931	3.63
50,001 to 100,000	131	9,342,229	4.48
100,001 to 200,000	53	7,615,819	3.65
200,001 to 400,000	23	6,333,289	3.04
400,001 to 600,000	7	3,446,697	1.65
600,001 to 800,000	4	2,812,407	1.35
800,001 to 1,000,000	3	2,786,615	1.34
More than 1,000,001	15	103,542,682	49.67
Total	27,240	208,483,090	100.00%

(4) List of Major Shareholders

April 20, 2020; unit; share

Name of Major Shareholder \ Share	Shares Held	Percentage of Shareholding
Compal Electronics Inc.	41,304,504	19.81%
Hong Ji Capital Co., Ltd.	9,278,643	4.45%
Gempal Technology Corp.	9,278,643	4.45%
Panpal Technology Corp.	8,191,724	3.93%
Fubon Life Insurance Co., Ltd.	7,187,601	3.45%
TransGloble Life Insurance Inc.	5,521,772	2.65%
Hong Jin Investment Co., Ltd.	4,609,160	2.21%
Chinatrust Transfer Agent in custody for Employee restricted shares of Arcadyan Technology Corporation.	4,364,000	2.09%
JPMorgan Chase Bank N.A., in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	3,567,082	1.71%
Vanguard Emerging Markets Stock Index Fund, A Series of Vanguard International Equity Index Funds	2,179,219	1.05%

(5) Market share price, net worth, earnings, dividend and relevant information for the most recent two years

Unit: thousand shares: NT$

Item \ Year			2018	2019	As of March 31, 2020
Market price per share	Highest		81.00	118.00	95.00
	Lowest		44.30	72.60	55.00
	Average		64.85	93.54	75.91
Net value per share	Prior to distribution		46.82	52.29	51.40
	After distribution		43.82	47.59 (Note 2)	-
Earnings per share	Weighted average outstanding shares		189,119	191,708	204,119
	Earnings per share		4.61	6.85	1.28
Per-share dividend	Cash dividend (Note 1)		3.5	47 (Note 2)	-
	Stock dividends	From earnings	0	0 (Note 2)	-
		From capital reserves	0	0 (Note 2)	-
	Cumulative unpaid dividends		0	0	-
Analysis of investment returns	PE Ratio		14.07	13.66	-
	Price to dividend ratio		21.62	19.90 (Note 2)	-
	Dividend Yield		4.63%	5.02% (Note 2)	-

Note 1: The cash distribution from capital reserve for 2018 and 2019 amounted to NT$0.5 and NT$0.2 per share respectively.

Note 2: The disbursement for 2019 is as approved by the resolution of the Board of Directors on March 17, 2020.

Note 3: PE Ratio = Average closing price for the period / Earnings per share

Note 4: Price to dividend ratio = Average closing price for the period / Cash dividend per share
Note 4: Dividend Yield = Cash dividend per share / Average closing price for the period

(6) Dividend Policy and Implementation Status

1. Dividend policy as stipulated in the Articles of Incorporation

If the Company make a profit in a fiscal year, after all taxes and dues have been paid and losses have been covered, shall set aside ten percent of profits as a legal reserve (however when the legal reserve amounts to the register capital, this shall not apply,) set aside a special reserve in accordance with relevant laws and regulations, and then an appropriate amount shall be retained by the board of directors as basis for proposing a distribution plan according to the Company's operating status, which should be resolved in accordance with Item 2 of Article 27-1, and Article 26 of the Company's Articles of Incorporation.

The Company's distribution plan follows the principle of stable dividend policy considering factors such as the operating environment, operating performance, and financial structure. If the Company made a profit in the fiscal year, dividends and bonuses shall be no less than thirty percent of net profit after-tax. Cash dividends shall be no less than ten percent of the total dividends distributed to shareholders.

2. Proposal to distribute cash dividend at the Shareholders' Meeting

The Company authorizes the board of directors to distribute dividends, bonuses, capital reserve, or legal reserve in whole or in part in the form of cash, after a resolution adopted by a majority vote at a meeting of the board of directors attended by two-thirds of the total number of directors, and shall report it to the shareholders' meeting.

The cash dividend from the distribution of earnings for 2019 amounted to NT$4.5 per share; the cash distribution from capital reserve amounted to NT$0.2 per share.

Should the Company decide to buy back/recover outstanding shares, transfer treasury stock to employees, reduce share capital or in any other way alter the number of outstanding shares sometime later, the Board of Directors shall be authorized to adjust the payment rate of cash dividends and cash capital surplus as deemed necessary at its discretion.

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

(7) The impact on the operating performance of the Company and earnings per share by the proposal of the Shareholders' Meeting to issue stock dividend:

Not applicable (the Company has not made the financial estimation for 2020 public).

(8) Employees' and Directors' Compensation

1. Employees' and directors' compensation policies as stated in the Articles of Incorporation:

If the Company made a profit in a fiscal year, shall reserve no less than 5% for employee's compensation, and no more than 2% for remuneration of directors from the Company's pre-tax profit prior to the deduction of employee's compensation and directors remuneration.

Employees of the Company's subsidiaries meeting certain specific requirements are entitled to receive the employee's compensation. The qualifications and distribution methods shall be prescribed by the Board of Directors.

2. The estimation basis of the compensation for Employees, Directors and Supervisors for the current period, the computation basis for the number of shares issued as stock dividend serving as Employee compensation, and accounting treatments for any discrepancies between the amounts estimated and the amounts disbursed:

Compensation to directors and Employees, as denoted in the Articles of Incorporation, shall be estimated based on the Company's pre-tax profit prior to the deduction of employee's compensation and directors remuneration, and multiplied by the ratio as denoted in the Article of Incorporation (ratio for compensation to employees shall no less than 5%, and remuneration to directors shall no more than 2%).

For the compensation to employees in the form of common shares, it is computed using the closing price of the ordinary shares one day preceding the Board of Directors' meeting.

If the actual amounts differ from the amounts estimated, the differences are recorded as gains/losses in the subsequent year as a change in accounting estimate. The estimated amounted of the compensation to directors and employees in 2019 does not differ from the amount approved by the Board of Directors and submitted to the Shareholders' Meeting in 2020.

3. Employees compensation proposal passed by the Board of Directors:
   - The amount approved by the Board of Directors and submitted to the Shareholders' Meeting in 2020: Appropriation of compensation to employees amounted to NT$156,863 thousand and remuneration to Directors amounted to NT$11,812 thousand. The appropriation of compensation to Employees and remuneration to Directors does not differ from the estimated amount recognized in 2019.
   - The disbursement of compensation to Employees is made entirely in cash. As such, the ratios of compensation to employees by way of stock dividend to net income in Stand Alone Financial Statements or individual financial report, and to total compensation to employees are both nil.
4. Compensation to Employees and remuneration to Directors for the preceding year:
   - For the preceding year, the actual appropriation of compensation to Employees amounted to NT$104,047 thousand and remuneration to Directors amounted to NT$8,643 thousand, both did not differ from the amounts approved by the Board.

(9) Company Buyback of Own Shares: None.

2. Corporate Bonds:

(1) Corporate Bonds

<table>
<tr><th colspan="2">Type of corporate bonds</th><th>First domestic unsecured convertible corporate bonds</th></tr>
<tr><td colspan="2">Issue (Execute) date</td><td>June 6, 2019</td></tr>
<tr><td colspan="2">Face value</td><td>NT$100 thousand</td></tr>
<tr><td colspan="2">Issuance and trading location</td><td>Republic of China; listed in Taipei Exchange</td></tr>
<tr><td colspan="2">Issue price</td><td>Issued at 101% of par value</td></tr>
<tr><td colspan="2">Total amount</td><td>NT$1,000,000 thousand</td></tr>
<tr><td colspan="2">Coupon rate</td><td>0%</td></tr>
<tr><td colspan="2">Tenor</td><td>Three year, expiry date: June 6, 2022</td></tr>
<tr><td colspan="2">Credit guarantee institution</td><td>None.</td></tr>
<tr><td colspan="2">Trustee</td><td>KGI Bank Co., Ltd</td></tr>
<tr><td colspan="2">Underwriter</td><td>KGI Securities</td></tr>
<tr><td colspan="2">Legal counsel</td><td>Handsome Attorneys-at-Law: Chiu Ya-Wen</td></tr>
<tr><td colspan="2">CPAs</td><td>KPMG
Kuo Kuan-Ying, Yen Hsin-Fu</td></tr>
<tr><td colspan="2">Redemption</td><td>Except where the holders of the convertible corporate bond convert it into the Company’s common shares in accordance with Article 10 of the regulations governing the issuance of the Company’s corporate bonds, or the Company repurchases the convertible corporate bond at the business premises of securities firms and cancel it, the Company shall redeem this corporate bond in cash at its maturity in one go in accordance with the par value of the bond.</td></tr>
<tr><td colspan="2">Outstanding</td><td>NT$1,000,000 thousand</td></tr>
<tr><td colspan="2">Redemption or early repayment clause</td><td>None.</td></tr>
<tr><td colspan="2">Covenants</td><td>None.</td></tr>
<tr><td colspan="2">Credit rating agency, date of rating, rating of corporate bond</td><td>Not applicable.</td></tr>
<tr><td rowspan="2">Other rights of Bondholders</td><td>The amount of converted (exchanged or subscribed) ordinary shares, global depository receipts or other securities as of the publication date of the annual report</td><td>No conversion initiated by Bondholder as yet.</td></tr>
<tr><td>Conversion</td><td>As per the first domestic unsecured convertible</td></tr>
</table>

	right	corporate bonds.
Dilution effect and other adverse effects on existing Shareholders		According to the current conversion price, if all corporate bonds are converted to common shares, the Company is required to re-issue 10,752,688 common shares. The dilution rate amounts to 4.9%. Further, the coupon rate of this corporate bond is 0%, which allows the Company to obtain a low-cost financing and reduce interest expenses. Moreover, the conversion price is issued by referring to the premium price of common share. As such, the effect on existing shareholders is limited.
Custodian		Not applicable.

(2) Convertible bonds

Type of corporate bonds		First domestic unsecured convertible corporate bonds	
Item / Year		2019	As of April 30, 2020 for the current year
Market price of convertible bonds	Highest	120.80	112.50
	Lowest	104.35	100.50
	Average	110.33	105.61
Conversion Price		(Note)	93
Issue (Execute) date and conversion price at issuance		Issue date: June 6, 2019, conversion price at issuance was NT$98.3.	
Conditions for conversion		Issuance of new shares	

Note: Conversion price between June 6, 2019 and August 9, 2019 was NT$98.3; conversion price between August 10, 2019 and November 14, 2019 was NT$94.7; conversion price between November 15, 2019 and December 31, 2019 was NT$93.0.

(3) Exchangeable corporate bond: None.

(4) Blanket declaration of issued corporate bonds: None.

(5) Corporate bonds with warrants: None.

3. Preferred Shares: None.

4. Global Depository Receipts: None.

5. Employee Stock Option Plan: None.

6. Employee restricted shares Plan:

(1) Employee restricted shares Plan

April 20, 2020

Types of employee restricted shares plans	Employee restricted shares plans for 2018
Effective registration date	July 3, 2018
Issue Date	September 11, 2018
Issued new shares with restricted Employee rights	4,500 thousand shares
Issue price	NT$0 (issuance of bonus shares)
Percentage of issued new shares with restricted Employee rights to total issued shares	2.16%
Vesting conditions of new shares with restricted Employee rights	1. Vesting Condition A, totaling 3,500 thousand shares: Employees allocated the new shares with restricted Employee rights who are still in service, and have fulfilled the performance requirements of the Company, may obtain the shares according to the following shareholding ratio: In service for two years: 30% In service for three years: 30% In service for four years: 40% 2. Vesting Condition B, totaling 1,000 thousand shares: In pursuant to this regulation, with effect from the declaration date approved by the competent authority, for two full consecutive accounting years (including the year in which the declaration is made), the EPS of the Company is no less than NT$4.0, and after the Employees allocated the new shares with restricted Employee rights achieving the performance requirement, they are deemed meeting 100% of the vesting conditions after the financial reports of the second accounting year are ratified by the Shareholders' Meeting; if for two consecutive accounting years, the average EPS ranges between NT$3.0 and NT$4.0, the vesting ratio is 75%; if for two consecutive accounting years, the average EPS falls below NT$3.0, the vesting ratio is 0%. The aforementioned EPS is computed by dividing the net profit after tax documented in financial reports ratified by the Shareholders' Meeting with the effective number of outstanding shares declared to the competent authority in accordance with this regulation.
Restriction of new shares with restricted Employee rights	1. Employee may not sell, transfer, gift, pledge, create a right in rem or dispose by other ways, the new shares with restricted Employee rights. 2. After issued, the new shares with restricted Employee rights should be managed by custodian, and before the vesting conditions are fulfilled, under no circumstances or reasons should the shares be requested to be returned or handed over from the custodian. However, the new shares with restricted Employee rights may participate in stock dividend, cash dividend and cash capital increase.
Custody of new shares with restricted Employee rights	Managed by custodian
Treatment of new shares with restricted Employee rights that have not fulfilled vesting conditions	For allocated shares with restricted Employee rights, when Employees fail to meet the vesting conditions, the Company may redeem and cancel the shares with no consideration.

Number of new shares with restricted Employee rights that have been redeemed or bought back	136 thousand shares
Number of new shares with restricted Employee rights that have been lifted from restriction	0 share
Number of new shares with restricted Employee rights that have not been lifted from restriction	4,364 thousand shares
Percentage of number of new shares with restricted Employee rights that have not been lifted from restriction to total issued shares (%)	2.09%
Impact on Shareholders' Interest	Calculating based on the closing price on issue date, September 11, 2018 of NT$57.4, the expense amount is NT$57.4 per share, totaling NT$258,300 thousand for four years. Calculating based on vesting conditions and the circulated number of shares, the dilution of the expense amount each year is NT$0.3 per share, and will not impact the shareholders' interest significantly.

(2) Names and Shareholdings of Managers and Top 10 Employees for New Shares with Restricted Employee Rights Held

April 20, 2020: Unit: thousand shares; NT$ thousand

	Position	Name	Number of new shares with restricted Employee rights	Percentage of new shares with restricted Employee rights to total issued shares	Lifted from restriction				Not yet lifted from restriction			
					Number of shares lifted from restriction	Issue price	Issue amount	Percentage of new shares with restricted Employee rights lifted from restriction to total issued shares	Number of shares not yet lifted from restriction	Issue price	Issue amount	Percentage of number of shares not yet lifted from restriction to total issued shares
Manager	President	Tseng Chao-Peng	1,200	0.58%	0	0	0	0%	1,200	0	0	0.58%
	Executive Vice President	Lu Fong -Yu										
	Senior Vice President	Chen Chien-Lin										
	Vice President	Liu Chung-Pao										
	Vice President	Hsiung Nien-Che										
	Vice President	Lee Chih-Fang										
	Vice President	Kuo Shin-Lung										
	Chief Accounting Officer	Huang Shih-Wei										
Employee	Senior Director	Chuang Kuo-Yu	522	0.25%	0	0	0	0%	522	0	0	0.25%
	Senior Director	Wang Yu-Yu										
	Senior Director	Lin Yen-Ju										
	Senior RD Technical Director	Chen Yu-Kuo										
	Associate Director	Wang Po-Kang										
	Associate Director	Hsiao He-Chieh										
	Deputy Director	Tsai Wen-Pin										
	Deputy Director	Yu Shao-Ming										
	Deputy Director	Liu Cheng-Kuo										
	Deputy Director	Wu Tang-Kuang										

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

8. Financing Plans and Implementation

(1) Content of Plans:

As of previous quarter of the publication date of the annual report, the content of plans and implementation status for previous issuances or private placements of securities that have yet been completed, or have been completed in the last three years, in which the benefits of the plans have yet emerged: None.

(2) Implementation Status:

Pertaining to item by item of the purpose of each plan stated in the preceding subparagraph as of previous quarter of the publication date of the annual report, analyze the implementation status and benefits as opposed to the original estimation. For instance, if there is implementation progress or benefits that have not achieved the estimated targets, the reasons, the influences on the shareholders' rights/interests and improvement plans shall be explained specifically: None.

V. Operational Highlights

The Company and its 100% invested subsidiaries-Arcadyan Technology N.A. Corp, Arcadyan Germany Technology GmbH, Arcadyan Technology Corporation Korea, Arcadyan Technology Limited, Arcadyan Holding (BVI) Corp., ZHI PAL Technology Inc., Arcadyan Technology Australia Pty Ltd, 99% invested subsidiary, Arcadyan do Brasil Ltda, 61% invested subsidiary, Tatung Technology Inc. and 51% invested subsidiary, AcBel Telecom Inc., Arcadyan Holding's 100% invested subsidiaries-Arch Holding (BVI) Corp., Sinoprime Global Inc. and Arcadyan Technology (Shanghai) Corp. Arch Holding's 100% invested subsidiary-Compal Networking (Kunshan) Co., Ltd. Sinoprime Global Inc.'s 100% invested subsidiary-Arcadyan Technology(Vietnam) Co., Ltd. Tatung Technology Inc.'s 100% invested subsidiaries- Tatung Technology of Japan Co., Ltd. and Quest International Group Co., Ltd., Quest International Group Co., Ltd.'s 100% invested subsidiary-Exquisite Electronic Co., Ltd. and Exquisite Electronic Co., Ltd.'s 100% invested subsidiary- Tatung Home Appliances (Wujiang) Co., Ltd. AcBel Telecom Inc.'s 100% invested subsidiary-Leading Images Ltd. and Leading Images Ltd.'s 100% invested subsidiary-Astoria Networks GmbH prepare the consolidated financial reports. As all the subsidiaries are mainly involved in R&D, manufacturing and sales of broadband and Wireless network products, the operational highlights of the consolidated entities are similar to the Company.

1. Business Activities

(1) Business Scope

1. Main areas of business operations

■Main content of business operations

The Company mainly involves in R&D, manufacturing and sales of broadband access, wireless LAN, digital home multimedia application, mobile broadband and wireless video products.

■Revenue distribution

Item \ Year	2018		2019	
	Amount	(%) of Total Sales in	Amount	(%) of Total Sales in
Broadband and wireles gateway	18,457,784	69.33	22,983,532	69.86
Wireless LAN products	7,680,343	28.85	9,482,084	28.82
Others	483,135	1.82	432,284	1.32
Total	26,621,262	100.00	32,897,900	100.00

2. The product (service) scope and new products development (service) are as follows,
   (1) Broadband gateway products: Mainly consists of the xDSL product and integrated access devices (IAD), combining with IoT, VoIP and multimedia application services.
   (2) Wireless LAN products: Mainly consists of Wi-Fi 6 and Mesh technology, as well as developing various home networking products.
   (3) Digital home multimedia application: Mainly consists of Android STB and IP STB, providing set top boxes and services for telecommunication companies or video streaming suppliers.
   (4) Mobile communication networking products: Including 5G NR terminal access equipment and the relevant antenna modules, small cell and various Smart Home IoT application.

(2) Industry overview

1. Current and future industry prospects

2019 is the first year of 5G commercialization. Continuing the industrial trend of 2019, the popularity of 5G will persist. Up until November 2019, there are over 27 countries and more than 50 telecommunication companies around the globe building non-standalone network. Due to the quick construction, the cost was relatively lower.

However, according to the forecast of Institute for Information Industry, the 5G NR in Standalone operation shall play an important role in developing the greatest advantage of 5G. The 5G NR in Standalone operation can provide the advantages of large bandwidth, high speed and low latency, putting new intellectualized innovative services in various areas into practice and propelling the supply chain development of equipment.

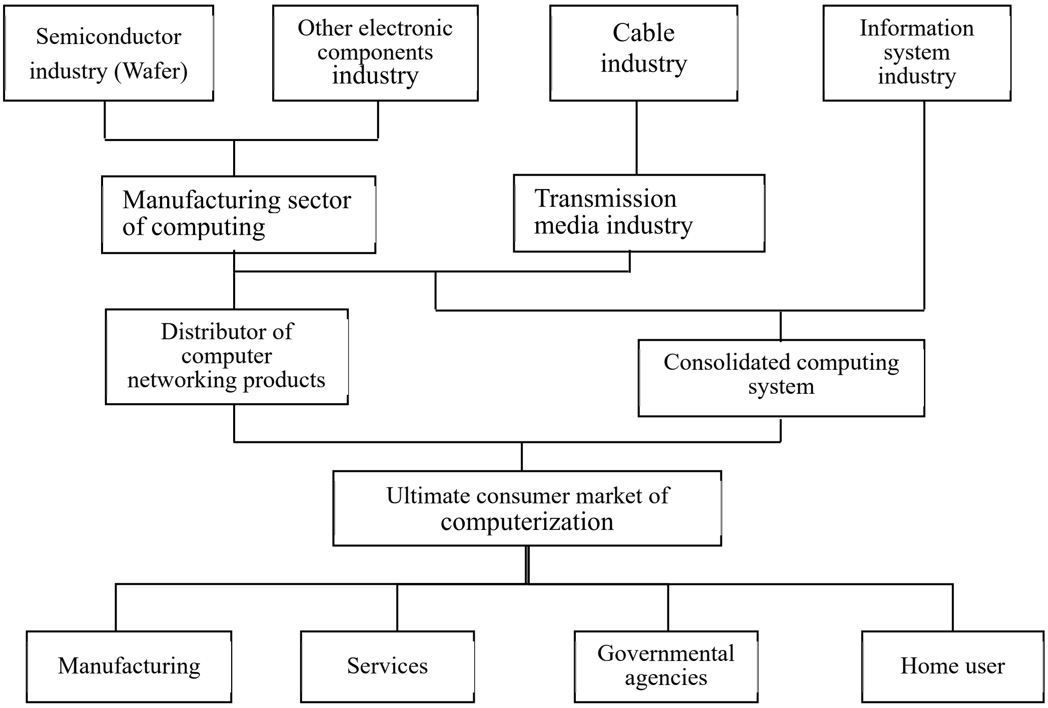
For the technology of 5G, in the mid of 2020, the formation of Rel-16 Standard is expected to be completed. In addition to enhancing operating efficiency and defining matters such as 5G specific structure, it will focus on enhanced Mobile Broadband (eMBB), massive Machine Type Communications (mMTC), Ultra Reliable Low Latency Communications (uRLLC) and other development of technological standard of vertical industrial application. The subsequent R17 standard will focus on strengthening the functions of vertical application.

Meanwhile, according to the forecast of Deloitte Taiwan, corporates building private 5G network will become a new trend. There are over 100 large scale corporates around the globe which will begin testing and building highly customized, confidential and self-reliant 5G vertical network to increase competitive advantage.

Not only will 5G technology be applied in corporate private network, AI and IoT technologies which have gain much popularity in recent years will integrate with 5G technology and develop more diversified and innovative applications in various vertical industries, such as smart manufacturing, smart energy management, smart public security, smart transportation, smart medical services, high quality visual entertainment. The collaboration between different industries will be getting much closer. The integration of technological applications will help corporates realizing much higher manufacturing capacity and enterprise value.

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

Integrating the R&D organization of upstream (dual-band wireless multimedia gateway controlling wafer and dual-band wireless multimedia decompressing wafer and other critical components) and downstream (provision of R&D platform) industries, providing networking system structure and fueling the development of communication related industries.



3. Product trends and competition

(1) Wireless LAN equipment

To seek greater business opportunities in IoT, in 2019, IEEE announced that the transmission speed of Wi-Fi 6 technology could reach up to 10Gbps. The specifications of Wi-Fi 6 would be determined in mid-2020 which more mobile phones, routers and other products will adopt. Under the same wireless LAN networking framework, Wi-Fi 6 allows corporates and service providers to support multiple users and arrange for simultaneous scheduling, which is the best solution for alleviating the internet overloading and supporting new applications while retaining the use of old ones.

Further, due to new specification of Wi-Fi developing into a high speed, low latency and multi-connection trend, which corresponds to the technological development philosophy of 5G and can complement the indoor communication blind spot of 5G technology, while lowering the building cost of the telecommunication operators. It is expected to have more mutual integration with 5G technology.

(2) Wired networking equipment

According to the report issued by Institute for Information Industry, the global DSL subscribers are declining. Compounded by the impact of the trade war, the growth of global broadband CPE products among broadband market has slowed down.

For the infrastructure of fiber network, fueled by the surge in IP flow and demand for application of large bandwidth, and considering the integration effect with the construction of 5G networking, many telecommunication operators from the Europe, US, Japan and Korea are building their 10G PON upgrades to fulfill the 8K streaming services, 5G backhaul network and other high speed transmission and low latency applications. Amongst the technologies are 10G EPON, XGS-PON and NG-PON2, in which each has its own market supporters. The market is still making observation as to which will become the mainstream technology.

(3) Research and Development

1. R&D expenditure for the most recent year up to the publication date of this annual report

Unit: NT thousands; %

Year	R&D expenses	Operating revenue	R&D expenses as a percentage of Operating revenue
2019	1,453,633	32,897,900	4.4%
First quarter of 2020	372,364	7,143,015	5.2%

2. New product or technology developed

■ Developed DOCSIS 3.1 cable modem home gateway.
■ Developed Android TV set-top box with smart speaker function.
■ Developed 10GPON BOSA on-board IAD.
■ Developed 5G indoor home gateway.
■ Establishment of Cloud Management System.

(4) Long-term and short-term development

1. Short-term development

(1) Research and development strategy

A. By means of technology integration and providing customization of products, grasping the market vibration and customer needs to increase market share.

B. In addition to lowering costs, applying the technology and know-how the Company has accumulated to develop new product lines, introducing them to the market and increasing product quality and popularity.

(2) Marketing strategy

Strengthening relationship with existing customers and actively developing new markets, expanding sales locations to building a complete marketing channels, providing professional consultation, maintenance and technical support for various products.

(3) Production strategy

A. Acquiring production location that will raise cost advantage and increase the competitiveness of products.

B. Increasing production efficiency to control budgets and costs.

(4) Operational and financial planning strategy

A. Actively expanding business, increasing operating revenue, accumulating operating capital, and expanding the scale of operation.

B. Increasing management efficiency, motivating the potential of Employees, strengthening internal organization.

2. Long-term development

(1) Research and development strategy

A. Combining the market demands, providing a complete product pipeline to customers, accumulating experience and technology intergration capability in communication design, developing the wide range and depth of product lines, and other high-end products so as to satisfy customer and market needs.

B. Continuing to improve the R&D process and efficiency, strengthening the R&D and core technology capabilities.

(2) Marketing strategy

A. Training professional marketing talents for the long term, developing long term relationship with customers, and grasping the market vibration and changes of network communication market and product development in a timely manner.

B. Actively seeking development collaboration or strategic alliance with international brand name companies to expand international markets.

(3) Production strategy

Maintaining long term cooperation relationship with upstream suppliers to collaborate in development, so as to lower costs, and develop high quality and competitive products.

(4) Operational and financial planning strategy

A. Using financial instruments from both domestic and foreign market to diversify financial risks.

B. Strengthening worldwide business philosophy and management capabilities, actively training international talents and aim toward building an global enterprise.

2. Market and Sales Overview

(1) Market Analysis

1. Sales (Service) by Regions

Area	Percentage
Europe	61.2 %
Asia (including Taiwan)	15.0 %
Americas	16.0 %
Others	7.8 %
Total	100.0 %

2. Market Share

According to MIC analysis report for 2019, the market value of communication terminal equipment of Taiwan ranges between NT$490 billion to NT$520 billion. It is estimated that the Company (including subsidiaries) occupies market share approximately 6% to 7%.

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

According to the analysis of IEK, the market value of networking infrastructure of Taiwan in 2019 is expected to grow by 1% to 2%. The growth is propelled by

(1) 5G network communication products: FWA (5G Fixed Wireless Access) application services across the Europe and US will be enabled since 2020, which will fuel the sales of 5G CPE products. Further, under the development of communication specification of 5G, in addition to continued upgrading of network performance, the medical application of 5G, the 5G smart factory and other strengthened functions can boost the sales of the relevant communication products.

(2) Wi-Fi 6 wireless communication equipment: The brand new Wi-Fi 6 (IEEE 802.11ax Standard) possesses higher network efficiency and low latency, which can be used in a high transmission demand environment, providing better signal channel for transmission. The standard of the technology will be completed in 2020. Various wafer manufacturers have made early preparation. The terminal end

procurement made by telecommunication operators and the rising popularity of smart speaker, electronics and other IoT products shall propel a new growth in Wi-Fi wireless communication modules and upgraded routers.

4. Competitive advantage

- Outstanding R&D team: Due to the outstanding capability of the R&D team and researchers with tremendous experience in the network communication, the Company has been designated by many international wafer makers as one of the Early Access Partners to take part in wafers development. As such, the Company is much earlier in obtaining the information of future products than its counterparts in the industry, allowing it to engage in product development sooner and thus gaining competitive advantages in launching new products.
- Product customization: With the support of the experience and capability of the R&D team, for the Access Technology, the Company has a mature R&D capability which allows it to develop software application and provide customers with high speed and strong functionality customized product design. The contribution of customized software application to customers includes:

  A. Assisting customers to create market segmentation of products effectively.
  B. Providing customers with quick customized product services.
  C. Assisting customers in developing competitive products successfully.
  D. Collaborating with wafer makes in development to ensure the leading position of the Company in product technology and functions.
  E. Reducing the customers' investment in customer service with user friendly interface.
- Deeply cultivation in the industry: Product technology accompanying by the growing customer demand in functionality, such as Carrier Wi-Fi, VDSL products, PON, IPTV and 802.11x solution is the focus and the Company thinks that the future of ISP market is promising and thus to build a direct collaboration business model with ISP in the future, even though the market development is time consuming, the

Company insists on investing R&D resources to accumulate product development experience, so as to strengthen R&D capability in the integration of product technology.

5. Future opportunities, threats, and responsive strategies

(1) Opportunities

■ Professional R&D team: In addition to technology advantages, the R&D team makes good use of the accumulated technical know-hows , so that make the Company as one of the Early Access Partners for many international wafer makers and a participant of the new wafer development process. As such, the Company is ahead of its counterparts in the industry in R&D investment and thus gaining advantages in launching new products.

■ Developing niche market: The Company sets a business target on developing niche market and the sales strategy is mainly providing differentiated products and services. Compared to other internet communication companies which provide standardized and cheap products in exchange for sales scale, the Company offers products that have higher profit margin, and thus is able to re-invest more resources in R&D, building a positive business cycle.

■ Customized product design: In addition to the technology capability in customization, the R&D team also needs to consider the functional flexibility in product design. In order to satisfy the time-sensitive demand of customers, the flexibility in product design is crucial. Currently, the Company has self-develop a software application, TRIPOLIS. The functions provided to customers include management, firewall or security, QoS, High Voice Quality on VoIP and Triple Play…etc. Via choosing from a simple menu, customers are able to choose different product functions and complete different product planning of different functions within a short timeframe. It not only satisfies the distinguished product needs of customers, but also complete product design and manufacturing efficiently, which speeds up launch of product in time.

(2) Threats

As the network communication technology is weeding through the old to bring forth the new quickly, many new competitors are attracted to join the industry. To acquire more customers and market share, many suppliers simplify the product functions to reduce cost, or adopt a low cost sales strategy, then give rise to price competition. However, the Company provides product customization and complete technical support as its operation goal. The costs are relatively higher and thus the Company is unable to engage in competitive pricing with other suppliers.

(3) Strategies

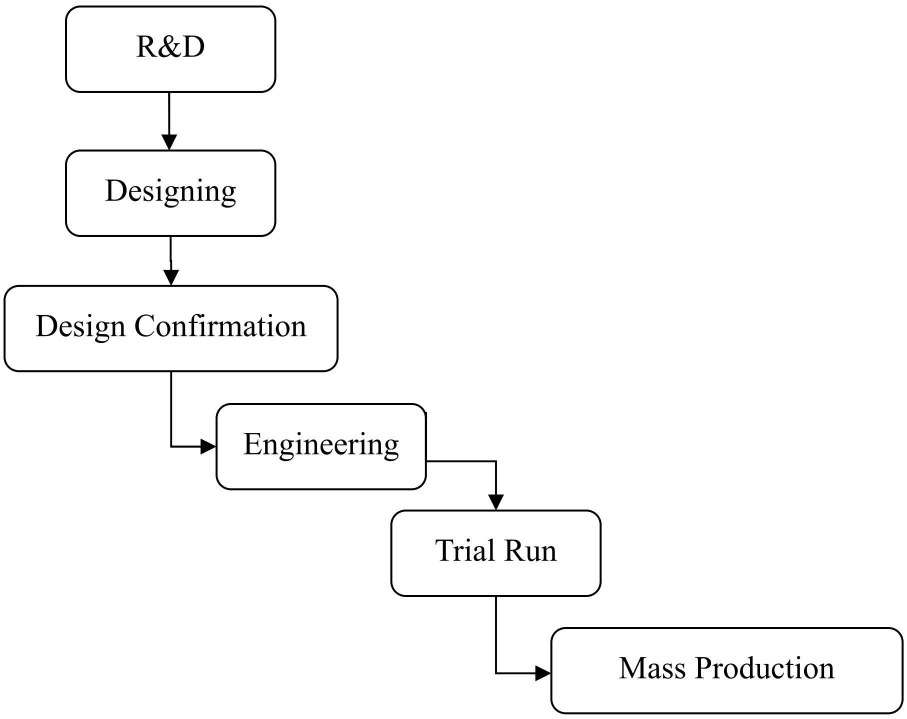
- Creating a single software platform: Via a single software platform, the Company is able to transform complicated product content into simple models, and thus win the orders quickly and go ahead of others.
- Integration of R&D technologies: The Company continues its effort in integrating with different technologies to obtain core technology, cost reducing and expanding market share. From the early stage Wired router with Wi-Fi function, VoIP, 802.11x, VDSL, ISDN, Wide-band DECT, IPv6, 3G/4G/5G and Carrier Wi-F, the Company continues to integrate and develop critical components.
- Mastering the timing of R&D: Accurately analyzing the market trend and future needs to engage in visionary product development.
- Creating mutual needs by collaborating with customers: Playing the partner role in mutual development with customers, providing better consultation and services, building up long term partnership but not merely playing as an OEM role.

(2) Major Products, their main uses and production processes

1. Main product applications

The business of the Company includes integrating smart network terminal equipment for broadband, multimedia, wireless and internet communication protocols, providing users with wireless access services. Currently, the Company focuses developing in access user-end and router products, combining VoIP, data transmission and IAD with multimedia applications, xDSL, router and wireless network interface card.

2. Production processes of main products



(3) Supply status of main materials

Main raw material	Supplier	Supplier conditions
Wafer	Company A	Good

(4) Suppiers and Customers that have accounted for over 10% of total operating revenue in any of Recent Two Years.

1. Major Suppliers

Unit: NT$ thousand

	2018				2019				As of March 31, 2020			
Item	Name	Amount	As a percentage of net purchases for the year (%)	Relationship with the issuer	Name	Amount	As a percentage of net purchases for the year (%)	Relationship with the issuer	Name	Amount	As a percentage to net purchases as of March 31 of the year (%)	Relationship with the issuer
1	Company A	3,077,532	13.8%	N/A	Company A	5,378,753	20.4%	N/A	Company A	1,053,574	17.2%	N/A
2	Others	19,214,215	86.2%		Others	21,001,588	79.6%		Others	5,066,835	82.8%	
	Net purchases	22,291,747	100.0%		Net purchases	26,380,341	100.0%		Net purchases	6,120,409	100.0%	
Reason for increase or decrease: Increase with Company A due to increase in customer orders.												

2. Major Customers

Unit: NT$ thousand

	2018				2019				As of March 31, 2020			
Item	Name	Amount	As a percentage of net sales for the year (%)	Relationship with the issuer	Name	Amount	As a percentage of net sales for the year (%)	Relationship with the issuer	Name	Amount	As a percentage to net sales as of March 31 of the year (%)	Relationship with the issuer
1	Company a	5,337,385	20.0%	N/A	Company b	6,229,683	18.9%	N/A	Company d	1,495,762	20.9%	N/A
2	Others	21,283,877	80.0%		Others	26,668,217	81.1%		Others	5,647,253	79.1%	
	Net sales	26,621,262	100.0%		Net sales	32,897,900	100.0%		Net sales	7,143,015	100.0%	
Reason for increase or decrease: Mainly due to market competition. the performance of customers varied and led to the changes in ranking.												

(5) Production in the Recent Two Years

Unit: thousand devices; NTD thousands

Production volume/value \ Year / Main products	2018			2019		
	Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
Broadband wireless gateway	11,550	9,605	18,627,997	12,573	9,628	17,838,657
Wireless networking products	17,934	12,744	6,762,688	16,766	14,093	9,200,348
Total	29,484	22,349	25,390,685	29,339	23,721	27,039,005

(6) Shipments and Sales in the Recent Two Years

Unit: devices; NTD thousands

Sales volume \ Year / Main products	2018				2019			
	Domestic sales		Export sales		Domestic sales		Export sales	
	Volume and value		Volume and value		Volume and value		Volume and value	
Broadband wireless gateway	21	26,532	8,845	18,431,252	11	6,999	9,856	20,187,894
Wireless networking products	74	127,986	11,827	7,552,357	90	165,250	13,506	9,316,834
Others	-	21,403	-	461,732	-	10,989	-	3,209,934
Total	95	175,921	20,672	26,445,341	101	183,238	23,362	32,714,662

3. Employee information in the Recent Two Years up to the Publication Date of this Annual Report

Unit: Person; %

Year		2018	2019	As of the Publication Date of Annual Report in 2020
Number of Employees	Administration and management Employees	21	22	17
	R&D Employees	585	655	670
	Ordinary Employees	2,640	3,152	3,010
	Total	3,246	3,829	3,697
Average age		31.8	31.1	32.04
Average Seniority		3.9	3.6	3.7
Distribution of academic qualifications	Doctoral degree	0.3%	0.2%	0.2%
	Master degree	11.3%	10.9%	11.3%
	Bachelor degree	23.4%	21.7%	25.5%
	High school	3.7%	4.1%	3.1%
	Below high school	61.3%	63.1%	59.9%

4. Expenditure on Environmental Protection

The operational activities of the Company does not give rise to any pollution. As such, no losses or fines were incurred or imposed due to pollution. For the coming year, the Company does not expect to incur such expenditure.

5. Labor Relations

(1) Availability and execution of Employee welfare, education, training and retirement policies. elaboration of the agreements between employers and Employees, and protection of Employee rights.

■ Employee welfare

For Employee welfare, in addition to conformity to Labor Standards Act and other law statutes, the Company has established Staff Benefit Committee. Besides provision of allowances for wedding, bereavement, sickness, children birth, the Committee regularly organizes social activities, domestic/overseas travel, birthday parties and gathering to provide entertainment to Employees and encourage their interaction. The various welfare measures are well received by Employees.

The Company allocates funds to “Staff Benefit Committee” by monthly basis for organizing Employee benefit activities, including birthday and holiday gift vouchers, organizing health and entertainment activities, family day, domestic/overseas travel, allowance for wedding, bereavement, children birth and hospitalization to Employees and family members, lucky draw at Year-end party, medical check-ups, group insurance and so on. Further, the Company provides the following benefits:

1. Employees enjoy annual leave in accordance with the Labor Standards Act from the first day of employment. Every year, 5 days of sick leave with pay is also given.
2. Establishing Employee canteens and cafes to take care of the diet of colleagues.
3. Providing colleagues with parking space for cars and motorcycles.
4. Providing special space for breastfeeding.
5. Establishing relaxing community centers and providing various equipment for Employees to stretch and work out.
6. Establishing elegant public spaces for Employees to relax.
7. Collaborating with charity organizations to hold charity massage events.
8. Booking services for various promotions.
9. Organizing year-end party for Employees.
10. Organizing domestic or overseas group travel, providing touring subsidy to encourage Employees’ participation and interactions, and promote family ties of the Employees.
11. Giving out the Company uniform (summer/polo shirt, winter/jacket).
12. In order to support government policy in childbirth as well as responding to the plan of Group, the Company subsidize birth bonus for every new born child. So far, more than NT$16,500 thousand of baby bonus has been paid.

■ Education and training

Career planning and training of the Employees are very important to the Company. As such, the Company encourages its Employees to participate in various training programs and self-learning. According to business strategy, occupational framework and training needs of the Company, the training courses are planned as follows:

1. Courses on professional training: Collaborating with schools and professional institutions, the Company organizes professional training course for Employees to continue in garnering R&D knowledge, creating innovative minds, keeping R&D team's capability in a leading position; Besides, the Company also invites academic and industrial professionals to make speeches for expediting knowledge sharing internally, strengthening R&D, making good use of new technologies and problem solving capabilities.
2. Courses on leadership and management: Continuing to organize for leadership and management courses to cultivate the leadership capability of supervisors and expand their visions, helping themselves and subordinates to grow continuously; adopting courses that facilitate interaction and sharing between different generations, assisting all units to take care of new Employees.
3. Courses on communication: Via project management and teamwork communication courses, assisting the supervisors of R&D and project managers to collaborate, strengthening the daily operation and problem solving capability.

   In 2019, approximately 1,865 people participated in the classroom course, totaling 5,430 training hours

   Via the introduction of new IT technology and the sharing of experience by numerous internal instructors, the Company was able to establish a knowledge sharing platform, Arcadyan Content Sharing System(CSS), where Employees can peruse teaching materials and watch video or audio clips within the Company, and share professional know-how of various departments. CSS is able to consolidate the resources of the Company. It not only allows Employees to obtain the required knowledge quickly, but also facilitate various departments to establish a knowledge managing mechanism, encouraging Employees to do self-learning at any time.

■ Retirement system

The Company has established retirement plans. According the plans, the number of years in service computed in accordance with Labor Standards Act is limited to 45 years; the computation and disbursement of pension are implemented according to the regulations. From July 1, 2005 onward, since the Labor Pension Act was taken into effect, Employees can choose the old or new system at their discretion. The Company conforms to the regulations and allocates 6% of Employees' wages to their individual accounts at Bureau of Labor Insurance.

■ Employer-Employee communications and the enforcement of worker rights

The Company has always valued Employee benefit and welfare. Meetings with labors are held regularly to collect Employee opinion, continuous communicate and improve the problem for both parties. Further, the labor and management can express their opinions via system platform and emails to maintain a good relationship.

■ Code of Conduct for Employees

The Company has established the "Code of Conduct for Employees", where the Employees in their course of work, must strictly follow the business ethics policy, so as to maintain the good reputation of the Company, and obtain the respect and trust by customers, suppliers and other counterparts. Other major contents:

1. The Employees should avoid personal conflict of interests with the Company or the potential impact.
2. Once dealing with suppliers, customers and other counterparts in the course of work, the Employees must maintain the highest level of ethical conduct and shall not receive or give gifts, money, reception that will influence the normal working relationship and judgement. Any type of bribery should be prohibited abslotely.
3. When the Employee are during their tenure or have been resigned from office, they are not allowed to disclose any confidential business information or IP to any individuals, suppliers or companies.

All Employees have the duty to conform with the policies and procedures. Supervisors of all levels must do their best to implement and ensure their subordinates understand, accept and comply to the regulations strictly.

■ Work environment and Employee safety

At the initial stage of designing the hardware and software of the office environment, the Company set the protection of Employee safety as its top priority and ensure Employees can receive the greatest security at work. All the exits of the Company have access control installation. The toilets have equipped emergency buttons; Each floor has installed AED; The main entrance and exits have security guards to ensure the personal safety of the Employees.

The mechanical, electrical and fire protection facilities (such as fire alarm or fire extinguishers) of the Company are all well maintained in accordance with the regulations to ensure their optimal conditions.

Since the beginning of 2020, the Covid-19 virus pandemic has been spread. To mitigate the infectious risk of the Employees, the Company has put in place the following prevention measures:

1. Preparing suitable and sufficient anti-epidemic materials against the virus infection (such as facial masks, alcohol, thermometers, infrared thermal imaging camera and etc.).
2. Establishing temperature taking and screening measures to strengthen the health management of Employees.
3. Strengthening the cleaning and disinfection of the work place.
4. Strengthening the training on virus infection prevention and self-protection.
5. Monitoring Employees who go on business trips and touring closely, paying attention to Employees with personal health issues and taking necessary measures to trace and manage.
6. Strengthening split for group operation and rehearsal for work from home.

(2) For the Most Recent Year up to the Publication Date of this Annual Report, disclose the actual or estimated losses arising as a result of employment disputes and any responsive measures taken. If a reasonable estimation cannot be made, the reason why the estimation cannot be made should be disclosed:

■ The labor-management relations of the Company have been harmonious always. No losses were incurred and no estimated losses will be incurred in the coming year due to labor dispute.

■ Future responsive strategies and possible expenditure: None.

6. Important Contracts

Nature of agreement	Counterparty	Commencement date of contract	Major Contents	Restrictions
Sales contract	Company a	Effective from March 1, 2014, any party can terminate the contract three months prior to the expiry date by a written notice.	Engaging for designing, R&D, manufacturing of wireless telecommunication products.	Confidentiality clauses
Sales contract	Company b	Effective from March 23, 2006, any party can terminate the contract three months prior to the expiry date by a written notice.	Engaging for designing, R&D, manufacturing of wireless telecommunication products.	Confidentiality clauses
Sales contract	Company c	Effective from February 2007, unless termination notice is issued beforehand, the contract is renewed for another year automatically.	Engaging for designing, R&D, manufacturing of wireless telecommunication products.	Confidentiality clauses
Sales contract	Company d	Effective from March 1, 2004 to March 1, 2017, if no 12-month written termination notice was issued, the contract would continue to take effect until a 12-month written termination notice was issued.	Engaging for designing, R&D, manufacturing of STB products.	Confidentiality clauses
Sales contract	Company e	Effective from May, 2007 to May 2020, no party terminated the contract with a 20-business-day written notice. The contract was renewed for another year automatically.	Engaging for designing, R&D, manufacturing of wireless telecommunication products.	Confidentiality clauses
Sales contract	Company f	Effective from August 31, 2018 to August 30, 2021 for three years. If no termination notice is issued by either party, the contract is automatically renewed for another year.	Engaging for designing, R&D, manufacturing of wireless telecommunication products.	Confidentiality clauses
Sales contract	Company g	Effective from March 1, 2016 to February 29, 2017 for one years. If no 90-business-day termination notice is issued by either party, the contract is automatically renewed for another year.	Engaging for designing, R&D, manufacturing of wireless telecommunication products.	Confidentiality clauses
Sales contract	Company h	Effective from December, 2011 to December 31, 2012, both parties signed an extension contract until June 30, 2020.	Engaging for designing, R&D, manufacturing of wireless telecommunication products.	Confidentiality clauses
Sales contract	Company i	Effective from March 28, 2013 to March 28, 2016. Both parties signed an extension contract.	Engaging for designing, R&D, manufacturing of wireless telecommunication products.	Confidentiality clauses
Sales contract	Company j	Effective from March 2011, unless termination notice is issued beforehand, the contract is renewed automatically.	Engaging for designing, R&D, manufacturing of wireless telecommunication and STB products.	Confidentiality clauses
Sales contract	Company I	Effective from July, 2017 to July, 2020.	Engaging for designing, R&D, manufacturing of STB products.	Confidentiality clauses

Nature of agreement	Counterparty	Commencement date of contract	Major Contents	Restrictions
Sales contract	Company II	Effective from 2012, unless termination notice is issued beforehand, the contract is renewed for another year automatically.	Engaging for designing, R&D, manufacturing of STB products.	Confidentiality clauses
Patent licensing agreement	Company III	Effective from December 29, 2007, until patent expires.	Authorizing the Company the right to use certain patents of Company III for manufacturing and sales of products.	Confidentiality clauses
Patent licensing agreement	Company IV	Effective from June 30, 2015 to December 31, 2020.	Authorizing the Company the right to use certain patents in HEVC of Company IV for manufacturing and sales of STB products.	Confidentiality clauses
Patent licensing agreement	Company V	Effective from 2011, until patent expires.	Authorizing the Company the right to use certain patents of Company V for manufacturing and sales of products.	Confidentiality clauses

VI. Financial Information

1. Five-Year Financial Summary

(1) Condensed Balance Sheet – Based on IFRS (Consolidated)

Unit: NT$ thousand

Item \ Year		Financial Summary for The Last Five Years					
		2015	2016	2017	2018	2019	As of March 31, 2020
Current assets		10,631,016	12,350,196	13,121,132	18,638,678	22,052,835	22,303,160
Property, plant, and equipment		1,912,137	1,916,931	1,779,566	1,913,556	2,312,578	2,300,766
Intangible assets		98,641	91,776	70,862	61,033	66,878	70,424
Other assets		576,599	858,234	610,288	640,213	1,098,694	1,375,492
Total assets		13,218,393	15,217,137	15,581,848	21,253,480	25,530,985	26,049,842
Current liabilities	Prior to distribution	5,002,489	5,987,291	6,495,495	11,620,412	13,044,806	14,186,702
	After distribution	5,305,119	6,724,855	6,873,734	12,297,855	Note 2	-
Non-current liabilities		108,911	134,683	161,946	159,270	1,145,245	1,147,996
Total liabilities	Prior to distribution	5,111,400	6,121,974	6,657,441	11,779,682	14,190,051	15,334,698
	After distribution	5,414,030	6,859,538	7,035,680	12,457,125	Note 2	-
Equity attributable to parent company shareholders		7,719,134	8,701,278	8,503,397	9,066,144	10,904,726	10,283,447
Ordinary shares		1,891,438	1,891,190	1,891,190	1,936,190	2,085,350	2,084,830
Capital surplus		2,656,430	2,655,927	2,656,323	2,794,174	3,703,916	3,661,755
Retained earnings	Prior to distribution	3,128,030	4,169,403	4,035,172	4,609,080	5,335,400	4,658,280
	After distribution	2,825,400	3,431,839	3,732,581	4,028,415	Note 2	-
Other equity interests		43,236	(15,242)	(79,288)	(273,300)	(219,940)	(121,418)
Treasury stock		0	0	0	0	0	0
Non-controlling interest		387,859	393,885	421,010	407,654	436,208	431,697
Total interest	Prior to distribution	8,106,993	9,095,163	8,924,407	9,473,798	11,340,934	10,715,144
	After distribution	7,804,363	8,357,599	8,546,168	8,796,355	Note 2	-

Note 1: The above financial information for the most recent five years has been audited by CPAs. Financial information as of March 31, 2020 has been reviewed by CPAs.

Note 2: The 2019 annual financial statements have not been approved at a shareholders' meeting. Therefore, the amount after distribution is not listed.

(2) Condensed Balance Sheet – Based on IFRS (Individual)

Unit: NT$ thousand

Item \ Year		Financial Summary for The Last Five Years				
		2015	2016	2017	2018	2019
Current assets		6,970,641	8,732,776	8,176,155	12,089,903	16,440,772
Property, plant, and equipment		1,525,295	1,534,944	1,482,133	1,459,348	1,455,271
Intangible assets		89,814	82,586	63,463	55,133	63,761
Other assets		2,523,299	2,337,260	2,294,611	2,621,496	3,595,588
Total assets		11,109,049	12,687,566	12,016,362	16,225,880	21,555,392
Current liabilities	Prior to distribution	3,297,015	3,870,256	3,368,436	7,012,331	9,281,884
	After distribution	3,599,645	4,607,820	3,746,675	7,689,774	Note 2
Non-current liabilities		92,900	116,032	144,529	147,405	1,368,782
Total liabilities	Prior to distribution	3,389,915	3,986,288	3,512,965	7,159,736	10,650,666
	After distribution	3,692,545	4,723,852	3,891,204	7,837,179	Note 2
Equity attributable to parent company shareholders		7,719,134	8,701,278	8,503,397	9,066,144	10,904,726
Ordinary shares		1,891,438	1,891,190	1,891,190	1,936,190	2,085,350
Capital surplus		2,656,430	2,655,927	2,656,323	2,794,174	3,703,916
Retained earnings	Prior to distribution	3,128,030	4,169,403	4,035,172	4,609,080	5,335,400
	After distribution	2,825,400	3,431,839	3,732,581	4,028,415	Note 2
Other equity interests		43,236	(15,242)	(79,288)	(273,300)	(219,940)
Treasury stock		0	0	0	0	0
Non-controlling interest		0	0	0	0	0
Total interest	Prior to distribution	7,719,134	8,701,278	8,503,397	9,066,144	10,904,726
	After distribution	7,416,504	7,963,714	8,125,158	8,388,701	Note 2

Note 1: The financial information for the most recent five years above has been audited by CPAs.
Note 2: The 2019 annual financial statements have not been approved at the Shareholders' Meeting. Therefore, the amount after distribution is not listed.

(3) Condensed Statement of Comprehensive Income – Based on IFRS (Consolidated)

Unit: NT$ thousand

Year / Item	Financial Summary for The Last Five Years					As of March 31, 2020
	2015	2016	2017	2018	2019	
Net sales revenue	19,975,001	23,910,479	20,110,209	26,621,262	32,897,900	7,143,015
Gross profit	2,376,487	3,865,844	2,801,989	3,156,200	4,352,375	1,047,875
Net operating income	535,776	1,794,183	918,536	971,443	1,727,512	428,460
Non-operating income and expense	189,396	(96,238)	(131,208)	146,581	(24,688)	27,746
Net income before tax	725,172	1,697,945	787,328	1,118,024	1,702,824	456,206
Net income from continuing operations	579,190	1,373,002	650,310	880,183	1,356,986	246,527
Net loss from discounting operations	0	0	0	0	0	0
Net income (loss)	579,190	1,373,002	650,310	880,183	1,356,986	246,527
Income (Loss) from Other comprehensive income (loss) (net after tax)	46,481	(78,332)	(67,902)	31,652	(53,703)	85,965
Total comprehensive income of the current period	625,671	1,294,670	582,408	911,835	1,303,283	332,492
Net income attributes to shareholders of the Parent	574,451	1,357,473	607,243	871,519	1,313,498	261,054
Net income attributable to non-controlling interest	4,739	15,529	43,067	8,664	43,488	(14,527)
Comprehensive income attributed to owners of parent	622,064	1,281,371	539,335	902,103	1,260,626	337,090
Comprehensive income attributed to non-controlling interests	3,607	13,299	43,073	9,732	42,657	(4,598)
Earnings per share	3.06	7.19	3.21	4.61	6.85	1.28

Note 1: The financial information for the most recent five years above has been audited by CPAs. Financial information as off March 31, 2020 has been reviewed by CPAs.

Note 2: The 2019 annual financial statements have not been approved at the Shareholders' Meeting.

(4) Condensed Statement of Comprehensive Income – Based on IFRS (Individual)

Unit: NT$ thousand

Item \ Year	Financial Summary for The Last Five Years				
	2015	2016	2017	2018	2019
Net sales revenue	16,711,653	19,983,085	14,911,943	21,826,567	27,381,217
Gross profit	1,790,152	3,007,684	2,039,761	2,510,396	3,540,816
Net operating income	456,416	1,525,938	716,018	894,010	1,551,570
Non-operating income and expense	227,037	109,457	(2,571)	149,383	22,680
Net income before tax	683,453	1,635,395	713,447	1,043,393	1,574,250
Net income from continuing operations	574,451	1,357,473	607,243	871,519	1,313,498
Net loss from discounting operations	0	0	0	0	0
Net income (loss)	574,451	1,357,473	607,243	871,519	1,313,498
Income (Loss) from Other comprehensive income (loss) (net after tax)	47,613	(76,102)	(67,908)	30,584	(52,872)
Total comprehensive income of the current period	622,064	1,281,371	539,335	902,103	1,260,626
Earnings per share	3.06	7.19	3.21	4.61	6.85

Note 1: Gross profit includes unrealized profit from affiliated companies.
Note 2: The above financial information has been audited by CPAs.
Note 3: The 2019 annual financial statements have not been approved at the Shareholders' Meeting.

(5) Auditors' Opinions

Year	Accounting Firm	Name of CPA	Audit Opinion
2015	KPMG	Kuan-Ying Kuo, I-Wen Wang	Unqualified opinion.
2016	KPMG	Kuan-Ying Kuo, Hsin-Fu Yen	Unqualified opinion.
2017	KPMG	Kuan-Ying Kuo, Hsin-Fu Yen	Unqualified opinion.
2018	KPMG	Kuan-Ying Kuo, Hsin-Fu Yen	Unqualified opinion.
2019	KPMG	Kuan-Ying Kuo, Hsin-Fu Yen	Unqualified opinion.

2. Five-Year Financial Analysis

(1) IFRS (Consolidation)

Items		Year: 2015	2016	2017	2018	2019	As of March 31, 2020
		Financial Information for the Most Recent Five Years					
Capital Structure (%)	Debt ratio	38.67	40.23	42.73	55.42	55.58	58.87
	Long-term fund to PP&E ratio	429.67	481.49	510.59	503.41	539.92	515.62
Liquidity analysis	Current ratio	212.51	206.27	202.00	160.40	169.05	157.21
	Quick ratio	143.91	139.01	141.34	103.36	107.92	98.15
	Interest coverage	40.61	171.32	63.92	39.83	32.16	60.86
Operating performance Analysis	Accounts receivable turnover (times)	4.06	4.25	3.72	4.82	5.52	4.61
	Average collection days	90	86	98	76	66	79
	Inventory turnover (times)	5.48	5.70	4.59	4.63	4.02	3.04
	Accounts payable turnover (times)	5.22	5.16	4.30	4.20	3.69	3.02
	Average inventory turnover days	67	64	79	79	91	120
	Property, plant and equipment turnover (times)	11.27	12.49	10.88	14.42	15.57	12.39
	Total Assets Turnover (times)	1.57	1.68	1.31	1.45	1.41	1.11
Profitability Analysis	Return on Assets (%)	4.65	9.71	4.29	4.94	5.99	1.00
	Return on Equity (%)	7.66	15.96	7.22	9.57	13.04	2.24
	Pre-tax income to paid-in capital ratio (%)	38.34	89.78	41.63	57.74	81.66	21.88
	Net income ratio (%)	2.90	5.74	3.23	3.31	4.12	3.45
	Earnings per share (NT$)	3.06	7.19	3.21	4.61	6.85	1.28
Cash Flow Analysis	Cash flow ratio (%)	0	35.14	16.56	15.62	19.14	0
	Cash flow adequacy ratio (%)	(Note 2)	130.12	125.70	83.24	78.64	72.94
	Cash reinvestment ratio (%)	(4.12)	16.36	3.10	12.34	12.74	(7.00)
Leverage	Operating leverage	1.59	1.19	1.39	1.39	1.26	1.28
	Financial leverage	1.03	1.00	1.01	1.04	1.03	1.03

Ratios with change of 20% or more in the most recent two years:

1. Return on Assets: Mainly due to increase in income for the current period.
2. Return on Equity: Mainly due to increase in income for the current period.
3. Pre-tax income to paid-in capital ratio: Mainly due to increase in income for the current period.
4. Net income ratio: Mainly due to increase in income for the current period.
5. Earnings per share: Mainly due to the increase in income for the current period.
6. Cash flow ratio: Mainly due to increase in cash flow from operating activities as compared with the last period.

Note 1: The financial information for the most recent five years above has been audited by CPAs. Financial information as off March 31, 2020 has been reviewed by CPAs.

Note 2: As the financial information generated after adoption of IFRS is less than five years, the ratio is unable to be computed.

(2) IFRS (Individual)

Items		Year: Financial Information for the Most Recent Five Years 2015	2016	2017	2018	2019
Capital Structure (%)	Debt ratio	30.51	31.42	29.23	44.13	49.41
	Long-term fund to PP&E ratio	512.17	574.44	583.48	631.35	843.38
Liquidity analysis	Current ratio	211.42	225.64	242.73	172.41	177.13
	Quick ratio	164.05	166.48	185.53	126.49	132.39
	Interest coverage	38.54	104.10	963.82	86.54	195.88
Operating performance Analysis	Accounts receivable turnover (times)	4.03	4.40	3.84	4.72	4.24
	Average collection days	91	83	95	77	86
	Inventory turnover (times)	8.46	8.95	6.18	7.59	6.46
	Accounts payable turnover (times)	6.17	6.54	4.82	4.80	3.74
	Average inventory turnover days	43	41	59	48	57
	Property, plant and equipment turnover (times)	11.77	13.06	9.89	14.84	18.79
	Total Assets Turnover (times)	1.54	1.68	1.21	1.55	1.45
Profitability Analysis	Return on Assets (%)	5.42	11.52	4.92	6.24	7.02
	Return on Equity (%)	8.02	16.53	7.06	9.92	13.15
	Pre-tax income to paid-in capital ratio (%)	36.13	86.47	37.72	53.89	75.49
	Net income ratio (%)	3.44	6.79	4.07	3.99	4.80
	Earnings per share (NT$)	3.06	7.19	3.21	4.61	6.85
Cash Flow Analysis	Cash flow ratio (%)	0	43.28	34.91	6.90	15.17
	Cash flow adequacy ratio (%)	(Note 2)	98.72	103.52	76.57	61.96
	Cash reinvestment ratio (%)	(5.11)	14.86	4.79	1.11	5.78
Leverage	Operating leverage	1.25	1.08	1.19	1.16	1.30
	Financial leverage	1.04	1.01	1.00	1.01	1.01

Ratios with change of 20% or more in the most recent two years:
1. Long-term fund to PP&E ratio: Mainly due to the issuance of convertible corporate bonds and conduct of cash capital increase.
2. Interest coverage: Mainly due to increase in income for the current period.
3. Accounts payable turnover (times): Mainly due to increase in accounts payable for the current period, as compared with the previous period.
4. Property, plant and equipment turnover (times): Mainly due to increase in operating revenue for the current period, as compared with the previous period.
5. Return on Equity: Mainly due to increase in income for the current period.
6. Pre-tax income to paid-in capital ratio: Mainly due to increase in income for the current period.
7. Net income ratio: Mainly due to increase in income for the current period.
8. Earnings per share: Mainly due to the increase in income for the current period.
9. Cash flow ratio: Mainly due increase in cash flow from operating activities in the current period, as compared with the last period.
10. Cash flow ratio: Mainly due to increase in cash flow from operating activities as compared with the last period

Note 1: The above financial information has been audited by CPAs.

Note 2: As the financial information generated after adoption of IFRS is less than five years, the ratio is unable to be computed.

Note 3: The calculation formulae of the ratios are listed at the end of the table:

The calculation formulae of the ratios above are as follows:

1. Capital Structure
   (1) Debt ratio = Total liabilities / Total assets
   (2) Long-term fund to PP&E ratio = (Net shareholders equity + Long-term liabilities) / Net property, plant and equipment
2. Liquidity analysis
   (1) Current ratio = Current Assets / Current liability
   (2) Quick ratio = (Current assets - Inventory - Prepaid expenses) / Current liability
   (3) Interest coverage = Net income before income tax and interest expense / Interest expense
3. Operating performance
   (1) Accounts receivable (including accounts receivable and notes receivable from operation) turnover = Net sales / the average balance of accounts receivable (including accounts receivable and notes receivable from operation)
   (2) Average collection days = 365 / accounts receivable turnover
   (3) Inventory turnover = Cost of goods sold / Average inventory
   (4) Accounts payable (including accounts payable and notes payable from operation) turnover = Cost of goods sold / the average balance of accounts payable (including accounts payable and notes payable from operation)
   (5) Average inventory turnover days = 365 / Inventory turnover
   (6) Property, plant and equipment turnover = Net sales / Net average property, plant and equipment
   (7) Total assets turnover = Net sales / Average total assets
4. Profitability
   (1) Return on Assets = [PAT + Interest expense × (1 - Interest rate)] / Average total assets
   (2) Return on Equity = PAT / Average net equity
   (3) Net income ratio = PAT / Net sales
   (4) Earnings per share = (PAT - Dividend from preferred stock) / Weighted average outstanding shares (Note 4)
5. Cash Flow Analysis
   (1) Cash flow ratio = Net cash flow from operating activities / Current liabilities
   (2) Cash flow adequacy ratio = Most recent 5-year cash flow from operating activities / Most recent 5-year (Capital expenditure + Increase in Inventory + Cash dividend)
   (3) Cash reinvestment ratio = (Cash flow from operating activities - cash dividend) / (Gross fixed assets + Long-term investment + Other assets + Working capital) (Note 5)
6. Leverage
   (1) Operating leverage = (Net revenue - Variable cost of goods sold and operating expense) / Operating income (Note 6)
   (2) Financial leverage = Operating income / (Operating income - Interest expenses)

Note 4: The following should be specially noted in the calculation formula of EPS:
1. The weighted average outstanding ordinary shares should serve as the basis, and not the issued shares as of the year-end.
2. For transactions involving cash capital increase or treasury stock, the weighted average outstanding shares should be calculated by considering their circulation period.
3. For any capital increase in retained earnings or additional paid-in capital, when calculating the EPS of previous fiscal years or half a fiscal year, retrospective capital increase adjustment should be adopted. It is not necessary to consider the issuance period of the capital increase.
4. If the preferred shares are unconvertible cumulative preferred shares, the dividend of that year (disbursed or otherwise) should be deducted from net income after tax, or added to net loss after tax. If the preferred shares are noncumulative preferred shares, when there is a net income after tax, the dividend of preferred shares should be deducted from net income after tax; if there is a net loss after tax, no adjustment is required.

Note 5: The following matters should be specifically noted in Cash Flow Analysis:

1. Net cash flow from operating activities is refer to net cash inflow from operating activities in Cash Flow Statement.
2. Capital expenditure is refer to the cash outflow of capital investment every year.
3. Inventory increase is only accounted for if the ending balance is greater than the beginning balance. If the ending balance decreases, the inventory increase amounts is regarded as zero.
4. Cash dividend includes cash dividend of ordinary shares and preferred shares.
5. Gross amount of Property, plant, and equipment is refer to Property, plant, and equipment before deducting accumulated depreciation.

Note 6: The issuer should distinguish various cost of goods sold and operating expense items as fixed or variable. If estimation or subjective judgement is involved, consistency must be applied.

Note 7: For the Company shares without par value or with par value that is not equivalent to NT$10 per share, regarding to the calculation of aforementioned paid-in capital, equity attributable to parent company shareholders in balance sheets should be adopted.

3. Audit Committee’s Report in the Most Recent Year

Audit Committee’s Review Report

The Company's 2019 financial statements have been approved by the board of directors. Kuan-Ying Kuo and Hsin-Fu Yen, the certified public accountants of KPMG, have completed the audit of the financial statements. In addition, the board of directors has prepared and submitted the Company’s 2019 business report and the proposal for distribution of earnings. We, the Audit Committee, has duly examined and determined such business report and proposal for distribution of earnings to be in line with the requirements under the Company Act and relevant laws and regulations. According to Article 14-4 of the Securities and Exchange Act and Article 219 of Company Act, we hereby submit this report.

To:

The 2020 General Shareholders’ Meeting of the Company

Arcadyan Technology Corporation

Chairman of Audit Committee: Lee Ying-Jen

March 17, 2020

4.Consolidated Financial Statements and Independent Auditors' Report

Representation Letter

The entities that are required to be included in the combined financial statements of ARCADYAN TECHNOLOGY CORPORATION as of and for the year ended December 31, 2019 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 endorsed by the Financial Supervisory Commission, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, ARCADYAN TECHNOLOGY CORPORATION and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: ARCADYAN TECHNOLOGY CORPORATION
Chairman: Jui-Tsung Chen (Ray Chen)
Date: March 17, 2020

Independent Auditors' Report

To the Board of Directors of Arcadyan Technology Corporation:

Opinion

We have audited the consolidated financial statements of Arcadyan Technology Corporation and its subsidiaries ("the Group"), which comprise the consolidated balance sheets as of December 31, 2019 and 2018, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), Interpretations developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC") endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

1. Inventory valuation

   Please refer to Note (4)(h) and Note (5) for the accounting policy of inventory valuation, as well as the estimation and assumption uncertainly of the valuation of inventory, respectively. Information regarding the inventory is shown in Note (6)(f) of the consolidated financial statements.

Description of key audit matters:

Inventory is measured at the lower of cost and net realizable value. The Group is primarily engaged in the research, development, manufacture and sale of wireless networking products, integrated access devices, digital home multimedia devices and mobile broadband products. The significant change in supply and competitive market of demand may cause fluctuation in product price. Consequently, the book value of inventory may exceed its net realizable value. Therefore, the valuation of inventory is one of the key audit matters.

How the matter was addressed in our audit:

Our principal audit procedures included : assessing the rationality of the Group’s accounting policies, such as the policy of provision for inventory loss due to price decline, obsolete, and slow moving inventories; inspecting the Group’s inventory aging reports’ accuracy and analyzing the changes of inventory aging which are in accordance with the Group’s accounting policies; sampling and inspecting the Group’s sales price, as well as verifying the calculation of the lower of cost or net realizable value; and assessing the disclosure of provision for inventory valuation and obsolescence was appropriate.

2. Provisions

Please refer to Note (4)(n) and Note (5) for the accounting policy of provisions, as well as the estimation and assumption uncertainly of provisions, respectively. Information regarding the provisions is shown in Note (6)(o) of the consolidated financial statements.

Description of key audit matters:

Assessment of provisions is subject to significant judgment and estimation from management. Accounting assumption is based on the historical experience of provision expenses as a percentage of sales.

How the matter was addressed in our audit:

Our principal audit procedures included : understing the method of estimation of provision, the sources of the data; confirming the policy of Group whether it is in accordance with the accounting principles; confirming whether the accounting estimates were conducted and the disclosure of provision was appropriate; performing retrospective testing for the amount of provision, testing the method of estimation, and recalculating the rationality of amount of provision.

Other Matter

Arcadyan Technology Corporation has prepared its parent-company-only financial statements as of and for the years ended December 31, 2019 and 2018, on which we have issued an unmodified opinion.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Kuan-Ying Kuo and Hsin-Fu Yen.

KPMG

Taipei, Taiwan (Republic of China)
March 17, 2020

Notes to Readers

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

The independent auditors' audit report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' audit report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2019		December 31, 2018	
	Assets	**Amount**	**%**	**Amount**	**%**
	Current assets:				
1100	Cash and cash equivalents (note (6)(a))	$ 7,607,559	30	5,976,053	28
1110	Current financial assets at fair value through profit or loss (note (6)(b))	15,455	-	35,744	-
1139	Current financial assets for hedging (note (6)(d))	61	-	-	-
1170	Notes and accounts receivable, net(including related parties) (notes (6)(e),(v) and (7))	6,106,597	24	5,816,762	27
1200	Other receivables(including related parties) (note(7))	208,524	1	81,844	-
1310	Inventories (note (6)(f))	7,811,724	30	6,400,895	30
1410	Prepayments	162,505	1	226,537	1
1470	Other current assets (note (8))	140,410	-	100,843	1
		22,052,835	86	18,638,678	87
	Non-current assets:				
1550	Investments accounted for using equity method (note (6)(g))	348,250	1	370,777	2
1511	Non-current financial assets at fair value through profit or loss (note (6)(b))	44,262	-	45,645	-
1517	Non-current financial assets at fair value through other comprehensive income (note (6)(c))	49,500	-	-	-
1600	Property, plant and equipment (note (6)(h) and (8))	2,312,578	10	1,913,556	10
1755	Right-of-use assets (note (6)(i) and (7))	147,810	1	-	-
1780	Intangible assets (note (6)(j))	66,878	-	61,033	-
1840	Deferred income tax assets (note (6)(r))	364,440	1	156,547	1
1900	Other non-current assets	144,432	1	67,244	-
		3,478,150	14	2,614,802	13
	Total assets	$ 25,530,985	100	21,253,480	100

		December 31, 2019		December 31, 2018	
	Liabilities and Equity	**Amount**	**%**	**Amount**	**%**
	Current liabilities:				
2100	Short-term borrowings (note (6)(k))	$ 519,038	2	1,819,915	9
2120	Current financial liabilities at fair value through profit or loss (note (6)(b))	5,414	-	3,176	-
2126	Current financial liabilities for hedging (note (6)(d))	4,932	-	-	-
2171	Accounts payable(including related parties) (note (7))	8,222,862	32	7,246,291	34
2200	Other payables(including related parties) (note (7))	1,537,265	6	987,020	5
2230	Current tax liabilities	532,947	2	224,990	1
2250	Current provisions (note (6)(o))	602,319	2	210,972	1
2280	Current lease liabilities (note(6)(n) and (7))	143,453	-	-	-
2300	Other current liabilities (note (6)(l))	1,476,576	7	1,128,048	5
		13,044,806	51	11,620,412	55
	Non-Current liabilities:				
2530	Bonds payable (note(6)(m))	966,492	4	-	-
2570	Deferred income tax liabilities (note(6)(r))	68,706	-	68,801	-
2580	Non-current lease liabilities (note (6)(n))	13,354	-	-	-
2640	Non-current net defined benefit liability (note (6)(q))	94,911	-	88,565	-
2670	Other non-current liabilities	1,782	-	1,904	-
		1,145,245	4	159,270	-
	Total liabilities	14,190,051	55	11,779,682	55
	Equity attributable to owners of parent (note (6)(m),(s) and (t)):				
3110	Ordinary share	2,085,350	8	1,936,190	9
3200	Capital surplus	3,703,916	14	2,794,174	13
3300	Retained earnings	5,335,400	21	4,609,080	22
3410	Exchange differences on translation of foreign financial statements	(95,172)	-	(53,684)	-
3450	Loss(Gain) from hedging instrument	(4,871)	-	-	-
3491	Unearned employee benefit	(119,897)	-	(219,616)	(1)
		10,904,726	43	9,066,144	43
3600	**Non-controlling interests**	436,208	2	407,654	2
	Total equity	11,340,934	45	9,473,798	45
	Total liabilities and equity	$ 25,530,985	100	21,253,480	100

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars, except earnings per share)

		2019		2018	
		Amount	%	Amount	%
4000	**Operating revenues (note (6)(v)and(7)):**	$ 32,897,900	100	26,621,262	100
5000	**Operating costs (note (6)(f), (6)(q), (7) and (12))**	28,545,525	87	23,465,062	88
	Gross profit from operating	4,352,375	13	3,156,200	12
	Operating expenses (notes (6)(q), (7) and (12)):				
6100	Selling expenses	689,498	2	593,099	2
6200	Administrative expenses	481,732	2	404,671	2
6300	Research and development expenses	1,453,633	4	1,186,987	4
	Total operating expenses	2,624,863	8	2,184,757	8
	Net operating income	1,727,512	5	971,443	4
	Non-operating income and expenses:				
7100	Interest income	70,899	-	43,129	-
7190	Other income	29,990	-	20,273	-
7225	Gains on disposals of investments (note (6)(g))	-	-	2,122	-
7230	Foreign exchange losses, net (note (6)(x))	(181,263)	-	(15,765)	-
7235	Gains on financial assets (liabilities) at fair value through profit or loss (note (6)(b) and (d))	110,075	-	90,480	-
7370	Share of profit of associates and joint ventures accounted for using equity method (note (6)(g))	2,172	-	42,789	-
7510	Interest expense (note(6)(m) and (n))	(56,561)	-	(36,447)	-
		(24,688)	-	146,581	-
	Profit from continuing operations before tax	1,702,824	5	1,118,024	4
7950	Less: Income tax expenses (note(6)(r))	345,838	1	237,841	1
	Profit	1,356,986	4	880,183	3
8300	**Other comprehensive income:**				
8310	**Components of other comprehensive income that will not be reclassified to profit or loss**				
8311	Gains (losses) on remeasurements of defined benefit plans	(8,141)	-	3,924	-
8349	Less: Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (note(6)(r))	(1,628)	-	(1,056)	-
	Components of other comprehensive income that will not be reclassified to profit or loss	(6,513)	-	4,980	-
8360	**Components of other comprehensive income (loss) that will be reclassified to profit or loss**				
8361	Exchange differences on translation of foreign financial statements	(52,772)	-	29,966	-
8368	Gains (losses) on hedging instrument (note(6)(d))	(4,871)	-	-	-
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 (note(6)(g))	(101)	-	(6)	-
8399	Less: Income tax related to components of other comprehensive income that will be reclassified to profit or loss (note(6)(r))	(10,554)	-	3,288	-
	Components of other comprehensive income that will be reclassified to profit or loss	(47,190)	-	26,672	-
8300	**Other comprehensive income**	(53,703)	-	31,652	-
	Total comprehensive income	**$ 1,303,283**	**4**	**911,835**	**3**
	Profit, attributable to:				
	Owners of parent	$ 1,313,498	4	871,519	3
	Non-controlling interests	43,488	-	8,664	-
		$ 1,356,986	**4**	**880,183**	**3**
	Comprehensive income attributable to:				
	Owners of parent	$ 1,260,626	4	902,103	3
	Non-controlling interests	42,657	-	9,732	-
		$ 1,303,283	**4**	**911,835**	**3**
	Earnings per share (note (6)(u))				
9750	Basic earnings per share	**$**	**6.85**		**4.61**
9850	Diluted earnings per share	**$**	**6.51**		**4.56**

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent												
			Retained earnings				Total other equity interest						
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings	Exchange differences on translation of foreign financial statements	Gains (losses) on hedging instruments	Unearned employee benefit and others	Total other equity interest	Total equity attributable to owners of parent	Non-controlling interests	Total equity
Balance at January 1, 2018	$ 1,891,190	2,656,323	702,668	15,242	3,317,262	4,035,172	(79,288)	-	-	(79,288)	8,503,397	421,010	8,924,407
Profit for the year ended December 31, 2018	-	-	-	-	871,519	871,519	-	-	-	-	871,519	8,664	880,183
Other comprehensive income for the year ended December 31, 2018	-	-	-	-	4,980	4,980	25,604	-	-	25,604	30,584	1,068	31,652
Comprehensive income for the year ended December 31, 2018	-	-	-	-	876,499	876,499	25,604	-	-	25,604	902,103	9,732	911,835
Appropriation and distribution of retained earnings:													
Legal reserve appropriated	-	-	60,724	-	(60,724)	-	-	-	-	-	-	-	-
Special reserve appropriated	-	-	-	64,046	(64,046)	-	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	(75,648)	-	-	(302,591)	(302,591)	-	-	-	-	(378,239)	-	(378,239)
Changes in equity of associates and subsidiaries accounted for using equity method	-	5,651	-	-	-	-	-	-	-	-	5,651	-	5,651
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	(8)	-	-	-	-	-	-	-	-	(8)	-	(8)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(23,088)	(23,088)
Issuance of restricted employee stock	45,000	207,856	-	-	-	-	-	-	(252,856)	(252,856)	-	-	-
Cost of employee restricted share	-	-	-	-	-	-	-	-	33,240	33,240	33,240	-	33,240
Balance at December 31, 2018	1,936,190	2,794,174	763,392	79,288	3,766,400	4,609,080	(53,684)	-	(219,616)	(273,300)	9,066,144	407,654	9,473,798
Profit for the year ended December 31, 2019	-	-	-	-	1,313,498	1,313,498	-	-	-	-	1,313,498	43,488	1,356,986
Other comprehensive income for the year ended December 31, 2019	-	-	-	-	(6,513)	(6,513)	(41,488)	(4,871)	-	(46,359)	(52,872)	(831)	(53,703)
Total comprehensive income for the year ended December 31, 2019	-	-	-	-	1,306,985	1,306,985	(41,488)	(4,871)	-	(46,359)	1,260,626	42,657	1,303,283
Appropriation and distribution of retained earnings:													
Legal reserve appropriated	-	-	87,152	-	(87,152)	-	-	-	-	-	-	-	-
Special reserve reversed	-	-	-	(25,604)	25,604	-	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	(96,778)	-	-	(580,665)	(580,665)	-	-	-	-	(677,443)	-	(677,443)
Capital increase by cash	150,000	930,000	-	-	-	-	-	-	-	-	1,080,000	-	1,080,000
Issuance of convertible bonds	-	48,667	-	-	-	-	-	-	-	-	48,667	-	48,667
Changes in equity of associates and subsidiaries accounted for using equity method	-	13	-	-	-	-	-	-	-	-	13	-	13
Share-based payment transactions	(840)	27,840	-	-	-	-	-	-	99,719	99,719	126,719	-	126,719
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(14,103)	(14,103)
Balance at December 31, 2019	**$ 2,085,350**	**3,703,916**	**850,544**	**53,684**	**4,431,172**	**5,335,400**	**(95,172)**	**(4,871)**	**(119,897)**	**(219,940)**	**10,904,726**	**436,208**	**11,340,934**

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

		2019	2018
Cash flows from (used in) operating activities:			
Profit before tax	$	1,702,824	1,118,024
Adjustments:			
Adjustments to reconcile profit (loss):			
Depreciation expense		393,265	218,519
Amortization expense		34,853	29,517
Expected credit loss (gain)		(7,442)	30,323
Interest expense		56,561	36,447
Interest income		(70,899)	(43,129)
Net loss (profit) on financial assets or liabilities at fair value through profit or loss		1,383	3,064
Share-based payments transactions		125,393	32,743
Share of profit of associates and joint ventures accounted for using equity method		(2,172)	(42,789)
Gain on disposal of property, plant and equipment		(10,870)	(2,017)
Gain on disposal of investments accounted for using equity method		-	(2,122)
Total adjustments to reconcile profit (loss)		520,072	260,556
Changes in operating assets and liabilities:			
Net loss (gain) on financial assets or liabilities mandatorily measured at fair value through profit or loss		(2,951)	(49,563)
Increase in notes and accounts receivable (including related parties)		(283,793)	(543,505)
Decrease (increase) in other receivable (including related parties)		(130,088)	21,078
Increase in inventories		(1,410,829)	(2,713,490)
Decrease (increase) in prepayments		64,032	(28,967)
Decrease (increase) in other current assets		(39,567)	4,269
Increase in accounts payable (including related parties)		976,571	3,325,648
Increase in other payable (including related parties) and other current liabilities		1,290,808	544,827
Increase (decrease) in other operating liabilities		6,346	(1,190)
Total changes in operating assets and liabilities		470,529	559,107
Total adjustments		990,601	819,663
Cash inflow generated from operations		2,693,425	1,937,687
Interest received		75,707	34,449
Dividends received		24,611	25,453
Interest paid		(54,699)	(28,987)
Income taxes paid		(242,219)	(153,494)
Net cash flows from operating activities		2,496,825	1,815,108
Cash flows from (used in) investing activities:			
Acquisition of financial assets at fair value through other comprehensive income		(49,500)	-
Proceeds from disposal of financial assets at fair value through profit or loss		25,478	-
Proceeds from disposal of investments accounted for using equity method		-	15,374
Acquisition of property, plant and equipment		(714,378)	(338,384)
Proceeds from disposal of property, plant and equipment		18,506	3,436
Decrease (increase) in refundable deposits		22,013	(29,880)
Acquisition of intangible assets		(40,704)	(19,674)
Increase in other non-current assets		(99,201)	-
Net cash flows from (used in) investing activities		(837,786)	(369,128)
Cash flows from (used in) financing activities:			
Increase (decrease) in short-term loans		(1,300,877)	1,102,842
Issuance of convertible bonds		1,007,240	-
Repayment of lease principal		(93,366)	-
Cash dividends paid		(677,441)	(378,225)
Proceeds from issuing shares		1,080,000	-
Acquisition of ownership interests in subsidiaries		-	(1,803)
Change in non-controlling interests		(12,777)	(20,796)
Other financing activities		-	99
Net cash flows from (used in) financing activities		2,779	702,117
Effect of exchange rate changes on cash and cash equivalents		(30,312)	16,667
Net increase in cash and cash equivalents		1,631,506	2,164,764
Cash and cash equivalents at beginning of period		5,976,053	3,811,289
Cash and cash equivalents at end of period	$	7,607,559	5,976,053

See accompanying notes to consolidated financial statements.

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

(1) Company history

Arcadyan Technology Corporation (the "Company") was incorporated in May 9, 2003 and merged with BroadNet Technology, Inc. on May 1, 2006.

The consolidated financial statements of the Company as of and for the year ended December 31, 2018 comprise the Company and its subsidiaries (together referred to as the "Group"). The Company is primarily engaged in the research, development, manufacture and sale of wireless networking products, integrated access devices, digital home multimedia devices and mobile broadband products. Please refer to note (4) (c) (ii) for related information of the Group primarily business activities.

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

These consolidated financial statements were authorized for issuance by the Board of Directors on March 17, 2020.

(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.

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

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

(i) IFRS 16"Leases"

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

(Continued)

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)(k).

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 factory facilities and vehicles.

A. 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.

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

b. Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term.

c. Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.

d. Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

(Continued)

B. 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) Impacts on financial statements

On transition to IFRS 16, the Group recognised additional $154,772 thousands of right-of-use assets and $154,772 thousands of lease liabilities. When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted-average rate applied is 3.50%.

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	$ 172,534
Recognition exemption for:	
short-term leases	(15,166)
	157,368
Discounted using the incremental borrowing rate at January 1, 2019	154,722
Finance lease liabilities recognized as at December 31, 2018	-
Lease liabilities recognized at January 1, 2019	**$ 154,722**

(ii) IFRIC 23 "Uncertainty over Income Tax Treatments"

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

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

There is no significant impact on the application of the amendments of tax liabilities.

(Continued)

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2020 in accordance with Ruling No. 1080323028 issued by the FSC on July 29, 2019:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020
Amendments to IFRS 9, IAS39 and IFRS7 "Interest Rate Benchmark Reform"	January 1, 2020
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020

The Group assesses that the adoption of the abovementioned standards would not have any material impact on its consolidated financial statements.

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

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

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 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 "Classification of Liabilities as Current or Non-current"	January 1, 2022

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 International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the Financial Supervisory Commission, R.O.C..

(Continued)

(b) Basis of preparation

(i) Basis of measurement

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

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

2) Hedging financial assets are measured at fair value; and

3) The defined benefit liabilities (assets) are measured at fair value of plan assets less the present value of the defined benefit, limifed as explained in note (4)(p).

(ii) Functional and presentation currencies

The functional currency of each Group entities is determined based on the primary economic environment in which the entities operate. The consolidated financial statements are presented in New Taiwan Dollars (NTD), which is the Company' s functional currency. All financial information presented in NTD has been rounded to the nearest thousand.

(c) Basis of consolidation

(i) Principle of preparation of the consolidated financial statements

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

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Intragroup balances and transactions, and any unrealized income and expenses arising from Intragroup transactions are eliminated in preparing the consolidated financial statements. The Group attributes the profit or loss and each component of other comprehensive income to the owners of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

The Group prepares consolidated financial statements using uniform accounting policies for like transactions and other events in similar circumstances. Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received will be recognized directly in equity, and the Group will attribute it to the owners of the parent.

(Continued)

(ii) List of subsidiaries in the consolidated financial statements

Investor	Name of Subsidiary	Nature of operation	Percentage ownership December 31, 2019	Percentage ownership December 31, 2018	Description
The Company	Arcadyan Technology N.A. Corp. ("Arcadyan USA")	Selling of wireless networking products	100 %	100 %	
〃	Arcadyan Germany Technology GmbH ("Arcadyan Germany")	Selling and technical support of wireless networking products	100 %	100 %	
〃	Arcadyan Technology Corporation Korea ("Arcadyan Korea")	Selling of wireless networking products	100 %	100 %	
〃	Arcadyan Holding (BVI) Corp. ("Arcadyan Holding")	Investment activities	100 %	100 %	
The Company and ZHI-PAL	Arcadyan do Brasil Ltda (Aracdyan Brasil)	Selling of wireless networking products	100 %	100 %	
The Company	ZHI-PAL Technology Inc. (“ZHI-PAL”)	Investment activities	100 %	100 %	
〃	Tatung Technology Inc. (“TTI”)	Research and development, and selling digital home appliance	61 %	61 %	
〃	AcBel Telecom Inc. (“AcBel Telecom”)	Investment activities	51 %	51 %	
〃	Arcadyan Technology (Arcadyan UK)	Technical support of wireless networking products	100 %	100 %	
〃	Arcadyan Technology Australia Pty Ltd (Arcadyan AU)	Selling of wireless networking products	100 %	100 %	
Arcadyan Holding	Sinoprime Global Inc. (“Sinoprime”)	Investment activities	100 %	100 %	
〃	Arcadyan Technology (Shanghai) Corp. (“SVA”)	Research and sale of wireless networking products	100 %	100 %	
〃	Arch Holding (BVI) Corp. (“Arch Holding”)	Investment activities	100 %	100 %	
Arch Holding	Compal Networking (Kunshan) Co., Ltd. (“CNC”)	Manufacturing of wireless networking products	100 %	100 %	
Sinoprime	Arcadyan Technology (Vietnam) Co., Ltd. (Arcadyan Vietnam)	Manufacturing of wireless networking products	100 %	- %	Note 1

(Continued)

Investor	Name of Subsidiary	Nature of operation	Percentage ownership December 31, 2019	Percentage ownership December 31, 2018	Description
TTI	Quest International Group Co., Ltd. ("Quest")	Investment activities	100 %	100 %	
TTI	Tatung Technology of Japan Co., Ltd. ("TTJC")	Selling digital home appliance	100 %	100 %	
Quest	Exquisite Electronic Co., Ltd. ("Exquisite")	Investment activities	100 %	100 %	
Exquisite	Tatung Home Appliances (Wujiang) Co., Ltd. ("TCH")	Manufacturing of household electronics products	100 %	100 %	
AcBel Telecom	Leading Images Ltd. ("Leading Images")	Investment activities	100 %	100 %	
Leading Images	Astoria Networks GmbH ("Astoria GmbH")	Selling of wireless networking products	100 %	100 %	Note 2

Note 1: The subsidiary was incorporated on March 21, 2019.

Note 2: Applied for liquidation on December 20, 2018.

(d) Foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currency of Group at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income:

1) an investment in equity securities designated as at fair value through other comprehensive income;

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

3) qualifying cash flow hedges to the extent that the hedges are effective.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency at the average exchange rate. Exchange differences are recognized in other comprehensive income.

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

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planed nor likely in the foreseeable future. Exchange difference arising from such items are considered to form part of a net investment in the foreign operation and are recognized in other comprehensive income.

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

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

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

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

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

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

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

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

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

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

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

(Continued)

(f) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

Bank overdrafts that are repayable on demand and form an integral part of the Group' s cash management are included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

(g) Financial instruments

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

On initial recognition, a financial asset is classified as measured at: amortized cost; Fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

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

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

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

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through other comprehensive income (FVOCI)

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

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

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

Some accounts receivables are held within a business model whose objective is achieved by both collecting contractual cash flows and selling by the Group, therefore, those receivables are measured at FVOCI. However, they are included in the "trade receivables" line item.

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

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized profit or loss on the date on which the Group's right to receive payment is established.

3) Fair value through profit or loss (FVTPL)

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

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

(Continued)

4) Impairment of financial assets

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

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

· debt securities that are determined to have low credit risk at the reporting date; and

· other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

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

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

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

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

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

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

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

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

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

(Continued)

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

·significant financial difficulty of the borrower or issuer;

·a breach of contract such as a default or being more than 90 days past due;

·the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;

·it is probable that the borrower will enter bankruptcy or other financial reorganization; or

·the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group’s procedures for recovery of amounts due.

5) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

(Continued)

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt and equity instruments issued by the Group are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

2) Equity instrument

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

3) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

4) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

5) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(iii) Derivative financial instruments and hedge accounting

The Group holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

(Continued)

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss.

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

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

1) Cash flow hedges

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognized in other comprehensive income and accumulated under ‘other equity－gains (losses) on hedging instruments’, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss.

Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognized hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognized in other comprehensive income and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. Furthermore, if the Company expects that some or all of the loss accumulated in other equity will not be recovered in the future, that amount is immediately reclassified to profit or loss.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. The discontinuation is accounted for prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in other equity remains in equity until, for a hedge of a transaction resulting in the recognition of a non-financial item, it is included in the non-financial item’s cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss. If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in other equity are immediately reclassified to profit or loss.

(Continued)

(h) Inventories

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

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

(i) Investment in associates

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

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

The consolidated financial statements include the Group’s share of the profit or loss and other comprehensive income of those associates, after adjustments to align their accounting policies with those of the Group, from the date on which significant influence commences until the date on which significant influence ceases. The Group recognizes any changes of its proportionate share in the investee within capital surplus, when an associate’s equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes in actual proportionate share.

Gains and losses resulting from transactions between the Group and an associate are recognized only to the extent of unrelated Group’s interests in the associate.

When the Group’s share of losses of an associate equals or exceeds its interests in an associate, it discontinues recognizing its share of further losses. After the recognized interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

(j) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(Continued)

(ii) Subsequent cost

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Group.

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straightline basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

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

1) Buildings: 50 years

2) Machinery and equipment: 3~10 years

3) Research equipment: 3~6 years

4) Modeling equipment: 2~3 years

5) Other equipment: 1~10 years

The main construction of property, plant and equipment are factory buildings and firefighting facilities. All facilities are depreciated by using the useful life depreciation method.

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

(k) Lease

<u>Leases (applicable after January 1, 2019)</u>

(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 customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

3) the customer has the right to direct the use of the asset throughout the period of use only if either:

- the customer has the right to direct how and for what purpose the asset is used throughout the period of use; or

- the relevant decisions about how and for what purpose the asset is used are predetermined and:

  - the customer has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or

  - the customer designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

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 leasee

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:

1) fixed payments, including in substance fixed payments;

2) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

3) amounts expected to be payable under a residual value guarantee; and

4) 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:

1) there is a change in future lease payments arising from the change in an index or rate; or

2) there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or

3) there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or

4) there is a change of its assessment on whether it will exercise a purchase, extension or termination option; or

5) there is any lease modifications

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 factory facilities and vehicles that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Leases (applicable before December 31, 2018)

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

Contingent rent is recognized as expense in the periods in which it is incurred.

(l) Intangible assets

(i) Recognition and measurement

Goodwill arising on the acquisition of subsidiaries is measured at cost, less accumulated impairment losses.

Expenditure on research activities is recognized in profit or loss as incurred.

(Continued)

Development expenditure is capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to, and has sufficient resources to, complete development and to use or sell the asset. Otherwise, it is recognized in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost, less accumulated amortization and any accumulated impairment losses.

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

(ii) Subsequent expenditure

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

(iii) Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

The estimated useful lives for current and comparative periods are as follows:

1) Copyright: 10 years

2) Authorization fee: amortized over the contract period by using the straight-line method.

3) Computer software: 1~10 years

Amortization methods, useful lives and residual values are reviewed at each annual reporting date and adjusted if appropriate.

(m) Impairment – non- financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories, deferred tax assets and employee benefits) to determine whether there is any indication of impairment. If any such indication exists, then the asset’ s recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

(Continued)

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(n) Provisions

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

A provision for warranties is recognized when the underlying products or services are sold. The provision is based on historical experience of provision expenses as percentage of sales.

(o) Revenue from contracts with customers

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

(i) Sale of goods–electronic components

The Group manufactures and sells broadband network products, wireless network products, digital home appliance. The Group recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

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

(ii) Financing components

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

(Continued)

(p) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

(ii) Defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Short term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(Continued)

(q) Share-based payment

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognized as an expense with a corresponding increase in liabilities, over the period during which the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and at settlement date based on the fair value of the share appreciation rights. Any changes in the liability are recognized in profit or loss.

Grant date of a share-based payment award is the date which the board of directors authorized the price and approved employees can subscribe for shares.

(r) Income Taxes

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

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

(i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;

(ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

(iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reserve, using tax rates enacted or substantively enacted at the reporting date, and reflect uncertainty related to income taxes, if any.

(Continued)

Deferred tax assets and liabilities are offset if the following criteria are met:

(i) the Group has a legally enforceable right to set off currenttax assets against current tax liabilities; and

(ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

1) the same taxable entity; or

2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

(s) Business combination

The Group accounts for business combinations using the acquisition method. The goodwill arising from an acquisition is measured as the excess of (i) the consideration transferred (which is generally measured at fair value) and (ii) the amount of non-controlling interest in the acquiree, both over the identifiable net assets acquired at the acquisition date. If the amount calculated above is a deficit balance, the Group recognized that amount as a gain on a bargain purchase in profit or loss immediately after reassessing whether it has correctly identified all of the assets acquired and all of the liabilities assumed.

All acquisition-related transaction costs are expensed as incurred, except for the issuance of debt or equity instruments.

For each business combination, the Group measures any non controlling interests in the acquiree either at fair value or at the non controlling interest’ s proportionate share of the acquiree’ s identifiable net assets, if the non controlling interests are present ownership interests and entitle their holders to a proportionate share of the Group’ s net assets in the event of liquidation. Other components of non controlling interests are measured at their acquisition-date fair values, unless another measurement basis is required by the IFRSs endorsed by the FSC.

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

(Continued)

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

The Company should recongnized all the business combination cost as current expense except for issuance bond or equity instrument.

(t) Earnings per share

The Group discloses the basic and diluted earnings per share attributable to ordinary shareholders of the Group. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Group divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares, such as convertible bonds, remuneration to employees not yet approved by the directors, and employee restricted shares.

(u) Operating segments

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

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

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

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

There are no critical judgments in applying the accounting policies that have significant effects on the amounts recognized in the consolidated financial statements.

(Continued)

Information about assumptions and estimation uncertainties made in applying accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements is as follows:

(a) Inventory valuation

As inventories are supposed to be measured based on the lower of cost or net realizable value, which is based on the estimated sales price; therefore, the value of inventories may vary due to the nature of the industry. Please refer to note (6)(f) of the consolidated financial statement for inventory valuation.

(b) Recognition and measurement of provisions

Provision for warranty is estimated when product revenue is recognized. The estimate has been made based on the estimate of provision expenses as a percentage of sales. The Group reviews regularly the basis of the estimate, and if necessary, amends it as appropriate. There could be a significant impact on the provision for warranty for any changes in the basis of the estimate. Please refer to note (6)(o) of the consolidated financial statement for recognition and measurement of provisions.

(6) Explanation of significant accounts:

(a) Cash and cash Equivalents

	December 31, 2019	December 31, 2018
Cash on hand	$ 2,551	2,061
Checking accounts and demand deposits	3,634,850	3,513,270
Time deposits	3,970,158	2,460,722
	$ 7,607,559	**5,976,053**

Please refer to note (6)(x) for the interest rate risk and the fair value sensitivity analysis of the financial assets and liabilities of the Group.

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

(i) Details are as follows:

	December 31, 2019	December 31, 2018
Current financial assets mandatorily measured at fair value through profit or loss:		
Derivative instruments not used for hedging		
Forward exchange contracts	$ -	10,168
Currency swap contracts	15,455	2,045
Non derivative financial assets:		
Stocks listed on domestic market	-	23,531
Total	**$ 15,455**	**35,744**

(Continued)

	December 31, 2019	December 31, 2018
Non-current financial assets mandatorily measured at fair value through profit or loss:		
Non-derivative financial assets:		
Fund unlisted on domestic markets	$ 44,262	45,645
Held-for-trading financial liabilities:		
Derivative instruments not used for hedging:		
Forward Exchange contracts	$ 5,414	3,176

(ii) Derivative financial instruments not designated as hedging instruments:

The Group uses derivative financial instruments to hedge the certain foreign exchange risk the Group is exposed to, arising from its operating activities. The following derivative instruments, without the application of hedge accounting, were classified as mandatorily measured at fair value through profit or loss and held-for-trading financial liabilities:

	December 31, 2019		
	Contract amount (in thousands)	**Currency**	**Maturity date**
Derivative financial assets:			
Swap contracts:			
Currency swap	USD 55,000	USD to NTD	February 14, 2020~ March 30, 2020
Derivative financial liabilities:			
Foreign exchange contracts:			
Forward exchange sold	EUR 17,000	EUR to USD	January14, 2020~ March 13, 2020
Forward exchange purchased	USD 1,000	USD to BRL	September 23, 2020

	December 31, 2018		
	Contract amount (in thousands)	**Currency**	**Maturity date**
Derivative financial assets:			
Foreign exchange contracts:			
Forward exchange sold	EUR 30,200	EUR to USD	January 14, 2019~ March 28, 2019
Swap contracts:			
Currency swap	USD 27,300	USD to NTD	February 14, 2019

(Continued)

	December 31, 2018		
	Contract amount (in thousands)	**Currency**	**Maturity date**
Derivative financial liabilities:			
Foreign exchange contracts:			
Forward exchange sold	EUR 16,000	EUR to USD	February 26, 2019~ March 28, 2019

Please refer to note (6)(x) for the exposure to credit risk of the financial instruments.

As of December 31, 2019 and 2018, the Group did not provide any aforementioned financial assests as colleterals.

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

	December 31, 2019	December 31, 2018
Eqity investments at fair value through other comprehensive income:		
Stocks unlisted on domestic markets	$ 49,500	-
Total	**$ 49,500**	**-**

(i) The Group acquired 1,650 thousand shares of CHIMEI MOTOR ELECTRONICS CO., LTD. for $49,500 in cash in July 2019. The Group's investment equity instruments are long-term strategic investments not held-for-trading purpose. The Group designated as equity investment at fair value through other comprehensive income.

(ii) The Company did not dispose any strategic investments in 2019, and accumulated gain and loss were not transferred in equity during the period.

(iii) For market risk, pleasr refer to note (6)(x).

(iv) As of December 31, 2019, the Group did not provide any aforementioned financial assets as collaterals for its loans.

(d) Derivative financial instruments used for hedging

(i) Financial assets and liabilities used for hedging were as follows:

	December 31, 2019	December 31, 2018
Cash flow hedge:		
Financial assets used for hedging:		
Forward exchange contracts	**$ 61**	**-**
Financial liabilities used for hedging:		
Forward exchange contracts	**$ 4,932**	**-**

(Continued)

(ii) Cash flow hedge

Foreign exchange risk

The Group's strategy is to enter into forward exchange contracts to hedge its foreign currency exposure risk in relation to the forecast sales. As of December 31, 2018, the Group did not enter into any hedge contract.

As of December 31, 2019, the amounts relating to the items designated as hedging instruments were as follows:

	December 31, 2019				
	Contract amount (in thousands)		Currency	Maturity date	Average strike price
Derivative financial assets used for hedging					
Forward exchange contracts:					
Forward exchange sold	EUR	6,000	EUR to USD	January 31, 2020~ June 29, 2020	1.1278
Derivative financial liabilities used for hedging					
Forward exchange contracts:					
Forward exchange sold	EUR	39,000	EUR to USD	January 31, 2020~ December 29, 2020	1.1327
Forward exchange purchased	USD	3,589	USD to MXN	February 26, 2020~ March 30, 2020	19.507

(iii) Adjustments on reclassification from other comprehensive income

As of December 31, 2019 and 2018, the details of adjustments on reclassification from other comprehensive income were as flollows:

		2019	2018
Cash flow hedge			
Profit (loss) in current year	$	(26,649)	3,655
Less: Net income (loss) of adjustments on reclassification from other comprehensive income which belongs to net income (loss)		(21,778)	3,655
	$	**(4,871)**	**-**

(iv) For the years ended in 2019 and 2018, the ineffective portion of cash flow hedge recognized in (loss) gain amounted of $(5,934) and $559, recorded under the "Gain (losses) on financial assets (liabilities) at fair value through profit or loss".

(v) For the years ended December 31, 2019 and 2018, gain or loss of adjustments from reclassification of other equity, deriving from the changes of fair-value hedge instruments, were recognized under operating revenues in comprehensive income statement.

(Continued)

(e) Notes and accounts receivable

	December 31, 2019	December 31, 2018
Notes receivable from operating activities	$ 23,550	41,446
Accounts receivable – measured at amortized cost	5,286,045	5,697,347
Accounts receivable – fair value through other comprehensive income	837,277	124,286
	6,146,872	5,863,079
Less: allowance for uncollectible accounts	(40,275)	(46,317)
	$ **6,106,597**	**5,816,762**

The Group has assessed a portion of its accounts receivable that was held within a business model whose objective is achieved by selling financial assets; therefore, such accounts were measured at fair value through other comprehensive income.

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, notes and accounts receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking macroeconomic information. The expected credit losses as of December 31, 2019 and 2018 were determined as follows:

	December 31, 2019			
Credit rating	**Gross carrying amount**	**Weighted-average loss rate**	**Loss allowance provision**	**Credit impaired**
Level A	$ 2,620,806	0%	-	No
Level B	2,713,406	0.10%	2,789	No
Level C	783,004	1.00%	7,830	No
Level D~E	-	-	-	-
Level F	29,656	100%	29,656	Yes
Total	$ **6,146,872**		**40,275**	

	December 31, 2018			
Credit rating	**Gross carrying amount**	**Weighted-average loss rate**	**Loss allowance provision**	**Credit impaired**
Level A	$ 1,550,848	0.01%	82	No
Level B	3,034,119	0.11%	3,194	No
Level C	1,247,546	1%	12,475	No
Level D~E	-	-	-	-
Level F	30,566	100%	30,566	Yes
Total	$ **5,863,079**		**46,317**	

(Continued)

The aging analysis of notes and accounts receivable was as follows:

	December 31, 2019	December 31, 2018
Overdue 1~30 days	$ 676,152	750,727
Overdue 31~60 days	35,638	119,525
Overdue 61~90 days	19,408	55
Overdue 91~180 days	1,880	9,259
Overdue over 181 days	29,941	41,364
	$ 763,019	**$ 920,930**

The movement of allowance for notes and accounts receivable were as follows:

	2019	2018
Balance at January 1	$ 46,317	17,499
Impairment loss recognized	-	28,818
Impairment loss reversed	(6,042)	-
Balance at December 31	**$ 40,275**	**46,317**

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

The Group entered into accounts receivable factoring agreements with several banks. Based on the agreements, the Group is not responsible for guaranteeing the ability of the account receivable of the obligor to make payment when it is affected by credit risk. Thus, this is deemed as a non-recourse accounts receivable factoring. After the transfer of the accounts receivable, the Group can request for the partial proceeds, while the interest calculated at an agreed rate is paid to the bank until the account receivable is paid. The remaining amounts are received when the accounts receivable are paid by the customers. As of December 31, 2019 there was no unreceived balance of discounted accounts receivable.

(f) Inventories

(i) A summary of the Group’s financial information for inventions at the reporting date were as follows:

	December 31, 2019	December 31, 2018
Raw materials	$ 3,061,548	1,855,646
Work in progress	451,515	549,252
Finished goods	4,298,661	3,995,997
	$ 7,811,724	**6,400,895**

(Continued)

(ii) Inventory cost recognized as cost of sales for the years ended December 31, 2019 and 2018 were as follows:

	2019	2018
Cost of sales	$ 28,368,346	23,431,010
Provision for inventory valuation loss and obsolescence	177,179	34,052
	$ 28,545,525	23,465,062

(iii) As of December 31, 2019 and 2018, the Group did not provide any inventories as collaterals for its loans.

(g) Investments accounted for using equity method

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

	December 31, 2019	December 31, 2018
Associates	$ 348,250	370,777

(i) The following is the related information of significant associate

Name	Nature of the relationship	Principal place of business/ Country of incorporation	Effective ownership interest and voting right December 31, 2019	Effective ownership interest and voting right December 31, 2018
Compal Broadband Network Inc. (" CBN")	Manufacturing and sale of broadband networking product	Taiwan	20 %	20%(Note 1)

Note1: The Group disposed 3% of CBN's shares on December 6, 2018, and the total disposal price was $15,374. The gains on disposals amounted to $2,122, and were recorded under gains on disposals of investments. The aforementioned gains on disposals include the amount recorded under other comprehensive income and capital surplus reclassified to profit or loss.

The following table summarizes the information of the Group's material associate adjusted for any differences in accounting policies and reconciles the information to the carrying amount of the Group's interest in the associate.

1) Summarized financial information of Compal Broadband Network Inc.

	December 31, 2019	December 31, 2018
Current assets	$ 2,415,009	2,908,124
Non current assets	217,519	241,869
Current liabilities	(910,785)	(1,335,206)
Non current liabilities	(16,802)	(115)
	$ 1,704,941	1,814,672
Net assets belongs to non-controlling interest	$ -	-
Net assets belongs to investee company	$ 1,704,941	1,814,672

(Continued)

	2019	2018
Revenue	$ 2,832,098	5,316,072
Profit from continuing operations	10,514	184,370
Other comprehensive income	(497)	(18)
Total comprehensive income	**$ 10,017**	**184,352**
Other comprehensive income belongs to non-controlling interest	**$ -**	**-**
Other comprehensive income belongs to investee company	**$ 10,017**	**184,352**

	2019	2018
Beginning balance of net assets owned by the Group	$ 370,777	361,047
Capital increase by cash dividend	(24,611)	(25,453)
Comprehensive income attributable to the Group	2,071	42,784
Disposal	-	(13,252)
Changes on net value from investment in associates by equity method	13	5,651
Share of net assets of affiliates (the carrying amount of the Group's interests)	**$ 348,250**	**370,777**

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

(h) Property, plant and equipment

The cost, depreciation, of the property, plant and equipment and of the Group for the years ended December 31, 2019 and 2018 were as follows:

	Land	Buildings and construction	Machinery and equipment	Research and development equipment	Molding equipment	Leasehold improvement and other equipment	Under construction and prepayment for purchase of equipment	Total
Cost or deemed cost:								
Balance at January 1, 2019	$ 463,262	828,128	1,859,237	409,090	236,904	391,088	16,089	4,203,798
Additions	-	-	514,004	92,507	26,992	47,555	45,182	726,240
Reclassifications	-	-	(39)	4,961	-	(129)	(11,414)	(6,621)
Disposals and derecognitions	-	-	(56,339)	(4,775)	(12,751)	(4,626)	-	(78,491)
Effect of movements in exchange rates	-	-	(51,811)	(1,384)	(308)	(4,345)	(7,984)	(65,832)
Balance at December 31,2019	**$ 463,262**	**828,128**	**2,265,052**	**500,399**	**250,837**	**429,543**	**41,873**	**4,779,094**
Balance at January 1, 2018	$ 463,262	826,069	1,614,388	365,684	229,685	377,300	12,972	3,889,360
Additions	-	-	239,984	54,868	12,420	14,887	22,636	344,795
Reclassifications	-	2,059	12,969	-	2,175	(1,009)	(19,565)	(3,371)
Disposals and derecognitions	-	-	(62,198)	(12,467)	(7,376)	(4,348)	-	(86,389)
Effect of movements in exchange rates	-	-	54,094	1,005	-	4,258	46	59,403
Balance at December 31, 2018	**$ 463,262**	**828,128**	**1,859,237**	**409,090**	**236,904**	**391,088**	**16,089**	**4,203,798**

(Continued)

	Land	Buildings and construction	Machinery and equipment	Research and development equipment	Molding equipment	Leasehold improvement and other equipment	Under construction and prepayment for purchase of equipment	Total
Depreciation and impairment loss:								
Balance at January 1, 2019	$ -	64,540	1,485,982	304,391	208,524	226,805	-	2,290,242
Depreciation	-	17,068	169,318	40,505	18,769	38,605	-	284,265
Reclassifications	-	-	(26)	-	-	(98)	-	(124)
Disposals and derecognitions	-	-	(54,899)	(4,012)	(7,326)	(4,618)	-	(70,855)
Effect of movements in exchange rates	-	-	(33,322)	(766)	(26)	(2,898)	-	(37,012)
Balance at December 31, 2019	**$ -**	**81,608**	**1,567,053**	**340,118**	**219,941**	**257,796**	**-**	**2,466,516**
Balance at January 1, 2018	$ -	46,436	1,404,829	281,086	190,916	186,527	-	2,109,794
Depreciation	-	18,104	99,595	34,250	24,927	41,643	-	218,519
Reclassifications	-	-	(33)	-	-	(174)	-	(207)
Disposals and derecognitions	-	-	(61,682)	(11,762)	(7,319)	(4,207)	-	(84,970)
Effect of movements in exchange rates	-	-	43,273	817	-	3,016	-	47,106
Balance at December 31, 2018	**$ -**	**64,540**	**1,485,982**	**304,391**	**208,524**	**226,805**	**-**	**2,290,242**
Carrying amounts:								
Balance at December 31, 2019	**$ 463,262**	**746,520**	**697,999**	**160,281**	**30,896**	**171,747**	**41,873**	**2,312,578**
Balance at January 1, 2019	**$ 463,262**	**763,588**	**373,255**	**104,699**	**28,380**	**164,283**	**16,089**	**1,913,556**
Balance at December 31, 2018	**$ 463,262**	**763,588**	**373,255**	**104,699**	**28,380**	**164,283**	**16,089**	**1,913,556**
Balance at January 1, 2018	**$ 463,262**	**779,633**	**209,559**	**84,598**	**38,769**	**190,773**	**12,972**	**1,779,566**

As of December 31, 2019, the Company did not provide any Group’s property, plant and equipment as collaterals.

As of December 31, 2018, part of the Group’ s property, plant and equipment are provided as collaterals for long-term borrowings. Please see note (8).

(i) Right-of-use assets

The cost, depreciation, of the right-of-use and of the Group for the year ended December 31, 2019 were as follow:

	Building	Machinery	Vehicles and Other	Total
Cost or deemed cost:				
Balance on January 1, 2019	$ -	-	-	-
Adjustment on initial application of IFRS 16	146,119	-	8,653	154,772
Balance on January 1, 2019 per IFRS 16	146,119	-	8,653	154,772
Additions	14,385	81,081	7,651	103,117
Effect of movements in exchange rates	(2,951)	-	(40)	(2,991)
Balance on December 31, 2019	**$ 157,553**	**81,081**	**16,264**	**254,898**
Depreciation and impairment loss:				
Balance on January 1, 2019	$ -	-	-	-
Adjustment on initial application of IFRS 16	-	-	-	-
Balance on January 1, 2019 per IFRS 16	-	-	-	-
Depreciation for the period	91,649	9,459	7,892	109,000
Effect of movements in exchange rates	(1,885)	-	(27)	(1,912)
Balance on December 31, 2019	**$ 89,764**	**9,459**	**7,865**	**107,088**
Carrying amount:				
Balance on December 31, 2019	**$ 67,789**	**71,622**	**8,399**	**147,810**

(Continued)

(j) Intangible Assets

Changes in cost and accumulated amortization of intangible assets for the years ended December 31, 2019 and 2018, were as follows:

	Goodwill	Authorization fee	Copyright	Computer software and others	Total
Cost:					
Balance at January 1, 2019	$ 6,556	113,104	18,496	114,919	253,075
Additions	-	501	-	40,203	40,704
Disposals	-	-	-	(17,907)	(17,907)
Balance at December 31, 2019	**$ 6,556**	**113,605**	**18,496**	**137,215**	**275,872**
Balance at January 1, 2018	$ 6,556	120,277	18,496	106,193	251,522
Additions	-	-	-	17,236	17,236
Reclassifications	-	-	-	2,438	2,438
Disposals	-	(7,173)	-	(10,948)	(18,121)
Balance at December 31, 2018	**$ 6,556**	**113,104**	**18,496**	**114,919**	**253,075**
Accumulated amortization:					
Balance at January 1, 2019	$ -	90,664	18,496	82,882	192,042
Amortization	-	6,960	-	27,893	34,853
Disposals	-	-	-	(17,907)	(17,907)
Effects of movement in exchange rate	-	-	-	6	6
Balance at December 31, 2019	**$ -**	**97,624**	**18,496**	**92,874**	**208,994**
Balance at January 1, 2018	$ -	90,386	17,810	72,464	180,660
Amortization	-	7,451	686	21,380	29,517
Disposals	-	(7,173)	-	(10,948)	(18,121)
Effects of movement in exchange rate	-	-	-	(14)	(14)
Balance at December 31, 2018	**$ -**	**90,664**	**18,496**	**82,882**	**192,042**
Book value:					
Balance at December 31, 2019	**$ 6,556**	**15,981**	**-**	**44,341**	**66,878**
Balance at December 31, 2018	**$ 6,556**	**22,440**	**-**	**32,037**	**61,033**
Balance at January 1, 2018	**$ 6,556**	**29,891**	**686**	**33,729**	**70,862**

(i) Amortization expenses

The amortization of intangible assets is included in the statements of comprehensive income:

	2019	2018
Cost of sales	**$ 3,754**	**1,781**
Operating expenses	**$ 31,099**	**27,736**

(Continued)

(ii) As of December 31, 2019 and 2018, the Group did not provide any intangible assets as collaterals.

(k) Short-term borrowings

		December 31, 2019	December 31, 2018
Unsecured bank loans	$	**519,038**	**1,819,915**
Unused credit line for short-term borrowings	$	**8,010,048**	**6,067,529**
Annual interest rates		**1.2%~4.35%**	**0.45%~3.5%**

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

(l) Other current liabilities

		December 31, 2019	December 31, 2018
Collection of royalties	$	1,294,547	1,003,342
Refund liabilities-current and others		182,029	124,706
	$	**1,476,576**	**1,128,048**

(m) Unsecured convertible bonds payable

(i) The Group issued the first domestic unsecured convertible bonds on June 6, 2019, the details of unsecured convertible bonds were as follows:

		December 31, 2019
Total convertible bonds issued	$	1,000,000
Unamortized discounted bonds payable		(33,508)
Balance of bonds payable at December 31, 2019	$	**966,492**
Equity components-conversion options (recognized as capital surplus-stock options)	$	**48,667**

		2019
Interest expense	$	**7,919**

The effective interest rate of the first issued convertible bonds was 1.3284%.

(ii) The main terms of issuing the above-mentioned convertible bonds were as follows:

1) Coupon rate: 0%

2) Duration: three years (June 6, 2019~June 6, 2022)

(Continued)

3) Repayment:

Put option and call option are excluded from the issuance of convertible bonds. Except that the bondholders convert the bonds to Group's common shares, or the bonds are repurchased and cancelled by the Group from the securities firm's business office, the bonds will be repaid in cash at par value when the bonds expired.

4) Terms of conversion:

a) The bondholder may opt to have its bonds converted into the Group's common shares, with the approval of Taiwan Depository & Clearing Corporation through securities firms, at any time between three months after the issuance date (September 7, 2019) and the day before the maturity day (June 6, 2022), except for the following:

- The closing period in accordance with the applicable law;
- The period starting from the first day of the first fifteen working days prior to the date of record for determination wherein the shareholders are entitled to receive the distributions or rights to subscribe for new shares in a capital increase for cash, and ends on the date of record for the distribution of the rights/benefits;
- The period starts from the date of record of the capital decrease and ends on the date prior to the trading of the reissuance shares after the capital decrease.

b) The conversion price of NT$98.3 per share upon issuance had been adjusted to NT $93 per share after issuing cash dividends on common shares and processing cash capital increase.

(n) Lease liabilities

The details of lease liabilities were as follows:

	December 31, 2019
Current	$ 143,453
Non-current financial assets	$ 13,354

For the maturity analysis, please refer to note (6)(x).

The amounts recognized in profit or loss were as follows:

	2019
Interest on lease liabilities	$ 4,525
Expenses relating to short-term leases	$ 21,816

(Continued)

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

	2019
Total cash outflow for leases	$ 119,707

(i) Real estate, machinery and vehicles lease leases

The Group leases real estates, machinery and vehicles, with lease terms of 1 to 5 years.

(ii) Other leases

The Group leases office and vehicle with contract terms of 1 years. Since these leases are short-term items. The Group has elected not to recognize right-of-use assets and lease liabilities for these leases.

(o) Provisions

	Warranties
Balance at January 1, 2019	$ 210,972
Provisions made	672,289
Provisions used	(280,942)
Balance at December 31, 2019	$ 602,319
Balance at January 1, 2018	$ 230,535
Provisions made	290,973
Provisions used	(295,520)
Provision reversed	(15,016)
Balance at December 31, 2018	$ 210,972

Provisions for warranty related to sales of products are assessed based on the historical service experience of similar products and customer feedback.

(p) The Group as lessee

Non-cancellable operating lease rentals are payable as follows:

	December 31, 2018
Less than one year	$ 107,374
Between two and five years	65,160
	$ 172,534

The Group leased office places, warehouse and plants under operating leases. The leases typically run for a period of 1 to 5 years, with an option to renew the leases after that date. For the year ended December 31, 2018, expenses recognized in profit or loss under operating leases amounted to $131,622.

(Continued)

The aforementioned leases were entered into contracts as combined leases of land and buildings. The rent paid to the landlord is increased to market rent at regular intervals, and the Group does not participate in the residual value of the land and buildings. As a result, it was determined that substantially, all the risks and rewards of the land and buildings are undertaken by the landlord. The Group determined that the land and building elements of the leases are operating leases.

(q) Employee benefits

(i) Defined benefit plans

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

		December 31, 2019	December 31, 2018
Present value of defined benefit obligations	$	216,618	201,154
Fair value of plan assets		(121,707)	(112,589)
	$	**94,911**	**88,565**

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

1) Composition of plan assets

The Company allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Labor Pension Fund Supervisory Committee. With regard to the utilization of the funds, minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with interest rates offered by local banks.

The Company’ s Bank of Taiwan labor pension reserve account balance amounted to $121,707 at the end of the reporting period. For information on the utilization of the labor pension fund assets including the asset allocation and yield of the fund, please refer to the website of the Labor Pension Fund Supervisory Committee.

2) Movements in present value of the defined benefit obligations

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

		2019	2018
Balance at January 1	$	201,154	198,032
Current service costs and interest		3,834	4,577
Actuarial gains (losses)		11,630	(1,455)
Balance at December 31	$	**216,618**	**201,154**

(Continued)

3) Movements of defined benefit plan assets

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

		2019	2018
Fair value of plan assets at January 1	$	112,589	104,353
Contributions made		4,072	4,067
Expected return on plan assets		1,557	1,700
Remeasurement in net defined benefit liability (assets)		3,489	2,469
Fair value of plan assets at December 31	**$**	**121,707**	**112,589**
Actual return on plan assets	**$**	**5,046**	**4,169**

4) Expenses recognized in profit or loss

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

		2019	2018
Service cost	$	1,087	1,388
Net interest of net liabilities (assets) for defined benefit obligations		2,747	3,189
Expected return on plan assets		(1,557)	(1,700)
	$	**2,277**	**2,877**
Cost of sales	$	172	381
Selling expenses		181	241
Administrative expenses		447	485
Research and development expenses		1,477	1,770
	$	**2,277**	**2,877**

5) Actuarial gains and losses recognized in other comprehensive income

The Company's actuarial gains and losses recognized in other comprehensive income, before tax for the years ended December 31, 2019 and 2018, were as follows:

		2019	2018
Cumulative amount at January 1	$	57,448	61,372
Recognized		8,141	(3,924)
Cumulative amount at December 31	**$**	**65,589**	**57,448**

(Continued)

6) Actuarial assumptions

a) The following are the Company's principal actuarial assumptions:

i) Present value of defined benefit obligations

	December 31, 2019	**December 31, 2018**
Discount rate as of December 31	1.000 %	1.375 %
Future salary increasing rate	3.000 %	3.000 %

ii) Defined benefit plan cost

	2019	**2018**
Discount rate as of December 31	1.375 %	1.625 %
Future salary increasing rate	3.000 %	3.000 %

The expected allocation payment made by the Company to the defined benefit plans for the one year period after the reporting date was $4,123.

The weighted-average duration of the defined benefit obligation is 14.74 years.

7) Sensitivity analysis

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

	Increased 0.25%	**Decreased 0.25%**
December 31, 2019		
Discount rate	(6,000)	6,253
Future salary increasing rate	6,015	(5,802)
December 31, 2018		
Discount rate	(5,928)	6,182
Future salary increasing rate	5,967	(5,755)

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

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2019 and 2018.

8) There were no payment for pension made by the Company for the years ended December 31, 2019 and 2018.

(Continued)

(ii) Defined contribution plans

The Company and all subsidiaries in domestic allocate 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 a fixed amount to the Bureau of the Labor Insurance without additional legal or constructive obligations.

The Company recognized the pension costs under the defined contribution method amounting to $43,096 and $39,546 for the years ended December 31, 2019 and 2018, respectively. Payment was made to the Bureau of Labor Insurance.

Other subsidiaries recognized the pension expense, basic endowment insurance expense, and social welfare expenses amounting to $60,143 and $58,896 for the years ended December 31, 2019 and 2018, respectively.

(r) Income taxes

(i) Income tax expense

1) The amount of income tax (benefit) for the years ended December 31, 2019 and 2018 were as follows:

		2019	2018
Current tax expense			
Recognized during the period	$	593,115	247,126
Surtax on unappropriated earnings		11,891	21,758
Adjustment for prior periods		(63,362)	(23,191)
		541,644	245,693
Deferred tax expense			
Origination and reversal of temporary differences		(195,806)	(7,852)
Income tax expense	$	**345,838**	**237,841**

2) The amount of income tax recognized in other comprehensive income for the years ended December 31, 2019 and 2018 were as follows:

		2019	2018
Foreign currency translation differences for foreign operations	$	(10,554)	3,288
Defined benefit plan actuarial gains (losses)		(1,628)	(1,056)
		(12,182)	**2,232**

(Continued)

3) Reconciliation of income tax and profit before tax for the years ended December 31, 2019 and 2018 were as follows:

	2019	2018
Profit excluding income tax	$ 1,702,824	1,118,024
Income tax using the Company's domestic tax rate	358,901	248,548
Effect of tax rates in foreign jurisdiction	35,160	7,638
Adjustment in tax rate	-	(11,719)
Tax-exempt income	(30,013)	(37,321)
Changes in unrecognized temporary differences	3,726	1,538
Under (over) provision in prior periods	(63,362)	(20,269)
Surtax on unappropriated earnings	11,891	21,758
Other	29,535	27,668
	$ 345,838	**237,841**

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax liabilities: None.

2) Unrecognized deferred tax assets:

Details of unrecognized under deferred tax assets are as follows:

	December 31, 2019	December 31, 2018
Tax effect of deductible temporary differences	$ 33,242	31,867
Tax effect of loss carryforward	-	469
	$ 33,242	**32,336**

The tax losses mentioned above could be used to offset future taxable income. Because of the uncertainty of future taxable income, the Company did not recognize the deferred tax assets arising from the tax losses. The ROC Income tax Act allows losses for tax purposes, as assessed by the tax authorities, to be offset against taxable income in the following ten years. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilize the benefits therefrom.

(Continued)

3) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2019 and 2018 were as follows:

		Investment income recognized under the equity method (overseas)	Foreign currency translation adjustment	Defined benefit plans	Reserve for loss on outward investment	Others	Total
Deferred Tax Liabilities:							
Balance at January 1,2019	$	68,335	448	-	-	18	68,801
Recognized in profit or loss		295	-	-	-	-	295
Recognized in other comprehensive income		-	(390)	-	-	-	(390)
Balance at December 31, 2019		**68,630**	**58**	**-**	**-**	**18**	**68,706**
Balance at January 1,2018	$	56,363	-	-	-	10,099	66,462
Recognized in profit or loss		11,972	-	-	-	(10,081)	1,891
Recognized in other comprehensive income		-	448	-	-	-	448
Balance at December 31, 2018	$	**68,335**	**448**	**-**	**-**	**18**	**68,801**

		Defined benefit plans	Foreign currency translation adjustment	Loss on inventory valuation	Unrealized exchange losses, net	Unrealized gross profit	Loss carryforward	Others	Total
Deferred Tax Assets:									
Balance at January 1,2019	$	11,486	12,885	35,132	43,719	4,077	3,910	45,338	156,547
Recognized in profit or loss		-	-	37,468	19,119	64,069	(2,383)	77,828	196,101
Recognized in other comprehensive income		1,628	10,164	-	-	-	-	-	11,792
Balance at December 31, 2019		**13,114**	**23,049**	**72,600**	**62,838**	**68,146**	**1,527**	**123,166**	**364,440**
Balance at January 1,2018	$	10,430	15,725	31,427	34,640	1,105	15,242	40,019	148,588
Recognized in profit or loss		-	-	3,705	9,079	2,972	(11,332)	5,319	9,743
Recognized in other comprehensive income		1,056	(2,840)	-	-	-	-	-	(1,784)
Balance at December 31, 2018		**11,486**	**12,885**	**35,132**	**43,719**	**4,077**	**3,910**	**45,338**	**156,547**

(iii) The ROC tax authorities have examined the income tax expenses of the Company, through 2017, except for the year of 2016, TTI through 2017, Acbel Telecom and ZHI-PAL through 2017. The relevant approved differences will be reflected as an adjustment in the determining year.

(s) Capital and other equities

As of December 31, 2019 and 2018, the authorized common stocks were $3,000,000 and $2,500,000, of which 208,535 and 193,619 thousand shares, respectively, were issued. All issued shares were paid up upon issuance.

(Continued)

(i) Ordinary shares

Reconciliation of shares outstanding for 2019 and 2018 were as follows:

	Ordinary shares	
(in thousands of shares)	**2019**	**2018**
Balance on January 1	$ 193,619	189,119
Issued for cash	15,000	-
Issue of employee restricted share	-	4,500
Cancel of employee restricted shares	(84)	-
Balance on December 31	**$ 208,535**	**193,619**

In 2018, the Company issued its employee restricted shares amounting to $45,000, wherein the amount of $840 had been cancelled due to failure in meeting the vested requirements in the years ended December 31, 2019. As of December 31, 2019, the registration procedure had been completed.

In order to enrich its working capital, the Company’s Board of Directors resolved to issue 15,000 thousand ordinary shares with a par valued at $10, totaling of $150,000 thousands on April 9, 2019. The issuance had been applied and was effective in accordance with the Rule No.1080314862 issued by the FSC on May 21, 2019, and extended offering period in accordance with the Rule No. 1080327573 granted by the FSC on August 19, 2019. Among the issuance, 1,500 thousand shares were reserved for employee subscription in accordance with Article 267 of Company Act.

The Company announced the subscription base date was determined as at October 29, 2019 and issued a value of NTD72 per share at premium on October 16, 2019. All related registration procedures had been completed as of December 31, 2019.

(ii) Capital surplus

The balances of capital surplus were as follows:

	December 31, 2019	December 31, 2018
Additional paid-in capital	$ 3,436,118	2,575,896
Difference between consideration and carry amount arising from acqusition or disposal of subsidiaries	3,698	3,698
Changes in equity of associates and joint ventures accounted for using equity method	6,737	6,724
Issuance of covertible bonds	48,667	-
Issue of employee restricted share	208,696	207,856
	$ 3,703,916	**2,794,174**

(Continued)

According to the ROC Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring paid-in capital in excess of par value should not exceed 10% of the total common stock outstanding.

The resolution of shareholders' meeting decided to distribute the cash dividends amounting to $96,778 ($0.5 per share) and $75,648 ($0.4 per share) through capital surplus on June 25, 2019 and June 21, 2018.

(iii) Retained earnings

The Company's article of incorporation stipulate that Company's net earnings should first be used to offset the prior years' deficits, if any, before paying any income taxes. Of the remaining balance, 10% is to be appropriated as legal reserve. The legal reserve can be exempted if it equals the paid-in capital, besides, special reserves are supposed to be set aside or reversed in accordance with the relevant regulations or as required by the government. And then any remaining profit together with any undistributed retained earnings shall be distributed according to the distribution plan proposed by the Board of Directors and submitted to the stockholders' meeting for approval.

According to the Company' s stable dividend policy, the type of dividends should be determined after considering the business environment, operating performance, financial structure, etc. If retained earnings shall be distributed to stockholders which shall not be lower than 30% of the profit and the cash dividends to stockholders shall not be lower than 10% of total cash and stock dividends.

1) Legal reverse

In accordance with the Company Act as amended, 10 percent of net income after tax should be set aside as legal reserve, until it is equal to authorized capital. If the Company experienced profit for the year, the distribution of the statutory earnings reserve, either by new shares or by cash, shall be decided at the shareholders meeting, and the distribution amount is limited to the portion of legal reserve which exceeds 25 percent of the paid-in capital.

2) Special reverse

A portion of current-period earnings and undistributed prior-period earnings shall be reclassified as a special earnings reserve during earnings distribution. The amount to be reclassified should be equal to the total net current-period reduction of other shareholders' equity resulting from the carrying amount of special earnings reserve as stated above. Similarly, a portion of undistributed prior period earnings shall be reclassified as a special earnings reserve (which does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

(Continued)

(iv) Earnings distributed

Earnings distribution for 2018 and 2017 was approved by the shareholders during their annual meeting held on June 25, 2019 and June 21, 2018, respectively. The relevant dividend distribution to shareholders were as follows:

	2018		2017	
	Amount per share	**Total amount**	**Amount per share**	**Total amount**
Cash dividends distributed to common shareholders	$ 3.00	**580,665**	1.60	**302,591**

(t) Share-based payment

(i) The Company – Employee restricted share

At the meeting held on June 21, 2018, the Company's Board of Directors decided to issue 4,500,000 shares of employee restricted shares to the Company's full-time employees who meet certain requirements. The restricted shares have been registered with, and approved by, the Securities and Futures Bureau of FSC. The Board of Directors decided to issue all the restricted shares on November 6, 2018, which is also the effective date of the share issuance.

3,500,000 shares of the aforementioned restricted shares are issued without consideration. 30%, 30% and 40% of the 3,500,000 restricted shares are vested when the employees continue to provide service for at least 2 year, 3 years and 4 years, respectively, from the registration and the effective date, and at the same time, meet the performance requirement. In addition, when earnings per share in two consecutive and complete fiscal years from the registration and effective date are no less than NT$ 4, and at the same time, the employees with the restricted shares meet the performance requirement, the other 1,000,000 shares of the restricted shares are vested 100% at the date the shareholders approved the financial statements for the second fiscal year. If the earnings per share in two consecutive and complete fiscal years from the registration and effective date are between NT$ 3 to NT$ 4, at the same time, the employees with the restricted shares meet the performance requirement, the restricted shares are vested 75% at the date the shareholders approved the financial statements for the second fiscal year. If the earnings per share in two consecutive and complete fiscal years from the registration and effective date are less than NT$ 3, the employees with restricted shares, whether or not they meet the performance requirement, no restricted shares are vested at the date the shareholders approved the financial statements for the second fiscal year. The earnings per share mentioned above are calculated based on the profit approved by the shareholders and the weighted average number of ordinary shares outstanding at the date of the restricted shares have been approved by the authority.

(Continued)

After the issuance, the restricted shares are kept by a trust, which is appointed by the Company, before they are vested. These restricted shares shall not be sold, transferred, pledged, gifted, or disposed by any other means, to third parties during the custody period. The voting rights of these shares are executed by the custodian, and the custodian shall act based on the law and regulations. If the shares remain unvested after the vesting period, the Company will redeem all the unvested shares without consideration and cancel the shares thereafter. Restricted shares could be received in cash and stock dividends, or could be used to participate in cash injection. The aforementioned new shares are not considered as restricted shares.

The information of the Company's restricted shares is as follows:

Unit: in thousands of shares

	2019	2018
Outstanding unit at January 1	4,500	-
Granted during the period	-	4,500
Canceled during the period	(84)	-
Outstanding unit at December 31	**4,416**	**4,500**

As of December 31, 2019 and 2018, the unearned employee benefit were $119,897 and $219,616, respectivley.

The compensation cost related to the restricted share were $99,719 and 33,240 for the years ended December 31, 2019 and 2018.

(ii) The Company – Cash injection reserved for employees

The Company's Board of Directors resolved to implement cash injection on April 9, 2019, of which 15,000 thousand shares were reserved for employees. As of December 31, 2019, the relevant information was as follows:

Grant date	2019.10.16
Number of shares granted (in thousands)	15,000
Granted recipients	(Note 1)
Vested condition	Vest immediately

(Note 1) The Company' s full-time employees who meet certain requirements.

The compensation cost, recorded as operating expense and cost of sales related to the cash injection reversed for employees, amounted to $27,000 in 2019.

(iii) TTI－employee stock options

The information about share-based payment of TTI in 2019 and 2018 was as follows:

	Employee stock options
Grant date	2015.10.29
Granted amount (thousands)	1,000
Contract period	7 years
Granted object	Employees of TTI
Vested condition	Please refer to the issuance terms of the stock options.

The issuance terms of the stock options are as follows:

1) Exercise price: NT$13.5 per share.

2) Exercisable duration: The employees who received stock options that exceed two years and meet the performance requirements can exercise a specific percentage in each period as below. The exercisable duration of the options is seven years. No transfer is allowed except for inheritance.

Exercisable percentage	Period and performance requirements to exercise options
40 %	The share purchase right is effectively vested after the satisfaction of 2 conditions: (1) Years of service must exceed 2 years after the issuance of the right. (2) Upon vesting, the average earnings per share of the Company for the past 2 years must exceed NT$ 3. If the criteria for the said earnings per share are not fulfilled, then the measurement period will be extended to 3 years; under this extension, the average of the earnings per share of any 2 years within the 3 year period must exceed NT$ 3.
30 %	The share purchase right is effectively vested after the satisfaction of 2 conditions: (1) Years of service must exceed 3 years after the issuance of the right. (2) Upon vesting, the performance requirements need to be met, otherwise, the earnings per share of the Company for the following year must exceed NT$ 3. If the criteria for the said earnings per share are not fulfilled, then the measurement period will be extended to another 1 year; the earnings per share must exceed NT$ 3 during the extension period.

(Continued)

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

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

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

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

The information on total options issued were as follow:

	2019		2018	
	Weighted-average exercise price (NT dollars)	**(thousands) Shares**	**Weighted-average exercise price (NT dollars)**	**(thousands) Shares**
Balance at January 1, outstanding shares	$ 13.5	600	13.5	1,000
Invalid during the period	13.5	(300)	13.5	(400)
Balance at December 31, outstanding units	-	**300**	13.5	**600**
Balance at December 31, exercisable units	-	**-**	13.5	**-**

The exercise price range of TTI's outstanding employee stock options and weighted-average remaining contractual life of the outstanding options are as follows:

	December 31, 2019	December 31, 2018
Range of exercise price	13.5	13.5
Weighted average of remaining contractual period	2.83	3.83

The reverse related to the share-based payment amounted to $1,326 and $496 for the years ended December 31, 2019 and 2018, respectively.

(u) Earnings per share

(i) Basic earnings per share

The calculation of basic earnings per share for the year 2019 and 2018 were as follows:

1) Profit attributable to ordinary shareholders of the Company

	2019	2018
Profit attributable to ordinary shareholders of the Company	$ **1,313,498**	**871,519**

2) Weighted-average number of ordinary shares (thousands)

	2019	2018
Weighted-average number of ordinary shares at December 31	**191,708**	**189,119**
Basic earnings per share (dollars)	$ **6.85**	**4.61**

(ii) Diluted earnings per share

The calculation of diluted earnings per share for the year 2019 and 2018 was as follows:

1) Profit attributable to ordinary shareholders of the Company (diluted)

	2019	2018
Profit attributable to ordinary shareholders of the Company(basic) (diluted)	$ **1,318,031**	**871,519**

2) Weighted-average number of ordinary shares (diluted) (thousands)

	2019	2018
Weighted-average number of outstanding ordinary shares (basic)	191,708	189,119
Effect of employee bonuses	1,914	1,659
Effect of employee restricted shares unvested	2,817	470
Convertible bonds payable	6,144	-
Weighted-average number of ordinary shares (diluted)	**202,583**	**191,248**
Diluted earnings per share (dollars)	$ **6.51**	**4.56**

(Continued)

(v) Revenue from contracts with customers

(i) Details of revenue

	2019		
	Networking Product Segment	**Digital Set Top Box Product Segment**	**Total**
Primary geographical markets			
Europe	$ 13,648,288	6,471,939	20,120,227
America	5,145,008	122,835	5,267,843
Asia and others	7,335,167	174,663	7,509,830
	$ 26,128,463	**6,769,437**	**32,897,900**
Major products:			
Networking products	$ 22,184,688	-	22,184,688
Digital Set-top-box products	3,592,558	6,704,201	10,296,759
Materials and others	351,217	65,236	416,453
	$ 26,128,463	**6,769,437**	**32,897,900**

	2018		
	Networking Product Segment	**Digital Set Top Box Product Segment**	**Total**
Primary geographical markets			
Europe	$ 12,256,798	4,337,230	16,594,028
America	3,208,017	207,170	3,415,187
Asia and others	6,456,918	155,129	6,612,047
	$ 21,921,733	**4,699,529**	**26,621,262**
Major products:			
Networking products	$ 18,081,453	-	18,081,453
Digital Set-top-box products	3,374,881	4,677,622	8,052,503
Materials and others	465,399	21,907	487,306
	$ 21,921,733	**4,699,529**	**26,621,262**

(Continued)

(ii) Contract balances

	December 31, 2019	December 31, 2018	January 1, 2018
Accounts receivable	$ 6,146,872	5,863,079	5,319,574
Less: allowance for impairment	(40,275)	(46,317)	(17,499)
Total	**$ 6,106,597**	**5,816,762**	**5,302,075**

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

(w) Remuneration to employees and directors

Based on the Company's articles of incorporation, if there is any profit without the remuneration of employees and directors in a fiscal year, it shall be distributed to employees as remuneration in an amount of not less than five percent (5%) and to directors as remuneration 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 its accumulated losses. Employees who are entitled to receive the above mentioned employee remuneration, in share or cash, include the employees of the subsidiaries of the Company who meet certain specific requirement.

For the years ended December 31, 2019 and 2018, the Company accrued employee remuneration of $156,863 and $104,047, and directors' remuneration of $11,812 and $8,643, respectively. The estimated amounts mentioned above are based on the net profit before tax without the remuneration to employees and directors of each respective ending period, multiplied by the percentage of remuneration to employees and directors as specified under the Company's articles. The estimations were recorded under operating expenses during 2019 and 2018.

The Company accrued remuneration to employee and directors amounting to $104,047 and $8,643 in 2018, respectively. There were no differences between the amounts approved in the Board of Directors' meeting and those recognized in the 2018 financial statements. Related information can be accessed through the Market Observation Post System website.

(x) Financial instruments

(i) Credit risk

1) Exposure to credit risk

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

2) Concentration of credit risk

The Group's customers are mainly from the high-tech industry; therefore, the Group does not concentrate on a specific customer and the sales regions are widely spread, thus, there should be no concern on the significant concentrations of accounts receivable credit risk. In addition, in order to mitigate accounts receivable credit risk, the Group constantly assesses the financial status of its customers, wherein it does not require its customers to provide any collateral.

(ii) Credit risk

For credit risk exposure of note and trade receivables, please refer to note (6)(e).

Other financial assets at amortized cost include other receivables and time deposits. All of 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). In addition, the counterparties of the time deposits held by the Group are the financial institutions with investment grade credit ratings. Therefore, the credit risk is considered to be low.

The loss allowance provision as of December 31, 2019 and 2018 was determined as follows:

	Other receivables
Balance on January 1, 2019	$ 1,505
Impairment loss reversed	(1,400)
Balance on December 31, 2019	**$ 105**
Balance on January 1, 2018	$ -
Impairment loss recognized	1,505
Balance on December 31, 2018	**$ 1,505**

(iii) Liquidity risk

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

	Carrying Amount	Contractual cash flows	Within a year	1 ~ 2 years	Over 2 years
December 31, 2019					
Non-derivative financial liabilities					
Unsecured bank loans	$ 519,038	(519,038)	(519,038)	-	-
Accounts payable (including related parties)	8,222,862	(8,222,862)	(8,222,862)	-	-
Other payables	932,564	(932,564)	(932,564)	-	-
Bonds Payable	966,492	(1,000,000)	-	-	(1,000,000)
Lease liability－current and non-current	156,807	(158,714)	(144,982)	(13,732)	-
Derivative financial liabilities					
Other forward exchange contracts:	5,414				
Outflow	-	(602,004)	(602,004)	-	-
Inflow	-	598,158	598,158	-	-

(Continued)

		Carrying Amount	Contractual cash flows	Within a year	1 ~ 2 years	Over 2 years
Forward exchange contracts used for hedging:		4,932				
Outflow		-	(1,423,089)	(1,423,089)	-	-
Inflow		-	1,433,921	1,433,921	-	-
	$	**10,808,109**	**(10,826,192)**	**(9,812,460)**	**(13,732)**	**(1,000,000)**
December 31, 2018						
Non-derivative financial liabilities						
Unsecured bank loans	$	1,819,915	(1,819,915)	(1,819,915)	-	-
Accounts payable (including related parties)		7,246,291	(7,246,291)	(7,246,291)	-	-
Other payables		426,378	(426,378)	(426,378)	-	-
Derivative financial liabilities						
Other forward exchange contracts:		3,176				
Outflow		-	(563,200)	(563,200)	-	-
Inflow		-	562,837	562,837	-	-
	$	**9,495,760**	**(9,492,947)**	**(9,492,947)**	**-**	**-**

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

(iv) Currency risk

1) Exposure to foreign currency risk

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

		December 31, 2019			**December 31, 2018**		
		Foreign currency	**Exchange rate**	**TWD**	**Foreign currency**	**Exchange rate**	**TWD**
Financial assets							
Monetary items							
USD	$	364,077	USD/TWD =30.020	10,929,592	195,843	USD/TWD =30.715	6,015,318
EUR		68,907	EUR/TWD =33.62	2,316,653	86,173	EUR/TWD =35.20	3,033,290
Financial liabilities							
USD		368,007	USD/TWD =30.020	11,047,570	270,832	USD/TWD =30.715	8,318,605
EUR		42,196	EUR/TWD =33.62	1,418,630	30,986	EUR/TWD =35.20	1,090,707

(Continued)

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, trade and other receivables (including related parties), loans and borrowings, accounts payable (including related parties) and other payables (including related parties) that are denominated in foreign currency. The analysis assumes that all other variables remain constant. A strengthening (weakening) 5% of each foreign currency against the functional currency on December 31, 2019 and 2018 would have affected the net profit before tax as follows. The analysis is performed on the same basis for both periods:

		December 31, 2019	December 31, 2018
USD (against the TWD)			
Strengthening 5%	$	(5,899)	(115,164)
Weakening 5%		5,899	115,164
EUR (against the TWD)			
Strengthening 5%	$	44,901	97,129
Weakening 5%		(44,901)	(97,129)

3) Exchange gains and losses of monetary items

As the Group deals in diverse foreign currencies, gains or losses on foreign exchange were summarized as a single amount. In 2019 and 2018, the foreign exchange gain (loss) (including realized and unrealized portions) amounted to $(181,263) and $(15,765), respectively.

(v) Interest rate analysis

The Group's risk exposure to interest rate on financial assets and liabilities was as follows:

		Book value	
		December 31, 2019	December 31, 2018
Fixed rate financial instrument:			
Financial assets	$	3,935,158	2,460,722
Financial liabilities		(1,485,530)	(1,389,905)
	$	2,449,628	1,070,817
Variable rate financial instrument:			
Financial assets	$	3,669,759	3,513,212
Financial liabilities		-	(430,010)
	$	3,669,759	3,083,202

(Continued)

The following sensitivity analysis is based on the risk exposure to interest rate on the 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 management of the Group's assessment on the reasonably possible interval of interest rate change.

If the interest rate had increased or decreased by 0.25%, the net profit before tax would have increased or decreased by $9,174 and $7,708 for the years ended December 31, 2019 and 2018, respectively, which would be mainly resulted from the bank savings and borrowings with variable interest rates.

(vi) Fair value

1) The kinds of financial instruments and fair value

The fair value of financial assets and liabilities at fair value through profit or loss, financial instruments used for hedging is measured on a recurring basis. The carrying amount and fair value of the Company's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and lease liabilities, disclosure of fair value information is not required :

	December 31, 2019				
		Fair Value			
	Book value	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or loss					
Derivative financial assets	$ 15,455	-	15,455	-	15,455
Non derivative financial assets mandatorily measured at fair value through profit or loss	44,262	-	-	44,262	44,262
Subtotal	59,717				
Financial assets used for hedging	61	-	61	-	61
Financial assets measured at fair value through other comprehensive income:					
Stocks unlisted in demestic markets	49,500	-	-	49,500	49,500
Accounts receivable	837,277	-	837,277	-	837,277
Subtotal	886,777				
Financial assets measured at amortized cost:					
Cash and cash equivalents	7,607,559	-	-	-	-
Notes and Accounts receivable, net	5,269,320	-	-	-	-
Other receivables (including related parties)	208,524	-	-	-	-
Subtotal	13,085,403				
Total	$ 14,031,958				

(Continued)

	December 31, 2019				
		Fair Value			
	Book value	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities	$ 5,414	-	5,414	-	5,414
Derivative financil liabilities	4,932	-	4,932	-	4,932
Financial liabilities measured at amortized cost					
Short-term borrowings	519,038	-	-	-	-
Accounts payable (including related parties)	8,222,862	-	-	-	-
Other payables	932,564	-	-	-	-
Bonds payable	966,492	-	-	-	-
Lease liabilities-current and non-current	156,807	-	-	-	-
Subtotal	10,797,763				
Total	$ 10,808,109				

	December 31, 2018				
		Fair Value			
	Book value	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or loss					
Derivative financial assets	$ 12,213	-	12,213	-	12,213
Non-derivative financial assets mandatorily measured at fair value through profit or loss	69,176	23,531	-	45,645	69,176
Subtotal	81,389				
Financial assets measured at fair value through other comprehensive income					
Accounts receivables	124,286	-	124,286	-	124,286
Subtotal	124,286				
Financial assets measured at amortized cost					
Cash and cash equivalents	5,976,053	-	-	-	-
Notes and Accounts receivable, net	5,692,476	-	-	-	-
Other receivables	81,844	-	-	-	-
Subtotal	11,750,373				
Total	$ 11,956,048				
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities	$ 3,176	-	3,176	-	3,176
Financial liabilities at amortized cost					
Short-term borrowings	1,819,915	-	-	-	-
Notes and Accounts payable	7,246,291	-	-	-	-
Other payables	426,378	-	-	-	-
Subtotal	9,492,584				
Total	$ 9,495,760				

(Continued)

2) Valuation techniques for financial instruments not measured at fair value

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

a) Financial assets and financial liabilities measured at amortized cost

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

3) Valuation technique for financial instruments measured at fair value

a) Non-derivative financial instruments

Financial instruments trade in active markets are 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 basis to determine the fair value of the listed companies' equity instrument and debt instrument of the quoted price in an active market.

Fair value measured by a valuation technique can be extrapolated from similar financial instruments, the discounted cash flow method, or other valuation technique including a model using observable market data at the reporting date.

The Group holds the unquoted equity investments of financial instruments without an active market. The measurement of fair value of the equity instruments is based on the Guideline Public Company method, which mainly assumes the evaluation by the price to book value ratio of similar public company and by the discount for lack of marketability. The estimation has been adjusted by the effect resulting from the discount for lack of marketability of the securities.

b) Derivative financial instruments

Measurement of 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.

There were no transfers from one level to another in 2018 and 2017.

4) Transfers between Level 1 and Level 2

There were no transfers from level 2 to leavel 1in 2019.

(Continued)

5) Reconciliation of Level 3 fair values

	At fair value through profit of loss	Fair value through other comprehensive income
	Non derivation mandatorily measured at fair value through profit or loss	**Unquoted equity instruments**
Opening balance, January 1, 2019	$ 45,645	-
Total gains and losses recognized		
In profit or loss	(1,383)	-
Purchased	-	49,500
Ending balance, December 31, 2019	**$ 44,262**	**49,500**
Total gains and losses recognized		
In profit or loss	(3,064)	-
Reclassified	48,709	-
Ending balance, December 31, 2018	**$ 45,645**	**-**

For the years ended December 31, 2019 and 2018, total gains and losses that were included in "unrealized gains and losses from financial assets(liabilities) at fair value through profit or loss" were as follows:

	2019	**2018**
Total gains and losses recognized:		
In profit or loss, and including "unrealized gains and losses from financial assets(liabilities) at fair value through profit or loss"	(1,383)	(3,064)

6) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

The Group's financial instruments that use Level 3 inputs to measure fair value include "financial assets measured at fair value through profit or loss – investments in private equity fund" and "fair value through other comprehensive income – equityinvestment".

Most of fair value measurements categorized within Level 3 use the single and significant unobservable inputs. Equity investments without an active market contains multiple significant unobservable inputs. The significant unobservable inputs of the equity instruments are independent from each other, as a result, there is no relevance between them.

(Continued)

Quantified information of significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets at fair value through other comprehensive income-equity investment without an active market	Comparable market approach	·Price-Book ratio multiples (4.38 on December 31, 2019)	·The higher the multiple is , the higher the fair value will be.
		·Lack-of-Marketability discount rate (30% on December 31, 2019)	·The higher the Lack-of-Marketability discount rate is, the lower the fair value will be.
Financial assets at fair value through profit or loss-investment in private equity fund	Net asset value method	· Net asset value	Inapplicable

7) Fair value measurements in Level 3 – sensitivity analysis of reasonably possible alternative assumptions

For fair value measurements in Level 3, changing one or more of the assumptions to reflect reasonably possible alternative assumptions would have the following effects:

	Input	Move up or down	Other comprehensive income	
			Favorable	Unfavorable
December 31, 2019				
Financial assets at fair value through other comprehensive income	Price-Book ratio multiples	5%	1,912	1,911
	Lack-of-Marketability discount rae	5%	809	825

The favorable and unfavorable effects represent the changes in fair value, and fair value is based on a variety of unobservable inputs calculated using a valuation technique. The analysis above only reflects the effects of changes in a single input, and it does not include the interrelationships with another input.

(y) Financial risk management

(i) Briefings

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

1) Credit risk

2) Liquidity risk

3) Market risk

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

(ii) Structure of risk management

The Group's risk management policies are set for identifying and analyzing the risk that the Group confronts for setting the appropriate amount of the risk and complying with the policies. The Group continually reviews the risk management policies to reflect the market condition and the changes of the Group's operation. The Group develops a disciplined and constructive environment and makes employees understand their rules and obligations through training, management guidelines, and operating procedures.

Audit Committee ensures that the monitoring of the management is in compliance with the Group's risk management policies and procedures, and reviews the appropriateness of the related risk management framework. The Group's internal auditors assist the Audit Committee to supervise and review the control and procedures of the risk management periodically and aperiodically, and report the findings to the Audit Committee and the Board of Directors.

(iii) Credit risk

Credit risk is the risk on the financial loss to the Group if a customer or a counterparty fails to meet its contractual obligations. It rises principally from the Group's receivables from customers and investment in debt securities.

1) Accounts receivable and other receivables

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

The Group's customers are mainly from the communications industry. And in order to monitor the credit risk of accounts receivable, the Group constantly assesses the financial status of the customers, and requests the customers to provide guarantee or security if necessary. The Group regularly accesses the collectability of accounts receivable and recognizes the allowance for accounts receivable. The impairment losses are always within management's expectation.

(Continued)

The Group set the allowance for bad debt account to reflect the estimated losses for trade and other receivables. The allowance for bad debt account is based on extensive analysis for customers' creditworthiness and historical collection record.

2) Investments

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

(iv) Liquidity risk

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

The Group manages sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. The Group's management supervises the banking facilities and ensures in compliance with the terms of the loan agreements. The loans and borrowings from the bank form an important source of liquidity for the Group. As of December 31, 2019 and 2018, for the information of the unused credit lines of short-term, please see note (6)(k).

(v) Market risk

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

In order to manage market risk, there are some financial liabilities incurred by the Group from its buying and selling of derivatives. All such transactions are carried out within the guidelines set by the Risk Management Committee. Generally, the Group seeks to apply hedge accounting in order to manage volatility in profit or loss.

1) Currency risk

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

The Group designates the spot element of forward foreign exchange contracts to hedge its currency risk. Most of these contracts have a maturity of less than one year from the reporting date. The forward elements of forward exchange contracts are excluded from designation as the hedging instrument and are separately accounted for as a cost of hedging, which is recognized in equity in a cost of hedging reserve. The Group's policy is for the critical terms of the forward exchange contracts to align with the hedged item.

(Continued)

The Group determines the existence of an economic relationship between the hedging instrument and hedged item based on the currency, amount and timing of their respective cash flows. The Group assesses whether the derivative designated in each hedging relationship is expected to be and has been effective in offsetting changes in cash flows of the hedged item using the hypothetical derivative method.

In these hedge relationships, the main sources of ineffectiveness are:

– the effect of the counterparty and the Group's own credit risk on the fair value of the forward foreign exchange contracts, which is not reflected in the change in the fair value of the hedged cash flows attributable to the change in exchange rates; and

– changes in the timing of the hedged transactions.

2) Interest rate risk

The Group borrows funds with a stable combination of fix and variable interest rates to maintain its interest rate risk. The Group periodicly assess these hedge activities to provide the best cost effect and risk assessment.

(z) Capital management

The Group maintains the capital based on the current operating characteristics of the industry, future development and changes in external environment to assure there is financial resource and operating plan to support working capital, capital expenditures, research & development expense, debt redemption and dividend payment and so on. The management decides the optimized capital structure by using the appropriate debt-to-equity ratio. To maintain a strong capital base, the Group enhances the return on equity by optimizing debt-to-equity ratio. The Company's debt-to-equity ratio at the end of the reporting date is as follows:

	December 31, 2019	**December 31, 2018**
Total liabilities	$ 14,190,051	11,779,682
Total equity	11,340,934	9,473,798
Debt-to-equity ratio	125 %	124 %

As of December 31, 2019, there were no changes in the Group's approach to capital management.

(aa) 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 year ended December 31, 2019 were as follow:

(i) The acquisition of right-of-use assets by lease, please see notes (6)(i).

(ii) Issuance of convertible bonds, please see notes (6)(m).

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

(Continued)

Reconciliation of liabilities arising from financing activities were as follows:

	January 1, 2019	Cash flows	Non-cash changes Other	December 31, 2019
Short-term borrowings	$ 1,819,915	(1,300,877)	-	519,038
Lease liabilities	154,772	(93,366)	95,401	156,807
Bonds payable	-	1,007,240	(40,748)	966,492
Guarantee deposits	1,904	-	(122)	1,782
Total liabilities from financing activities	$ 1,976,591	(387,003)	54,531	1,644,119

	January 1, 2018	Cash flows	Non-cash changes Other	December 31, 2018
Short-term borrowings	$ 717,073	1,102,842	-	1,819,915
Guarantee deposits	1,805	99	-	1,904
Total liabilities from financing activities	$ 718,878	1,102,941	-	1,821,819

(7) Related-party transactions:

(a) Parent company and ultimate controlling party

Compal Electronics Inc. is both the parent company of the consolidated entity and the ultimate controlling party of the Group. It owns 35 percent of all shares outstanding of the Company, and it has issued the Consolidated Financial Statements available for public use.

(b) Name and relationship with related parties

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

Name of related party	Relationship with the Group
Compal Electronics, INC.	Parent company
Kinpo Group Management Service Company	The chairman of the entity's ultimate parent company is the same as that of the Company.
AcBel Polytech Inc.	〃
Compal Display Electronics (Kunshan) Co., Ltd.	The entity's ultimate is the same parent company .
Compal Electronics (Vietnam) Co., Ltd.	〃

(Continued)

(c) Significant related party transactions

(i) Sale

The amounts of significant sales by the Group to related parties were as follows:

	2019	2018
Other related parties	$ 2,490	21,881

Sales prices for other related parties were similar to those of the third-party customers. The collection period was 90 days for the aforementioned related parties.

(ii) Purchase of goods from related parties

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

	2019	2018
Parent Company	$ 1,052	-
Other related parties	70,881	110,758
	$ 71,933	110,758

Purchase prices from related parties were similar to those from third-party suppliers. The payment period was 90~120 days for related parties.

(iii) Other expenditures

Parent company and other related parties provided technical support, professional services and other services for the Group, and the related expenses for the years ended December 31, 2019 and 2018 were as follows:

	2019	2018
Parent company	$ 5,687	3,561
Other related parties	16,514	1,116
	$ 22,201	4,677

(iv) Lease

In April 2019, the Group leased factories and buildings from other related parties, with a lease term of 3 years and a total price of $14,385, after surveying the market price in neighboring areas. The interest expense and the balance of lease liability amounting to $662 and $10,771, respectively, were recognized as of December 31, 2019.

The Company lease machinery from other related parties with a contract term of 5 years in June 2019. The lease payment will be collected by the parent company; and the amount of $81,081 had each been recorded as right-of-use assets and lease liabilities.

(Continued)

(v) Receivable from related parties

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

Account	Related party categories	December 31, 2019	December 31, 2018
Accounts receivable	Other related parties	$ -	9,411
Other receivables	Other related parties	80,936	-

(vi) Payable to related parties

The payables to related parties were as follows:

Account	Related party categories	December 31, 2019	December 31, 2018
Accounts payable	Parent Company	$ 519	-
Accounts payable	Other related parties	27,613	79,458
		$ 28,132	79,458
Other payable	Other related parties	$ 2,530	259

(d) Key management personnel compensation

Key management personnel compensation comprised:

	2019	2018
Short-term employee benefits	$ 88,984	75,467
Post-employment benefits	1,230	1,222
Share-based payments	30,278	12,616
	$ 120,492	89,305

Please refer to note (6)(t) for further explanations related to share-based payment transactions.

(8) Pledged assets:

The carrying values of pledged assets were as follows:

Assets	Subject	December 31, 2019	December 31, 2018
Other current asset	Bail for court mandatory execution	$ 41,090	41,090
Property-land	Long-term loans (note)	-	463,262
		$ 41,090	504,352

Note: Long-term loans had been settled in 2015; and the property land that had been pledged as collateral was cancelled on May 16, 2019.

(Continued)

(9) Commitments and contingencies:None

(10) Losses Due to Major Disasters:None

(11) Subsequent Events:

On December 3, 2019, the Company's board of directors resolved to increase its investment in Arcadyan Technology (Vietnam) Co., Ltd. through its 100% -owned subsidiaries, Arcadyan Holding (BVI) Corp. and Sinoprime Global Inc. for USD20,000 thousand. All related registration procedures had been completed on January 31, 2020.

(12) Other:

(a) A followings are the summary statement of current period employee benefits, depreciation and amortization expenses by function:

By function / By item	2019			2018		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits						
Salary	826,086	1,433,850	2,259,936	826,777	1,113,000	1,939,777
Labor and health insurance	16,709	98,624	115,333	9,058	84,131	93,189
Pension	55,803	49,713	105,516	57,338	43,981	101,319
Others	306,673	90,522	397,195	264,891	82,030	346,921
Depreciation	271,203	122,062	393,265	137,273	81,246	218,519
Amortization	3,754	31,099	34,853	1,781	27,736	29,517

(13) Other disclosures:

(a) Information on significant transactions:

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Group for 2018:

(i) Loans to other parties:

Unit: thousand dollars

Number	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 (note 1)	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits (note 2)	Maximum limit of fund financing (note 2)	Note
													Item	Value			
0	The Company	Arcadyan do Brasil Ltda	Other receivables	Yes	246,160 (USD8,000)	60,040 (USD2,000)	39,026 (USD1,300)	1%	2	-	Operating demand	-	-	-	2,180,945	4,361,890	The trnasactions had been eliminated in the consoldiated financial statements.
0	〃	Arcadyan Technology Limited	〃	Yes	219,730 (USD7,000)	210,140 (USD7,000)	-	1%	1	4,503,000 (USD150,000)	-	-	-	-	2,180,945	4,361,890	〃
0	〃	Arcadyan Technology Australia Pty Ltd	〃	Yes	126,400 (USD4,000)	-	-	1%	1	1,501,000 (USD50,000)	-	-	-	-	1,200,800	4,361,890	〃

(Continued)

Number	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 (note 1)	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits (note 2)	Maximum limit of fund financing (note 2)	Note
													Item	Value			
0	The Company	Arcadyan Technology (Vietnam) Co. Ltd.	Other receivables	Yes	284,400 (USD9,000)	270,180 (USD9,000)	-	1%	1	600,400 (USD20,000)	-	-	-	-	480,320	4,361,890	The trnasactions had been eliminated in the consoldiated financial statements.
1	ZHI-PAL	Arcadyan do Brasil Ltda	〃	Yes	34,760 (USD1,100)	33,022 (USD1,100)	-	1%	2	-	Operating demand	-	-	-	41,642	166,568	〃
2	Arcadyan Holding	CNC	〃	Yes	523,940 (USD17,000)	510,340 (USD17,000)	510,340 (USD17,000)	1%	2	-	Operating demand	-	-	-	2,003,996	2,003,996	〃

Note 1: Number 1 represents the business relationship with the Company; number 2 represents the short-term financing facility, if necessary.
Note 2: According to the policy of the Company on Lending Funds to Other Parties, the amount of loans to others shall not exceed 40% of the net worth of the Company. To borrowers having business relationship with the Company, the total amount of loans to the borrower shall not exceed 80% of the transaction amount in the last fiscal year or the expected amount for the current year, which shall not exceed 20% of the net worth of the Company. Also, the amount shall be combined with the Company's endorsements/guarantees for the borrower upon calculation. When a short-term financing facility is deemed necessary, only the investees of the Company are allowed to borrow. The total amount of loans to the borrower shall not exceed 80% of the its net worth, nor shall it exceed 20% of the net worth of the Company, and it shall be combined with the the Company's endorsements/guarantees for the borrower upon calculation.
Note 3: According to the policy of Arcadyan Holding on Loaning Funds to Others, the amount of loans to others shall not exceed the net worth of Arcadyan Holding. When a short-term financing facility with Arcadyan Holding is deemed necessary, only the investees of Arcadyan Holding are allowed to borrow. The total amount for lending the borrower shall not exceed its net worth , and it shall be combined with the Company's endorsements/guarantees for the borrower upon calculation.
Note 4: According to ZHI-PAL's Procedures for Lending Funds to Other parties, the total amount of loans to others shall not exceed 40% of the net worth of ZHI-PAL. To borrowers having business relationship with ZHI-PAL, 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 ZHI-PAL. When a short-term financing facility is necessary, the borrower should be ZHI-PAL's investee. The total amount for lending the borrower shall not exceed 10% of the net worth of the borrower.
Note 5: The amounts in New Taiwan Dollars were translated at the exchange rate of $30.02 based on the year-end date.

(ii) Guarantees and endorsements for other parties:

Unit: thousand 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	Parent company endorsements/ guarantees to third parties on behalf of subsidiary (note 2)	Subsidiary endorsements / guarantees to third parties on behalf of parent company (note 2)	Endorsements/ guarantees to third parties on behalf of companies in Mainland China (note 2)
		Name	Relationship with the Company										
0	The Company	Arcadyan do Brasil Ltda	100% Owned subsidiary	1,453,963	246,160 (USD8,000)	-	-	-	- %	4,361,890	Y	N	N

Note 1: According to the policy of the Company for Endorsements and Guarantee, the total amount shall not exceed 40% of the net worth of the 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 2: Fill in "Y" if applicable, or "N" if not applicable.

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

Unit: thousand dollars/thousand shares

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Highest balance during the year		Note
				Shares	Carrying value (Note 1)	Percentage of ownership (%)	Fair value	Shares	Percentage of ownership (%)	
The Company	Geo Things Inc.	-	Financial assets at fair value through profit or loss-noncurrent	200	-	8.94 %	-	200	8.94 %	
〃	AirHop Communication, Inc.	-	〃	1,152	-	5.04 %	-	1,152	5.04 %	
〃	Adant Technologies Inc.	-	〃	349	-	4.93 %	-	349	4.93 %	
〃	IOT Eye, Inc.	-	〃	60	-	13.75 %	-	60	13.75 %	
〃	TIEF Fund, L.P.	-	〃	-	44,262	7.49 %	44,262	-	7.49 %	
〃	Chimei Motor Electronic Co Ltd.	-	Financial assets at fair value through other comprehensive income-nincurrent	1,650	49,500	8.86 %	49,500	1,650	8.68 %	

Note 1: The carrying amount included the cumulative impairment.

(Continued)

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

(In Thousands of New Taiwan Dollars)

Name of company	Category and name of security	Account name	Name of counter-party	Relationship with the company	Beginning Balance		Purchases		Sales						Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Price	Cost	Gain (loss) on disposal	Shares	Amount	Shares	Amount
The Company	Arcadyan Holding	Investments accounted for using equity method	Issued for cash	Subsidiary	32,780	1,221,252	27,000	823,505	-	-	-	-	-	(87,955) (note)	59,780	1,956,802

Note: Others include investment gains/losses under equity method, exchange differences on translation of foreign financial statements etc.

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

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

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

Unit: In thousand dollars of TWD and USD

Name of company	Related 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	Arcadyan Germany	Subsidiary	(Sales)	(1,465,691)	(5)%	Net 120 days from delivery	-	-	392,466	6 %	Note 4
〃	Arcadyan USA	〃	(Sales)	(2,992,401)	(11)%	Net 60 days from the end of the month of delivery	-	-	2,683,393	38 %	Note 4
〃	Arcadyan AU	〃	(Sales)	(2,444,741)	(9)%	Net 45 days from the end of the month of delivery	-	-	634,154	9 %	Note 4
〃	CNC	〃	Purchases	11,451,395	31 %	〃	According to cost plus pricing	-	(3,117,484)	(44)%	Note 1、4
〃	Arcadyan Vietnam	〃	Purchases	1,026,793	3 %	Net 180 days from the end of the month of delivery	〃	-	Note 2	- %	Note 1、4
CNC	The Company	Parent company	(Sales)	(11,451,395)	(100)%	Net 45 days from the end of the month of delivery	〃	-	3,117,484	99 %	Note 1、4
〃	TCH	With the same ultimate parent company	(Sales)	(158,620)	(1)%	Net 90 days from the end of the month of delivery	-	-	23,396	1 %	Note 1、4
Arcadyan Vietnam	The Company	Parent company	(Sales)	(1,026,793)	(100)%	Net 180 days from the end of the months of delivery	-	-	Note 2	- %	Note 4

(Continued)

Name of company	Related 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 Germany	The Company	Parent company	Purchases	1,465,691	100 %	Net 120 days from delivery	-	-	(392,466)	(100)%	Note 4
Arcadyan USA	〃	〃	Purchases	2,992,401	100 %	Net 60 days from the end of the month of delivery	-	-	(2,683,393)	(100)%	Note 4
Arcadyan AU	〃	〃	Purchases	2,444,741	100 %	Net 45 days from the end of the month of delivery	-	-	(634,154)	(100)%	Note 4
TCH	TTI	With the same ultimate parent company	(Sales)	(378,225)	(100)%	Net 60 days from the end of the month of delivery	According to cost plus pricing	-	Note 3	- %	Note 1、4
〃	CNC	〃	Purchases	158,620	2 %	Net 90 days from the end of the month of delivery	-	-	(23,396)	(54)%	Note 1、4
TTI	TCH	〃	Purchases	378,225	8 %	Net 60 days from the end of the month of delivery	-	-	Note 3	- %	Note 1、4

Note 1: The ending balance derived from the transactions on processing and sales of raw material.
Note 2: As of December 31, 2019 the other receivables (payables) of amounted to 362,695 thousand.
Note 3: As of December 31, 2019 the Advance Sales receipt (payment) of amounted to 103,079 thousand.
Note 4: The transactions had been eliminated in the consolidated financial statements.

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

Unit: In Thousands of TWD and USD

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period (note 3)	Allowance for bad debts
					Amount	Action taken		
The Company	Arcadyan Germamy	Subsidiary	392,466	2.45	-		75,366	-
〃	Arcadyan USA	〃	2,683,393	2.15	-		708,279	-
〃	Arcadyan AU	〃	634,154	3.59	-		509,314	-
〃	Arcadyan Vietnam		362,695 (note 2)	2.11	-		-	-
〃	TTI	〃	55,769 (Note 2)	18.18	-		18,864	-
CNC	The Company	Parent company	3,117,484 (Note 1)	3.51	-		450,187	-

Note 1: The ending balance was accounts receivable derived from processing raw material.

Note 2: The ending balance was other receivable derived from purchasing on behalf of related parties.

Note 3: Balance as of February 21, 2020.

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

(Continued)

(x) Business relationships and significant intercompany transactions:

(In Thousands of New Taiwan Dollars)

No. (Note 1)	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	The Company	Arcadyan Germany	1	Sales Revenue	1,465,691	There is no significant difference of price between general customers'. The credit period is net 120 days from delivery.	4.46 %
〃	〃	〃	1	Accounts Receivable	392,466	〃	1.54 %
〃	〃	TTI	1	Other Receivable	55,769	The price is based on the operating cost. The credit period is net 90 days from the end of the month of delivery.	0.22 %
〃	〃	Arcadyan USA	1	Sales Revenue	2,992,401	There is no significant difference of price between general customers'. The credit period is net 60 days from the end of the month of delivery.	9.10 %
〃	〃	〃	1	Accounts Receivable	2,683,393	〃	10.51 %
〃	〃	Arcadyan AU	1	Sales	2,444,741	There is no significant difference of price between general customers'. The credit period is net 45 days from delivery.	7.43 %
〃	〃	〃	1	Accounts Receivable	634,154	〃	2.48 %
〃	〃	Arcadyan Vietnam	1	Other Receivable	362,695	The credit period is net 180 days from the date of invoice and depended on funding demand.	1.42 %
1	CNC	The Company	2	Processing Revenue	11,451,395	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.	34.81 %
〃	〃	〃	2	Accounts Receivable	3,117,484	〃	12.21 %
〃	〃	TCH	3	Processing Revenue	158,620	The price is based on the operating cost. The credit period is net 90 days from the end of the month of delivery.	0.48 %
〃	〃	〃	3	Accounts Receivable	23,396	〃	0.09 %
2	Arcadyan Vietnam	The Company	2	Processing Revenue	1,026,793	The credit period is net 180 days from the date of invoice and depended on funding demand.	3.12 %

(Continued)

No. (Note 1)	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
3	TCH	TTI	3	Processing Revenue	378,225	The price is based on the operating cost. The credit period is net 60 days from the end of the month of delivery.	1.15 %
〃	〃	〃	3	Advance payment	103,079	〃	0.40 %

Note 1: The numbers filled in as follows:
1.0 represents the Company.
2. Subsidiaries are sorted in a numerical order starting from 1.

Note 2: Transactions labeled as follows:
1 represents transactions between the parent company and its subsidiaries.
2 represents transactions between the subsidiaries and the parent company.
3 represents transactions between subsidiaries.

(b) Information on investees:

The following is the information on investees for the year 2019 (excluding information on investees in Mainland China):

Unit: thousand dollars

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2019			The highest holdings in the period		Net Income (Losses) of the Investee	Investment Income (losses)	Note
				December 31, 2019	December 31, 2018	Shares (thousands)	Percentage of ownership	Carrying value	Shares	Percentage of Ownership)			
The Company	Arcadyan Holding	British Virgin Islands	Investment activities	2,064,032	1,240,526	59,780	100%	1,956,802	59,780	100 %	(24,302)	(43,844)	Note 2、4
The Company	Arcadyan USA	USA	Selling of wireless networking products	23,055	23,055	1	100%	(250,530)	1	100 %	14,289	14,289	〃
The Company	Arcadyan Germany	Germany	Selling and technical support of wireless networking products	1,125	1,125	0.5	100%	68,318	0.5	100 %	7,022	7,022	〃
The Company	Arcadyan Korea	Korea	Selling of wireless networking products	2,879	2,879	20	100%	7,047	20	100 %	(310)	(310)	〃
The Company and ZHI-PAL	Arcadyan Brasil	Brasil	Selling of wireless networking products	81,593	81,593	968	100%	(7,767)	968	100 %	(22,421)	(22,421)	〃
The Company	ZHI-PAL	Taipei City	Investment activities	48,000	48,000	34,980	100%	416,421	34,980	100 %	2,169	2,169	〃
The Company	TTI	Taipei City	Research and development, and selling digital home appliance	308,726	308,726	25,028	61%	627,585	25,028	61 %	105,625	64,477	〃
The Company	AcBel Telecom	Taipei City	Investment activities	23,000	23,000	4,494	51%	36,163	4,494	51 %	4,784	2,444	〃
The Company	Arcadyan UK	England	Technical support of wireless networking products	1,988	1,988	50	100%	3,170	50	100 %	452	452	〃
The Company	Arcadyan AU	Austrilia	Selling of wireless networking products	1,161	1,161	50	100%	27,970	50	100 %	29,187	29,187	〃
The Company	CBN	Hsinchu City	Manufacturing and selling of broadband network products	11,925	11,925	533	1%	13,581	533	1 %	10,514	85	Note 3

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount December 31, 2019	Original investment amount December 31, 2018	Balance as of December 31, 2019 Shares (thousands)	Balance as of December 31, 2019 Percentage of ownership	Balance as of December 31, 2019 Carrying value	The highest holdings in the period Shares	The highest holdings in the period Percentage of Ownership)	Net Income (Losses) of the Investee	Investment Income (losses)	Note
The Company	Golden Smart home Technology	Taipei City	Selling of hardware and software integration of high-tech systems products	15,692	15,692	1,229	11%	-	1,229	11 %	(36,152)	-	
Arcadyan Holding	Sinoprime	British Virgin Islands	Investment activities	271,681 (USD9,050)	271,681 (USD9,050)	9,050	100%	188,856 (USD6,291)	9,050	100 %	(86,152) (USD(2,787))	Investment gain(losses) recognized by Arcadyan Holding	Note 2、4
〃	Arch Holding	British Virgin Islands	Investment activities	330,550 (USD11,011)	330,550 (USD11,011)	35	100%	871,120 (USD29,018)	35	100 %	57,002 (USD1,844)	〃	〃
Sinoprime	Arcadyan Vietnam	Vietnam	Manufacturing of wireless networking products	270,180 (USD9,000)	-	-	100%	184,443 (USD6,144)	-	100 %	(88,285) (USD(2,856))	Investment gain(losses) recognized by Sinoprime	〃
TTI	Quest	Samoa	Investment activities	36,024 (USD1,200)	36,024 (USD1,200)	1,200	100%	77,839	1,200	100 %	10,673	Investment gain(losses) recognized by TTI	〃
TTI	TTJC	Japan	Selling digital home appliance	4,130	1,341	0.3	100%	2,015	-	100 %	(1,550)	〃	〃
Quest	Exquisite	Samoa	Investment activities	35,123 (USD1,170)	35,123 (USD1,170)	1,170	100%	80,994 (USD2,698)	1,170	100 %	10,665 (USD345)	Investment gain(losses) recognized by Quest	〃
AcBel Telecom	Leading Images	British Virgin Islands	Investment activities	1,501 (USD50)	1,501 (USD50)	50	100%	13,985	50	100 %	4,623	Investment gain(losses) recognized by AcBel Telecom	〃
Leading Images	Astoria GmbH	Germany	Selling of wireless networking products	841 (EUR25)	841 (EUR25)	25	100%	13,599 (USD453)	25	100 %	4,637 (USD150)	Investment gain(losses) recognized by Leading Images	〃
ZHI-PAL	CBN	Hsinchu City	Manufacturing and selling of broadband network products	36,272	36,272	13,140	19.66%	334,669	13,140	19.66 %	10,514	Investment gain(losses) recognized by ZHI-PAL	Note 3

Note 1: The amounts in New Taiwan Dollars were translated at the exchange rate of $US30.912 / EUR$34.613 based on the yearly average exchange rate for net income(losses) of the investees, others were translated at the exchange rate of US$30.020/EUR$33.62 based on the year-end date.
Note 2: The Group has owner control.
Note 3: The Group has significant influence.
Note 4: The transactions had been eliminated in the consolidated financial statements.

(Continued)

(c) Information on investment in mainland China:

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

(In Thousands of New Taiwan Dollars US Dollars)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2018	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2019	Net income (losses) of the investee	Percentage of ownership	Investment income (losses)	Book value	Accumulated remittance of earnings in current period	Note
					Outflow	Inflow							
SVA	Research and sale of wireless networking products	393,262 (USD13,100)	note 1	(Note 4) 552,969 (USD18,420)	-	-	552,969 (USD18,420)	5,750 (USD186)	100%	5,750 (USD186)	127,495 (USD4,247)	-	Note 3
CNC	Manufacturing of wireless networking products	373,749 (USD12,450)	〃	(Note 5) 330,550 (USD11,011)	-	-	330,550 (USD11,011)	57,002 (USD1,844)	100%	57,002 (USD1,844)	871,090 (USD29,017)	-	〃
TCH	Manufacturing of household electronics products	100,567 (USD3,350)	notes 1 and 7	34,523 (USD1,150)	-	-	34,523 (USD1,150)	10,665 (USD345)	100%	10,665 (USD345)	80,484 (USD2,681)	-	〃

Note 1: Investment in Mainland China through companies registered in a third region.
Note 2: The amounts in New Taiwan Dollars were translated at the exchange rate of $US30.912 based on the yearly average exchange rate for net income(losses) of the investees, others were translated at the exchange rate of US$30.02 based on the year-end date.
Note 3: The amounts are according to the financial statements which have been audited and certified by parent company's independent external CPA.
Note 4: The Company paid US$18,420 thousands and acquired 100% shares of SVA Arcadyan from Accton Asia through Arcadyan Holding in 2010.
Note 5: The Company paid US$8,561 thousands and acquired 100% shares of CNC from Just through Arcadyan Holding in 2007.
Note 6: SVA decreased its capital amounting to US$15,000 thousands to offset its accumulated losses in March 2009.
Note 7: The Company's subsidiary, TTI, obtained control over TCH for US$1,150 thousands on February 28, 2013 (base date of stock transferring).

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2019	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
918,042 (USD30,581)	918,042 (USD30,581)	6,542,836

Note : The amounts in New Taiwan Dollars were translated at the exchange rate of $30.020 on December 31, 2019.

(iii) Significant transactions:

The significant inter-company transactions with the subsidiary in Mainland China for the year ended December 31, 2019, which were eliminated in the preparation of consolidated financial statements, are disclosed in "Information on significant transactions".

(14) Segment information:

(a) General information

The Group's reportable segments are the networking product segment and the digital set-top box product segment. The networking product segment is primarily engaged in the research, development, manufacture and sale of wireless networking products, integrated access devices, digital home multimedia devices and mobile broadband products. The digital set-top box product segment is primarily engaged in the research, development, and sale of set-top boxes and related products. The above segments are managed independently, thus they are single operating segments.

(Continued)

(b) Reportable segments and operating segment information

Accounting policies for the operating segments correspond to those stated in note 4.

The operating segment information was as follows:

	For the year ended December 31, 2019			
	Networking Product Segment	**Digital Set Top Box Product Segment**	**Adjustment & Elimination**	**Total**
Revenue				
Revenue from external customers	$ 26,128,463	6,769,437	-	32,897,900
Revenue from segments	170,204	-	(170,204)	-
Interest revenue	67,283	3,616	-	70,899
Total revenue	$ 26,365,950	6,773,053	(170,204)	32,968,799
Interest expense	51,569	4,992	-	56,561
Depreciation and amortization	360,018	68,100	-	428,118
Share of investment in associates by equity method	2,172	-	-	2,172
Reportable segment profit	$ 1,540,881	161,943	-	1,702,824

	For the year ended December 31, 2018			
	Networking Product Segment	**Digital Set Top Box Product Segment**	**Adjustment & Elimination**	**Total**
Revenue				
Revenue from external customers	$ 21,921,733	4,699,529	-	26,621,262
Revenue from segments	176,306	-	(176,306)	-
Interest revenue	38,800	4,329	-	43,129
Total revenue	$ 22,136,839	4,703,858	(176,306)	26,664,391
Interest expense	26,143	10,304	-	36,447
Depreciation and amortization	214,558	33,478	-	248,036
Investment gain	42,789	-	-	42,789
Gain on disposals of investments	2,122	-	-	2,122
Reportable segment profit	$ 1,053,528	64,496	-	1,118,024

(Continued)

(c) Products information

Please refer to note 6(v) for information of revenue from external customers.

(d) Geographic information

Stated below are the geographic information on the Group's sales presented by destination of sales and non-current assets presented by location.

(i) Revenue from external customers:

Country		2019	2018
Germany	$	9,532,350	7,269,974
UK		3,853,215	2,181,037
France		2,699,809	2,823,508
Others		16,812,526	14,346,743
	$	**32,897,900**	**26,621,262**

(ii) Non-current assets:

Country		2019	2018
Taiwan	$	1,694,265	1,580,320
Mainland China		527,444	460,465
Others		449,989	1,048
	$	**2,671,698**	**2,041,833**

Non-current assets include plant, property, and equipment, intangible assets, right-of-use assets and other assets, excluding deferred tax assets.

(e) Major customers information

		2019	2018
Customer:			
F Company from Networking products segments and digital set-top-box products segments	$	6,229,683	-
D Company from Networking products segments and digital set-top-box products segments		-	5,337,385
	$	**6,229,683**	**5,337,385**

5. Individual Financial Statements and Independent Auditors' Report

Independent Auditors' Report

To the Board of Directors of Arcadyan Technology Corporation:

Opinion

We have audited the financial statements of Arcadyan Technology Corporation(" the Company"), which comprise the balance sheets as of December 31, 2019 and 2018, the statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

1. Inventory valuation

   Please refer to Note (4)(g) and Note (5) for the accounting policy of inventory valuation, as well as the estimation and assumption uncertainly of the valuation of inventory, respectively. Information regarding the inventory is shown in Note (6)(f) of the financial statements.

Description of key audit matters:

Inventory is measured at the lower of cost and net realizable value. The Company is primarily engaged in the research, development, manufacture and sale of wireless networking products, integrated access devices, digital home multimedia devices and mobile broadband products. The significant change in supply and competitive market of demand may cause fluctuation in product price. Consequently, the book value of inventory may exceed its net realizable value. Therefore, the valuation of inventory is one of the key audit matters.

How the matter was addressed in our audit:

Our principal audit procedures included : assessing the rationality of the Company's accounting policies, such as the policy of provision for inventory loss due to price decline, obsolete, and slow moving inventories; inspecting the Company's inventory aging reports' accuracy and analyzing the changes of inventory aging which are in accordance with the Company's accounting policies; sampling and inspecting the Company's sales price, as well as verifying the calculation of the lower of cost or net realizable value; and assessing the disclosure of provision for inventory valuation and obsolescence was appropriate.

2. Provisions

Please refer to Note (4)(n) and Note (5) for the accounting policy of provisions, as well as the estimation and assumption uncertainly of provisions, respectively. Information regarding the provisions is shown in Note (6)(n) of the financial statements.

Description of key audit matters:

Assessment of provisions is subject to significant judgment and estimation from management. Accounting assumption is based on the historical experience of provision expenses as a percentage of sales.

How the matter was addressed in our audit:

Our principal audit procedures included : understanding the method of estimation of provision, the sources of the data; confirming the policy of Company whether it is in accordance with the accounting principles; confirming whether the accounting estimates were conducted and the disclosure of provision was appropriate; performing retrospective testing for the amount of provision, testing the method of estimation, and recalculating the rationality of amount of provision.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

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

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

6. Obtain sufficient and appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on this financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Kuan-Ying Kuo and Hsin-Fu Yen.

KPMG

Taipei, Taiwan (Republic of China)
March 17, 2020

Notes to Readers

The accompanying parent company only financial statements are intended only to present the 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 audit such parent company only financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' audit report and the accompanying parent company only financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' audit report and parent company only financial statements, the Chinese version shall prevail.

(English Translation of Financial Statements Originally Issued in Chinese)

ARCADYAN TECHNOLOGY CORPORATION

Balance Sheets

December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	Assets	December 31, 2019 Amount	%	December 31, 2018 Amount	%
	Current assets:				
1100	Cash and cash equivalents (note (6)(a))	$ 4,460,976	21	2,795,733	17
1110	Current financial assets at fair value through profit or loss (note (6)(b))	12,400	-	35,071	-
1139	Current finacial assets for hedging (note (6)(d))	61	-	-	-
1170	Notes and accounts receivable, net (notes (6)(e) and (t))	3,355,418	16	3,987,392	25
1180	Accounts receivable from related parties, net (note (7))	3,765,782	17	1,818,220	11
1200	Other receivables	80,819	-	62,436	-
1210	Other receivables from related parties (note (7))	523,513	2	83,612	1
1310	Inventories, net (note (6)(f))	4,106,296	19	3,176,782	20
1410	Prepayments	45,763	-	43,300	-
1470	Other current assets (note (8))	89,744	1	87,357	1
		16,440,772	76	12,089,903	75
	Non-current assets:				
1550	Investments accounted for using equity method (note (6)(g))	3,157,057	15	2,450,259	15
1511	Non-current financial assets at fair value through profit or loss (note (6)(b))	44,262	-	45,645	-
1517	Non-current financial assets at fair value through other comprehensive income (note (6)(c))	49,500	-	-	-
1600	Property, plant and equipment (notes (6)(h) and (8))	1,455,271	7	1,459,348	9
1755	Right-of-use assets (note (6)(i))	79,200	1	-	-
1780	Intangible assets (note (6)(j))	63,761	-	55,133	-
1840	Deferred income tax assets (note (6)(p))	245,703	1	109,537	1
1900	Other non-current assets	19,866	-	16,055	-
		5,114,620	24	4,135,977	25
	Total assets	$ 21,555,392	100	16,225,880	100

	Liabilities and Equity	December 31, 2019 Amount	%	December 31, 2018 Amount	%
	Current liabilities:				
2100	Short-term borrowings (note (6)(k))	$ 270,180	1	430,010	3
2120	Current financial liabilities at fair value through profit or loss (note (6)(b))	5,414	-	3,143	-
2126	Current financial liabilities for hedging (note (6)(d))	4,932	-	-	-
2170	Accounts payable	3,911,744	18	2,041,665	13
2180	Accounts payable to related parties (note (7))	3,173,637	15	3,460,018	20
2200	Other payables (note (7))	1,087,821	6	581,274	4
2230	Current tax liabilities	388,093	2	210,161	1
2250	Current provisions (note (6)(n))	182,737	1	175,023	1
2280	Current lease liabilities (note (6)(m))	86,879	-	-	-
2300	Other current liabilities	170,447	1	111,037	1
		9,281,884	44	7,012,331	43
	Non-Current liabilities:				
2530	Bonds payable (note(6)(1))	966,492	4	-	-
2580	Non-current lease liabilities (note(6)(m))	1,816	-	-	-
2570	Deferred income tax liabilities (note (6)(p))	55,716	-	58,840	-
2640	Non-current net defined benefit liability (note (6)(o))	94,911	-	88,565	1
2650	Credit balance of investments accounted for using equity method (note (6)(g))	249,847	1	-	-
		1,368,782	5	147,405	1
	Total liabilities	10,650,666	49	7,159,736	44
	Equity (note (6)(l), (q) and (r)):				
3100	Ordinary share	2,085,350	10	1,936,190	12
3200	Capital surplus	3,703,916	17	2,794,174	17
3300	Retained earnings	5,335,400	25	4,609,080	28
3410	Exchange differences on translation of foreign financial statements	(95,172)	-	(53,684)	-
3450	Loss(Gain) from hedging instrument	(4,871)	-	-	-
3490	Unearned employee benefit	(119,897)	(1)	(219,616)	(1)
	Total equity	10,904,726	51	9,066,144	56
	Total liabilities and equity	$ 21,555,392	100	16,225,880	100

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)

ARCADYAN TECHNOLOGY CORPORATION

Statements of Comprehensive Income

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars, except net income per share amounts)

		2019		2018	
		Amount	%	Amount	%
4000	**Operating Revenues (notes (6)(t) and (7)):**				
4100	Net sales revenue	$ 27,248,530	100	21,708,946	99
4800	Other operating revenue	132,687	-	117,621	1
		27,381,217	100	21,826,567	100
5000	**Operating costs (notes (6)(f), (6)(o), (7) and (12))**	23,520,056	86	19,302,285	88
	Gross profit from operating	3,861,161	14	2,524,282	12
5910	Unrealized profit from sales	320,345	1	13,886	-
		3,540,816	13	2,510,396	12
	Operating expenses (notes (6)(o), (7) and (12)):				
6100	Selling expenses	465,888	2	396,631	2
6200	Administrative expenses	347,637	1	287,163	1
6300	Research and development expenses	1,175,721	4	932,592	4
	Total operating expenses	1,989,246	7	1,616,386	7
	Net operating income	1,551,570	6	894,010	5
	Non-operating income and expenses:				
7100	Interest income	23,313	-	15,321	-
7230	Foreign exchange losses, net	(126,589)	-	(50,099)	-
7375	Share of profit of associates and joint ventures accounted for using equity method (note (6)(g))	53,550	-	115,221	1
7010	Other income	3,491	-	13,897	-
7510	Interest expense (note (6)(l))	(15,670)	-	(12,835)	-
7635	Gains on financial assets (liabilities) at fair value through profit or loss (note (6)(b) and (6)(d))	84,585	-	67,878	-
		22,680	-	149,383	1
	Profit (loss) from continuing operations before tax	1,574,250	6	1,043,393	6
7950	Less: Income tax expenses (note (6)(p))	260,752	1	171,874	1
	Profit (loss)	1,313,498	5	871,519	5
8300	**Other comprehensive income:**				
8310	**Components of other comprehensive income that will not be reclassified to profit or loss**				
8311	Gains (losses) on remeasurements of defined benefit plans (note (6)(o))	(8,141)	-	3,924	-
8349	Less:Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (note (6)(p))	(1,628)	-	(1,056)	-
	Components of other comprehensive income that will not be reclassified to profit or loss	(6,513)	-	4,980	-
8360	**Components of other comprehensive income (loss) that may be reclassified to profit or loss**				
8361	Exchange differences on translation of foreign financial statements	(51,437)	-	28,212	-
8368	Gains (losses) on hedging instrument (note (6)(d))	(4,871)	-	-	-
8380	Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	(101)	-	(6)	-
8399	Less:Income tax related to components of other comprehensive income that will be reclassified to profit or loss (note (6)(p))	(10,050)	-	2,602	-
	Components of other comprehensive income that may be reclassified to profit or loss	(46,359)	-	25,604	-
8300	**Other comprehensive income**	(52,872)	-	30,584	-
	Total comprehensive income	$ **1,260,626**	**5**	**902,103**	**5**
	Earnings per share (note (6)(s))				
9750	Basic earnings per share	$	**6.85**		**4.61**
9850	Diluted earnings per share	$	**6.51**		**4.56**

See accompanying notes to financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

ARCADYAN TECHNOLOGY CORPORATION

Statements of Changes in Equity

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

			Retained earnings				Total other equity interest				
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings	Exchange differences on translation of foreign financial statements	Gains (losses) on hedging instruments	Unearned employee benefit and others	Total other equity interest	Total equity
Balance at January 1, 2018	$ 1,891,190	2,656,323	702,668	15,242	3,317,262	4,035,172	(79,288)	-	-	(79,288)	8,503,397
Profit for the year ended December 31, 2018	-	-	-	-	871,519	871,519	-	-	-	-	871,519
Other comprehensive income for the year ended December 31, 2018	-	-	-	-	4,980	4,980	25,604	-	-	25,604	30,584
Comprehensive income for the year ended December 31, 2018	-	-	-	-	876,499	876,499	25,604	-	-	25,604	902,103
Appropriation and distribution of retained earnings:											
Legal reserve appropriated	-	-	60,724	-	(60,724)	-	-	-	-	-	-
Special reserve appropriated	-	-	-	64,046	(64,046)	-	-	-	-	-	-
Cash dividends of ordinary shares	-	(75,648)	-	-	(302,591)	(302,591)	-	-	-	-	(378,239)
Changes in equity of associates and subsidiaries accounted for using equity method	-	5,651	-	-	-	-	-	-	-	-	5,651
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	(8)	-	-	-	-	-	-	-	-	(8)
Issuance of restricted employee stock	45,000	207,856	-	-	-	-	-	-	(252,856)	(252,856)	-
Cost of employee restricted share	-	-	-	-	-	-	-	-	33,240	33,240	33,240
Balance at December 31, 2018	1,936,190	2,794,174	763,392	79,288	3,766,400	4,609,080	(53,684)	-	(219,616)	(273,300)	9,066,144
Profit for the year ended December 31, 2019	-	-	-	-	1,313,498	1,313,498	-	-	-	-	1,313,498
Other comprehensive income for the year ended December 31, 2019	-	-	-	-	(6,513)	(6,513)	(41,488)	(4,871)	-	(46,359)	(52,872)
Total comprehensive income for the year ended December 31, 2019	-	-	-	-	1,306,985	1,306,985	(41,488)	(4,871)	-	(46,359)	1,260,626
Appropriation and distribution of retained earnings:											
Legal reserve appropriated	-	-	87,152	-	(87,152)	-	-	-	-	-	-
Special reserve reversed	-	-	-	(25,604)	25,604	-	-	-	-	-	-
Cash dividends of ordinary share	-	(96,778)	-	-	(580,665)	(580,665)	-	-	-	-	(677,443)
Capital increase by cash	150,000	930,000	-	-	-	-	-	-	-	-	1,080,000
Issuance of convertible bonds	-	48,667	-	-	-	-	-	-	-	-	48,667
Change in equity of associates and subsidiaries accounted for using equity method	-	13	-	-	-	-	-	-	-	-	13
Share-based payment transactions	(840)	27,840	-	-	-	-	-	-	99,719	99,719	126,719
Balance at December 31, 2019	**$ 2,085,350**	**3,703,916**	**850,544**	**53,684**	**4,431,172**	**5,335,400**	**(95,172)**	**(4,871)**	**(119,897)**	**(219,940)**	**10,904,726**

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)

ARCADYAN TECHNOLOGY CORPORATION

Statements of Cash Flows

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

		2019	2018
Cash flows from (used in) operating activities:			
Profit before tax	$	1,574,250	1,043,393
Adjustments:			
Adjustments to reconcile profit (loss):			
Depreciation expense		95,588	84,551
Amortization expense		31,186	24,505
Expected credit loss (gain)		(4,171)	23,542
Interest expense		15,670	12,835
Interest income		(23,313)	(15,321)
Net loss (profit) on financial assets or liabilities at fair value through profit or loss		1,383	3,064
Share-based payments		126,719	33,240
Share of profit of associates and joint ventures accounted for using equity method		(53,550)	(115,221)
Loss on disposal of property, plant and equipment		(325)	150
Unrealized profit from sales		320,345	13,886
Total adjustments to reconcile profit (loss)		509,532	65,231
Changes in operating assets and liabilities:			
Net loss (gain) on financial assets or liabilities mandatorily measured at fair value through profit or loss		24,942	(39,963)
Derease (increase) in notes and accounts receivable		636,128	(874,834)
Increase in accounts receivable from related parties		(1,947,562)	(1,439,671)
Increase in other receivable		(465,725)	(9,027)
Increase in inventories		(929,514)	(1,325,570)
Increase in prepayments		(2,463)	(23,469)
Decrease (increase) in other current assets		(2,387)	13,322
Increase in accounts payable		1,583,698	2,964,896
Increase in other payable and other current liabilities		568,669	83,698
Decrease in other operating liabilities		(1,796)	(1,190)
Total changes in operating assets and liabilities		(536,010)	(651,808)
Total adjustments		(26,478)	(586,577)
Cash inflow generated from operations		1,547,772	456,816
Interest received		21,994	14,565
Dividends received		57,011	95,550
Interest paid		(8,117)	(12,205)
Income taxes paid		(210,432)	(70,550)
Net cash flows from operating activities		1,408,228	484,176
Cash flows from (used in) investing activities:			
Acquisition of financial assets at fair value through other comprehensive income		(49,500)	-
Acquisition of investments accounted for using equity method		(823,505)	(280,036)
Acquisition of property, plant and equipment		(70,487)	(61,828)
Proceeds from disposal of property, plant and equipment		1,095	669
Increase in refundable deposits		-	(14,580)
Acquisition of intangible assets		(39,814)	(13,737)
Increase in other non-current assets		(3,810)	(661)
Net cash flows from (used in) investing activities		(986,021)	(370,173)
Cash flows from (used in) financing activities:			
Increase (decrease) in short-term loans		(159,830)	430,010
Cash dividends paid		(677,441)	(378,225)
Proceeds from issuing shares		1,080,000	-
Issuance of convertible bonds		1,007,240	-
Repayment of lease principal		(6,933)	-
Net cash flows from (used in) financing activities		1,243,036	51,785
Net increase in cash and cash equivalents		1,665,243	165,788
Cash and cash equivalents at beginning of period		2,795,733	2,629,945
Cash and cash equivalents at end of period	$	**4,460,976**	**2,795,733**

See accompanying notes to financial statements.

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

(1) Company history

Arcadyan Technology Corporation (the "Company") was incorporated in May 9, 2003 and merged with BroadNet Technology, Inc. on May 1, 2006.

The Company is primarily engaged in the research, development, manufacture and sale of wireless networking products, integrated access devices, digital home multimedia device and mobile broadband products.

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

These financial statements were authorized for issuance by the Board of Directors on March 17, 2020.

(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.

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

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

(i) IFRS 16"Leases"

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

The Company 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,

(Continued)

1) Definition of a lease

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

On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Company 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 Company 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 Company. Under IFRS 16, the Company recognizes right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

The Company decided to apply recognition exemptions to short-term leases of factory facilities and vehicles.

A. 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 Company'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 Company applied this approach to all other lease.

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

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

b. Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term.

c. Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.

d. Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

(Continued)

B. 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) Impacts on financial statements

On transition to IFRS 16, the Company recognised additional $6,896 thousands of right-of-use assets and $6,896 thousands of lease liabilities. When measuring lease liabilities, the Company discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted-average rate applied is 1.20%.

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 Company's financial statements	$ 13,245
Recognition exemption for:	
short-term leases	(6,061)
	7,184
Discounted using the incremental borrowing rate at January 1, 2019	6,896
Finance lease liabilities recognized as at December 31, 2018	-
Lease liabilities recognized at January 1, 2019	**$ 6,896**

(ii) IFRIC 23 "Uncertainty over Income Tax Treatments"

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

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

There is no significant impact on the application of the amendments of tax liabilities.

(Continued)

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2020 in accordance with Rule No. 1080323028 issued by the FSC on July 29, 2019:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020
Amendments to IFRS 9, IAS39 and IFRS7 "Interest Rate Benchmark Reform"	January 1, 2020
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020

The Company assesses that the adoption of the abovementioned standards would not have any material impact on its financial statements.

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

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

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 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 "Classification of Liabilities as Current or Non-current"	January 1, 2022

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

(4) Summary of significant accounting policies:

The significant accounting policies presented in the financial statements are summarized below. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the financial statements.

(a) Statement of compliance

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

(Continued)

(b) Basis of preparation

(i) Basis of measurement

Except for the following significant accounts, the financial statements have been prepared on the historical cost basis:

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

2) Hedging financial assets are measured at fair value; and

3) The defined benefit liabilities (assets) are measured at fair value of plan assets less the present value of the defined benefit obligation, limifed as explained in note (4)(o).

(ii) Functional and presentation currencies

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

(c) Foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currency of Company at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income:

1) an investment in equity securities designated as at fair value through other comprehensive income;

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

3) qualifying cash flow hedges to the extent that the hedges are effective.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency at the average exchange rate. Exchange differences are recognized in other comprehensive income.

(Continued)

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

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future. Exchange differences arising from such a monetary item that are considered to form part of the net investment in the foreign operation are recognized in other comprehensive income.

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

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

(i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is expected to be realized within twelve months after the reporting period; or

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

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

(i) It is expected to be settled in the normal operating cycle;

(ii) It is held primarily for the purpose of trading;

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

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

(e) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(Continued)

(f) Financial instruments

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

On initial recognition, a financial asset is classified as measured at: amortized cost; Fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

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

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

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

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through other comprehensive income (FVOCI)

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

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

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

(Continued)

Some accounts receivables are held within a business model whose objective is achieved by both collecting contractual cash flows and selling by the Company, therefore, those receivables are measured at FVOCI. However, they are included in the "trade receivables" line item.

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

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Company's right to receive payment is established.

3) Fair value through profit or loss (FVTPL)

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

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

4) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, amortized costs, notes and trade receivables, other receivable, guarantee deposit paid and other financial assets).

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

· debt securities that are determined to have low credit risk at the reporting date; and

· other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

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

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

(Continued)

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

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

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

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

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

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

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

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

· significant financial difficulty of the borrower or issuer;

· a breach of contract such as a default or being more than 90 days past due;

· the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;

· it is probable that the borrower will enter bankruptcy or other financial reorganization; or

· the disappearance of an active market for a security because of financial difficulties.

(Continued)

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

5) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt and equity instruments issued by the Company are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

2) Equity instrument

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

3) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

(Continued)

4) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

5) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(iii) Derivative financial instruments and hedge accounting

The Company holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss.

The Company designates certain hedging instruments (which include derivatives, embedded derivatives and non-derivatives in respect of foreign currency risk) as either fair value hedges, cash flow hedges, or hedges of net investments in foreign operations. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

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

1) Cash flow hedges

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognized in other comprehensive income and accumulated under ‘other equity－gains (losses) on hedging instruments’, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss.

(Continued)

Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognized hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognized in other comprehensive income and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. Furthermore, if the Company expects that some or all of the loss accumulated in other equity will not be recovered in the future, that amount is immediately reclassified to profit or loss.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. The discontinuation is accounted for prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in other equity remains in equity until, for a hedge of a transaction resulting in the recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss. If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in other equity are immediately reclassified to profit or loss.

(g) Inventories

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

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

(h) Investment in associates

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

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

The financial statements include the Company's share of the profit or loss and other comprehensive income of those associates, after adjustments to align their accounting policies with those of the Company, from the date on which significant influence commences until the date on which significant influence ceases. The Company recognizes any changes of its proportionate share in the investee within capital surplus, when an associate's equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes in actual significant influence.

(Continued)

Gains and losses resulting from transactions between the Company and an associate are recognized only to the extent of unrelated Company's interests in the associate.

When the Company's share of losses of an associate equals or exceeds its interests in an associate, it discontinues recognizing its share of further losses. After the recognized interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate.

(i) Investments in subsidiaries

The subsidiaries in which the Company holds controlling interest are accounted for under equity method in the non-consolidated financial statements. Under equity method, the net income, other comprehensive income and equity in the non-consolidated financial statement are the same as those attributable to the owners of the parent in the consolidated financial statements.

The changes in ownership of the subsidiaries are recognized as equity transaction.

(j) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straightline basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

1) Buildings: 50 years

2) Machinery and equipment: 3~6 years

3) Research equipment: 3~6 years

4) Modeling equipment: 2~3 years

5) Other equipment: 1~10 years

The main construction of property, plant and equipment are factory buildings and firefighting facilities. All facilities are depreciated by using the useful life depreciation method.

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

(k) Lease

Applicable from January 1, 2019

(i) Identifying a lease

At inception of a contract, the Company 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 Company 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 customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

3) the customer has the right to direct the use of the asset throughout the period of use only if either:

- the customer has the right to direct how and for what purpose the asset is used throughout the period of use; or

- the relevant decisions about how and for what purpose the asset is used are predetermined and:

  — the customer has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or

(Continued)

— the customer designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

At inception or on reassessment of a contract that contains a lease component, the Company 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 Company 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 leasee

The Company 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 Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

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

1) fixed payments, including in substance fixed payments;

2) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

3) amounts expected to be payable under a residual value guarantee; and

4) 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:

1) there is a change in future lease payments arising from the change in an index or rate; or

2) there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee; or

3) there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or

(Continued)

4) there is a change of its assessment on whether it will exercise a extension or termination option; or

5) there is any lease modifications

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

Applicable before January 1, 2019

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

Contingent rent is recognized as expense in the periods in which it is incurred.

(l) Intangible assets

(i) Recognition and measurement

Goodwill arising on the acquisition of subsidiaries is measured at cost, less accumulated impairment losses.

Expenditure on research activities is recognized in profit or loss as incurred.

Development expenditure is capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Company intends to, and has sufficient resources to, complete development and to use or sell the asset. Otherwise, it is recognized in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost, less accumulated amortization and any accumulated impairment losses.

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

(Continued)

(ii) Subsequent expenditure

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

(iii) Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

The estimated useful lives for current and comparative periods are as follows:

1) Authorization fee: amortized over the contract period by using the straight-line method.

2) Computer software: 1~10 years

Amortization methods, useful lives and residual values are reviewed at each annual reporting date and adjusted if appropriate.

(m) Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories, deferred tax assets and employee benefits) to determine whether there is any indication of impairment. If any such indication exists, then the asset' s recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(Continued)

(n) Provisions

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

A provision for warranties is recognized when the underlying products or services are sold. The provision is based on the historical experience of provision expenses as percentage of sales.

(o) Revenue from contracts with customers

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

(i) Sale of goods–electronic components

The Company manufactures and sells broadband network products, wireless network products, digital home appliance. The Company recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

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

(ii) Financing components

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

(p) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

(Continued)

(ii) Defined benefit plans

The Company's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Short term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(q) Share-based payment

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

(Continued)

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognized as an expense with a corresponding increase in liabilities, over the period during which the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and at settlement date based on the fair value of the share appreciation rights. Any changes in the liability are recognized in profit or loss.

Grant date of a share-based payment award is the date which the board of directors authorized the price and approved employees can subscribe for shares.

(r) Income Taxes

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

(i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;

(ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

(iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reserve, using tax rates enacted or substantively enacted at the reporting date, and reflect uncertainty related to income taxes, if any.

Deferred tax assets and liabilities are offset if the following criteria are met:

(i) the Company has a legally enforceable right to set off currenttax assets against current tax liabilities; and

(ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

1) the same taxable entity; or

2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

(s) Business combination

The Company accounts for business combinations using the acquisition method. The goodwill arising from an acquisition is measured as the excess of (i) the consideration transferred (which is generally measured at fair value) and (ii) the amount of non-controlling interest in the acquiree, both over the identifiable net assets acquired at the acquisition date. If the amount calculated above is a deficit balance, the Company recognized that amount as a gain on a bargain purchase in profit or loss immediately after reassessing whether it has correctly identified all of the assets acquired and all of the liabilities assumed.

All acquisition-related transaction costs are expensed as incurred, except for the issuance of debt or equity instruments.

For each business combination, the Company measures any non controlling interests in the acquiree either at fair value or at the non controlling interest’ s proportionate share of the acquiree’ s identifiable net assets, if the non controlling interests are present ownership interests and entitle their holders to a proportionate share of the Company’ s net assets in the event of liquidation. Other components of non controlling interests are measured at their acquisition-date fair values, unless another measurement basis is required by the IFRSs endorsed by the FSC.

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

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

The Company should recongnized all the business combination cost as current expense except for issuance bond or equity instrument.

(Continued)

(t) Earnings per share

The Company discloses the basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares, such as convertible bonds, remuneration to employees not yet approved by the directors, and employee restricted shares.

(u) Operating segments

Please refer to the Company' s consolidated financial statements for the years ended December 31,2019 and 2018, for further details.

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

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

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

There are no critical judgments in applying the accounting policies that have significant effects on the amounts recognized in the financial statements.

Information about assumptions and estimation uncertainties made in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements is as follows:

(a) Inventory valuation

As inventories are supposed to be measured based on the lower of cost or net realizable value, which is based on the estimated sales price; therefore, the value of inventories may vary due to the nature of the industry. Please refer to note (6)(f) of the financial statement for inventory valuation.

(b) Recognition and measurement of provisions

Provision for warranty is estimated when product revenue is recognized. The estimate has been made based on the historical experience of provision expenses as a percentage of sales. The Company reviews regularly the basis of the estimate, and if necessary, amends it as appropriate. There could be a significant impact on the provision for warranty for any changes in the basis of the estimate. Please refer to note (6)(n) of the financial statement for recognition and measurement of provisions.

(Continued)

(6) Explanation of significant accounts:

(a) Cash and cash Equivalents

		December 31, 2019	December 31, 2018
Cash on hand	$	1,690	1,521
Checking accounts and demand deposits		1,459,286	1,794,212
Time deposits		3,000,000	1,000,000
	$	**4,460,976**	**2,795,733**

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

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

		December 31, 2019	December 31, 2018
Current financial assets mandatorily measured at fair value through profit or loss:			
Derivative instruments not used for hedging:			
Forward exchange contracts	$	-	9,898
Currency swap contracts		12,400	1,642
Stocks listed on domestic markets		-	23,531
Total	**$**	**12,400**	**35,071**
Non-current financial assets mandatorily measured at fair value through profit or loss:			
Non-derivative financial assets:			
Fund unlisted on domestic markets	**$**	**44,262**	**45,645**
Held-for-trading financial liabilities:			
Derivative instruments not used for hedging:			
Forward exchange contracts	**$**	**5,414**	**3,143**

(i) Derivative financial instruments not designated as hedging instruments:

The Company uses derivative financial instruments to hedge the certain foreign exchange risk the Company is exposed to, arising from its operating activities. The following derivative instruments, without the application of hedge accounting, were classified as mandatorily measured at fair value through profit or loss and held-for-trading financial liabilities:

(Continued)

	December 31, 2019		
	Contract amount (in thousands)	**Currency**	**Maturity date**
Derivative financial assets:			
Swap contracts:			
Currency swap	USD 46,000	USD to NTD	February 14, 2020~ March 30, 2020
Derivative financial liabilities:			
Foreign exchange contracts:			
Forward exchange sold	EUR 17,000	EUR to USD	January14, 2020~ March 13, 2020
Forward exchange purchased	USD 1,000	USD to BRL	September 23, 2020

	December 31, 2018		
	Contract amount (in thousands)	**Currency**	**Maturity date**
Derivative financial assets:			
Foreign exchange contracts:			
Forward exchange sold	EUR 28,000	EUR to USD	January 14, 2019~ March 28, 2019
Swap contracts:			
Currency swap	USD 20,000	USD to NTD	February 14, 2019
Derivative financial liabilities:			
Foreign exchange contracts:			
Forward exchange sold	EUR 15,000	EUR to USD	February 26, 2019~ March 28, 2019

Please refer to note (6)(v) for the exposure to credit risk of the financial instruments.

As of December 31, 2019 and 2018, the Company did not provide any aforementioned financial assests as colleterals.

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

	December 31, 2019	**December 31, 2018**
Eqity investments at fair value through other comprehensive income:		
Stocks unlisted on domestic markets	$ 49,500	-
Total	**$ 49,500**	**-**

(Continued)

(i) The Company acquired 1,650 thousand shares of CHIMEI MOTOR ELECTRONICS CO., LTD. for $49,500 in cash in July 2019. The Company's investment equity instruments are long-term strategic investments not held-for-trading purpose. The Company designated as equity investment at fair value through other comprehensive income.

(ii) The Company did not dispose any strategic investments in 2019, and accumulated gain and loss were not transferred in equity during the period.

(iii) For market risk, pleasr refer to note (6)(v).

(iv) As of December 31, 2019, the Company did not provide any aforementioned financial assets as collaterals for its loans.

(d) Derivative financial instruments used for hedging

(i) Financial assets and liabilities used for hedging were as follows:

	December 31, 2019	December 31, 2018
Cash flow hedge:		
Financial assets used for hedging:		
Forward exchange contracts	$ 61	-
Financial liabilities used for hedging:		
Forward exchange contracts	$ 4,932	-

(ii) Cash flow hedge

Foreign exchange risk

The Company's strategy is to enter into forward exchange contracts to hedge its foreign currency exposure risk in relation to the forecast sales. As of December 31, 2018, the Company did not enter into any hedge contract.

As of December 31, 2019, the amounts relating to the items designated as hedging instruments were as follows:

	December 31, 2019				
	Contract amount (in thousands)		Currency	Maturity date	Average strike price
Derivative financial assets used for hedging					
Forward exchange contracts:					
Forward exchange sold	EUR	6,000	EUR to USD	January 31, 2020~ June 29, 2020	1.1278
Derivative financial liabilities used for hedging					
Forward exchange contracts:					
Forward exchange sold	EUR	39,000	EUR to USD	January 31, 2020~ December 29, 2020	1.1327
Forward exchange purchased	USD	3,589	USD to MXN	February 26, 2020~ March 30, 2020	19.507

(Continued)

(iii) Adjustments on reclassification from other comprehensive income

As of December 31, 2019 and 2018, the details of adjustments on reclassification from other comprehensive income were as follows:

		2019	2018
Cash flow hedge			
Profit (loss) in current year	$	(26,649)	3,655
Less: Net income (loss) of adjustments on reclassification from other comprehensive income which belongs to net income (loss)		(21,778)	3,655
	$	**(4,871)**	**-**

(iv) For the years ended in 2019 and 2018, the ineffective portion of cash flow hedge recognized in (loss) gain amounted of $(5,934) and $559, recorded under the "Gain (losses) on financial assets (liabilities) at fair value through profit or loss".

(v) For the years ended December 31, 2019 and 2018, gain or loss of adjustments from reclassification of other equity, deriving from the changes of fair-value hedge instruments, were recognized under operating revenues in income statement.

(e) Notes and accounts receivable

		December 31, 2019	December 31, 2018
Notes receivable from operating activities	$	7,981	15,460
Accounts receivable – measured at amortized cost		3,370,033	3,998,682
		3,378,014	4,014,142
Less: allowance for uncollectible accounts		(22,596)	(26,750)
	$	**3,355,418**	**3,987,392**

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

	December 31, 2019				
Credit rating	**Gross carrying amount**		**Weighted-average loss rate**	**Loss allowance provision**	**Credit impaired**
Level A	$	1,643,542	0%	-	No
Level B		1,572,744	0.1%	1,602	No
Level C		142,156	1%	1,422	No
Level D~E		-	-	-	-
Level F		19,572	100%	19,572	Yes
Total	$	**3,378,014**		**22,596**	

(Continued)

Credit rating	Gross carrying amount (December 31, 2018)	Weighted-average loss rate (December 31, 2018)	Loss allowance provision (December 31, 2018)	Credit impaired (December 31, 2018)
Level A	$ 1,330,938	0%	-	No
Level B	2,213,789	0.1%	2,230	No
Level C	449,389	1%	4,494	No
Level D~E	-	-	-	-
Level F	20,026	100%	20,026	Yes
Total	$ 4,014,142		26,750	

The aging analysis of notes and accounts receivable was as follows:

	December 31, 2019	December 31, 2018
Overdue 1~30 days	$ 335,533	543,177
Overdue 31~60 days	35,637	10,505
Overdue 61~90 days	19,408	40
Overdue 91~180 days	1,880	1,179
Overdue over 181 days	19,771	30,696
	$ 412,229	585,597

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

	2019	2018
Balance at January 1	$ 26,750	3,330
Impairment loss recognized	-	23,420
Impairment losses reversed	(4,154)	-
Balance at December 31	$ 22,596	26,750

As of December 31, 2019 and 2018, the Company did not provide any aforementioned notes and accounts receivable as collaterals for its loans.

(f) Inventories

(i) A summary of the Company’s financial information for inventions at the reporting date were as follows:

	December 31, 2019	December 31, 2018
Raw materials	$ 1,642,946	609,837
Work in progress	893	1,025
Finished goods	2,462,457	2,565,920
	$ 4,106,296	3,176,782

(Continued)

(ii) Inventory cost recognized as cost of sales for the years ended December 31, 2019 and 2018 were as follows:

		2019	2018
Cost of sales	$	23,320,966	19,317,784
Provision (recovery) for inventory valuation loss and obsolescence		199,090	(15,499)
	$	23,520,056	19,302,285

(iii) As of December 31, 2019 and 2018, the Company did not provide any inventories as collaterals for its loans.

(g) Investments accounted for using equity method(including credit balance of investments accounted for using equity method)

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

		December 31, 2019	December 31, 2018
Subsidiaries	$	2,884,851	2,435,799
Associates		13,581	14,460
		2,898,432	2,450,259
Add: Recorded as credit balance of investment accounted for using equity method		249,847	-
Recorded as deduction of other receivable from related parties		8,778	-
	$	3,157,057	2,450,259

(ii) Subsidiaries

Please refer to the 2019 consolidated financial statements for the credit balance of investment accounted for using equity method due to unrealized gross profit on write off of certain subsidiaries.

(iii) The following is the related information of significant associate

Name	Nature of the relationship	Principal place of business/ Country of incorporation	Effective ownership interest and voting right December 31, 2019	December 31, 2018
Compal Broadband Network Inc.(" CBN")	Manufacturing and sale of broadband networking product	Taiwan	1%(Note)	1%(Note)

Note: The company and subsidiaries had 20% ownership.

(Continued)

The following table summarizes the information of the Company's material associate adjusted for any differences in accounting policies and reconciles the information to the carrying amount of the Company's interest in the associate.

1) Summarized financial information of Compal Broadband Network Inc.

		December 31, 2019	December 31, 2018
Current assets	$	2,415,009	2,908,124
Non current assets		217,519	241,869
Current liabilities		(910,785)	(1,335,206)
Non current liabilities		(16,802)	(115)
	$	**1,704,941**	**1,814,672**
Net assets belongs to non-controlling interest	**$**	**-**	**-**
Net assets belongs to investee company	**$**	**1,704,941**	**1,814,672**

		2019	2018
Revenue	$	2,832,098	5,316,072
Profit from continuing operations		10,514	184,370
Other comprehensive income		(497)	(18)
Total comprehensive income	**$**	**10,017**	**184,352**
Other comprehensive income belongs to non-controlling interest	**$**	**-**	**-**
Other comprehensive income belongs to investee company	**$**	**10,017**	**184,352**

		2019	2018
Beginning balance of net assets owned by the Company	$	14,460	13,583
Capital increase by cash dividends		(960)	(957)
Comprehensive income attributable to the Company		85	1,614
Changes on net value from investment in associates by equity method		(4)	220
Ending balance of net assets owned by the Company		13,581	14,460
Unrealized capital surplus of investee company - share of employee stock option certificates		11	20
Share of net assets of affiliates (the carrying amount of the Company's interests)	**$**	**13,592**	**14,480**

(Continued)

(iv) As of December 31, 2019 and 2018, the Company did not provide any investment accounted for using equity method as collaterals for its loans.

(h) Property, plant and equipment

The cost, depreciation, of the property, plant and equipment and of the Company for the years ended December 31, 2019 and 2018 were as follows:

	Land	Buildings and construction	Machinery and equipment	Research and development equipment	Molding equipment	Other equipment	Under construction and prepayment for purchase of equipment	Total
Cost or deemed cost:								
Balance at January 1, 2019	$ 463,262	828,128	214,279	345,541	143,349	228,106	14,332	2,236,997
Additions	-	-	-	57,690	873	11,327	12,416	82,306
Reclassifications	-	-	-	4,630	-	-	(11,083)	(6,453)
Disposals and derecognitions	-	-	(1,511)	(4,775)	(1,768)	(1,521)	-	(9,575)
Balance at December 31,2019	**$ 463,262**	**828,128**	**212,768**	**403,086**	**142,454**	**237,912**	**15,665**	**2,303,275**
Balance at January 1, 2018	$ 463,262	826,069	217,179	310,194	148,276	226,548	7,055	2,198,583
Additions	-	-	180	47,259	2,449	4,162	11,774	65,824
Reclassifications	-	2,059	-	-	-	(800)	(4,497)	(3,238)
Disposals and derecognitions	-	-	(3,080)	(11,912)	(7,376)	(1,804)	-	(24,172)
Balance at December 31, 2018	**$ 463,262**	**828,128**	**214,279**	**345,541**	**143,349**	**228,106**	**14,332**	**2,236,997**
Depreciation and impairment loss:								
Balance at January 1, 2019	$ -	64,539	213,312	257,185	134,884	107,729	-	777,649
Depreciation	-	17,068	409	31,480	6,246	23,957	-	79,160
Disposals and derecognitions	-	-	(1,505)	(4,012)	(1,767)	(1,521)	-	(8,805)
Balance at December 31, 2019	**$ -**	**81,607**	**212,216**	**284,653**	**139,363**	**130,165**	**-**	**848,004**
Balance at January 1, 2018	$ -	46,435	215,758	241,364	130,131	82,762	-	716,450
Depreciation	-	18,104	628	27,050	12,073	26,696	-	84,551
Disposals and derecognitions	-	-	(3,074)	(11,229)	(7,320)	(1,729)	-	(23,352)
Balance at December 31, 2018	**$ -**	**64,539**	**213,312**	**257,185**	**134,884**	**107,729**	**-**	**777,649**
Carrying amounts:								
Balance at December 31, 2019	**$ 463,262**	**746,521**	**552**	**118,433**	**3,091**	**107,747**	**15,665**	**1,455,271**
Balance at January 1, 2018	**$ 463,262**	**779,634**	**1,421**	**68,830**	**18,145**	**143,786**	**7,055**	**1,482,133**
Balance at December 31, 2018	**$ 463,262**	**763,589**	**967**	**88,356**	**8,465**	**120,377**	**14,332**	**1,459,348**

As of December 31, 2019, the Company did not provide any Company's property, plant and equipment as collaterals.

As of December 31, 2018, part of the Company's property, plant and equipment are provided as collaterals for long-term borrowings. Please see note (8).

(Continued)

(i) Right-of-use assets

The cost, depreciation, of the right-of-use and of the Company for the year ended December 31, 2019 were as follow:

	Machinery	Vehicles and Other	Total
Cost:			
Balance on January 1, 2019	$ -	-	-
Adjustment on initial application of IFRS 16	-	6,896	6,896
Balance on January 1, 2019 per IFRS 16	-	6,896	6,896
Additions	81,081	7,651	88,732
Balance on December 31, 2019	**$ 81,081**	**14,547**	**95,628**
Depreciation:			
Balance on January 1, 2019	$ -	-	-
Adjustment on initial application of IFRS 16	-	-	-
Balance on January 1, 2019 per IFRS 16	-	-	-
Depreciation for the period	9,459	6,969	16,428
Balance on December 31, 2019	**$ 9,459**	**6,969**	**16,428**
Carrying amount:			
Balance on December 31, 2019	**$ 71,622**	**7,578**	**79,200**

(j) Intangible Assets

Changes in cost and accumulated amortization of intangible assets for the years ended December 31, 2019 and 2018, were as follows:

	Goodwill	Authorization fee	Computer software and others	Total
Cost:				
Balance at January 1, 2019	$ 6,556	50,515	65,401	122,472
Additions	-	501	39,313	39,814
Disposals	-	-	(17,907)	(17,907)
Balance at December 31, 2019	**$ 6,556**	**51,016**	**86,807**	**144,379**
Balance at January 1, 2018	$ 6,556	57,688	60,174	124,418
Additions	-	-	13,737	13,737
Reclassifications	-	-	2,438	2,438
Disposals	-	(7,173)	(10,948)	(18,121)
Balance at December 31, 2018	**$ 6,556**	**50,515**	**65,401**	**122,472**
Accumulated amortization:				
Balance at January 1, 2019	$ -	28,155	39,184	67,339
Amortization	-	6,882	24,304	31,186
Disposals	-	-	(17,907)	(17,907)
Balance at December 31, 2019	**$ -**	**35,037**	**45,581**	**80,618**

(Continued)

	Goodwill	Authorization fee	Computer software and others	Total
Balance at January 1, 2018	$ -	27,982	32,973	60,955
Amortization	-	7,346	17,159	24,505
Disposals	-	(7,173)	(10,948)	(18,121)
Balance at December 31, 2018	**$ -**	**28,155**	**39,184**	**67,339**
Book value:				
Balance at December 31, 2019	**$ 6,556**	**15,979**	**41,226**	**63,761**
Balance at January 1, 2018	**$ 6,556**	**29,706**	**27,201**	**63,463**
Balance at December 31, 2018	**$ 6,556**	**22,360**	**26,217**	**55,133**

(i) Amortization expenses

The amortization of intangible assets is included in the statements of comprehensive income:

	2019	2018
Cost of sales	**$ 3,601**	**1,612**
Operating expenses	**$ 27,585**	**22,893**

(ii) As of December 31, 2019 and 2018, the Company did not provide any intangible assets as collaterals.

(k) Short-term borrowings

	December 31, 2019	December 31, 2018
Unsecured bank loans	**$ 270,180**	**430,010**
Unused credit line for short-term borrowings	**$ 5,245,438**	**4,238,114**
Annual interest rates	**2.10%~2.87%**	**0.45%~2.93%**

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

(l) Unsecured convertible bonds payable

(i) The Company issued the first domestic unsecured convertible bonds on June 6, 2019, the details of unsecured convertible bonds were as follows:

	December 31, 2019
Total convertible bonds issued	$ 1,000,000
Unamortized discounted bonds payable	(33,508)
Balance of bonds payable at December 31, 2019	**$ 966,492**
Equity components-conversion options (recognized as capital surplus - stock options)	**$ 48,667**

(Continued)

	2019
Interest expense	$ 7,919

The effective interest rate of the first issued convertible bonds was 1.3284%.

(ii) The main terms of issuing the above-mentioned convertible bonds were as follows:

1) Coupon rate: 0%

2) Duration: three years (June 6, 2019~June 6, 2022)

3) Repayment:

Put option and call option are excluded from the issuance of convertible bonds. Except that the bondholders convert the bonds to Company's common shares, or the bonds are repurchased and cancelled by the Company from the securities firm's business office, the bonds will be repaid in cash at par value when the bonds expired.

4) Terms of conversion:

a) The bondholder may opt to have its bonds converted into the Company's common shares, with the approval of Taiwan Depository & Clearing Corporation through securities firms, at any time between three months after the issuance date (September 7, 2019) and the day before the maturity day (June 6, 2022), except for the following:

- The closing period in accordance with the applicable law;

- The period starting from the first day of the first fifteen working days prior to the date of record for determination wherein the shareholders are entitled to receive the distributions or rights to subscribe for new shares in a capital increase for cash, and ends on the date of record for the distribution of the rights/benefits;

- The period starts from the date of record of the capital decrease and ends on the date prior to the trading of the reissuance shares after the capital decrease.

b) The conversion price of NT$98.3 per share upon issuance had been adjusted to NT $93 per share after issuing cash dividends on common shares and processing cash capital increase.

(Continued)

(m) Lease liabilities

The details of lease liabilities were as follows:

	December 31, 2019
Current	$ **86,879**
Non-current	$ **1,816**

For the maturity analysis, please refer to note (6)(v).

The amounts recognized in profit or loss were as follows:

	2019
Interest on lease liabilities	$ **112**
Expenses relating to short-term leases	$ **11,794**

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

	2019
Total cash outflow for leases	$ **18,839**

(i) Machinery and vehicles lease

The Company leases machinery and vehicles, with lease terms of 3 to 5 years.

(ii) Other leases

The Company leases office with contract terms of 1 years. Since these leases are short-term items. The Company has elected not to recognize right-of-use assets and lease liabilities for these leases.

(n) Provisions

	Warranties
Balance at January 1, 2019	$ 175,023
Provisions made	100,032
Provisions used	(92,318)
Balance at December 31, 2019	$ **182,737**
Balance at January 1, 2018	$ 190,804
Provisions made	162,166
Provisions used	(162,931)
Provision reversed	(15,016)
Balance at December 31, 2018	$ **175,023**

Provisions for warranty related to sales of products are assessed based on the historical experience.

(Continued)

(o) Employee benefits

(i) Defined benefit plans

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

		December 31, 2019	December 31, 2018
Present value of defined benefit obligations	$	216,618	201,154
Fair value of plan assets		(121,707)	(112,589)
Net defined benefit liability	**$**	**94,911**	**88,565**

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

1) Composition of plan assets

The Company allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Labor Pension Fund Supervisory Committee. With regard to the utilization of the funds, minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with interest rates offered by local banks.

The Company' s Bank of Taiwan labor pension reserve account balance amounted to $121,707 at the end of the reporting period. For information on the utilization of the labor pension fund assets including the asset allocation and yield of the fund, please refer to the website of the Labor Pension Fund Supervisory Committee.

2) Movements in present value of the defined benefit obligations

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

		2019	2018
Balance at January 1	$	201,154	198,032
Current service costs and interest		3,834	4,577
Actuarial gains (losses)		11,630	(1,455)
Balance at December 31	**$**	**216,618**	**201,154**

(Continued)

3) Movements of defined benefit plan assets

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

	2019	2018
Fair value of plan assets at January 1	$ 112,589	104,353
Contributions made	4,072	4,067
Expected return on plan assets	1,557	1,700
Remeasurement in net defined benefit liability (assets)	3,489	2,469
Fair value of plan assets at December 31	**$ 121,707**	**112,589**
Actual return on plan assets	**$ 5,046**	**4,169**

4) Expenses recognized in profit or loss

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

	2019	2018
Service cost	$ 1,087	1,388
Net interest of net liabilities (assets) for defined benefit obligations	2,747	3,189
Expected return on plan assets	(1,557)	(1,700)
	$ 2,277	**2,877**
Cost of sales	$ 172	381
Selling expenses	181	241
Administrative expenses	447	485
Research and development expenses	1,477	1,770
	$ 2,277	**2,877**

5) Actuarial gains and losses recognized in other comprehensive income

The Company's actuarial gains and losses recognized in other comprehensive income, before tax for the years ended December 31, 2019 and 2018, were as follows:

	2019	2018
Cumulative amount at January 1	$ 57,448	61,372
Recognized	8,141	(3,924)
Cumulative amount at December 31	**$ 65,589**	**57,448**

(Continued)

6) Actuarial assumptions

a) The following are the Company's principal actuarial assumptions:

i) Present value of defined benefit obligations

	December 31, 2019	December 31, 2018
Discount rate as of December 31	1.000 %	1.375 %
Future salary increasing rate	3.000 %	3.000 %

ii) Defined benefit plan cost

	2019	2018
Discount rate as of December 31	1.375 %	1.625 %
Future salary increasing rate	3.000 %	3.000 %

The expected allocation payment made by the Company to the defined benefit plans for the one year period after the reporting date was $4,123.

The weighted-average duration of the defined benefit obligation is 14.74 years.

7) Sensitivity analysis

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

	Increased 0.25%	Decreased 0.25%
December 31, 2019		
Discount rate	(6,000)	6,253
Future salary increasing rate	6,015	(5,802)
December 31, 2018		
Discount rate	(5,928)	6,182
Future salary increasing rate	5,967	(5,755)

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

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2019 and 2018.

8) There were no payment for pension made by the Company for the years ended December 31, 2019 and 2018.

(Continued)

(ii) Defined contribution plans

The Company allocate 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 Company allocates a fixed amount to the Bureau of the Labor Insurance without additional legal or constructive obligations.

The Company recognized the pension costs under the defined contribution method amounting to $35,261 and $32,591 for the years ended December 31, 2019 and 2018, respectively. Payment was made to the Bureau of Labor Insurance.

(p) Income taxes

(i) Income tax expense

1) The amount of income tax (benefit) for the years ended December 31, 2019 and 2018 were as follows:

		2019	2018
Current tax expense (benefit)			
Recognized during the period	$	437,097	188,307
10% surtax on unappropriated earnings		11,465	17,597
Adjustment for prior periods		(60,198)	(30,856)
		388,364	175,048
Deferred tax expense			
Origination and reversal of temporary differences		(127,612)	(3,174)
		(127,612)	(3,174)
Income tax expense	**$**	**260,752**	**171,874**

2) The amount of income tax recognized in other comprehensive income for the years ended December 31, 2019 and 2018 were as follows:

		2019	2018
Foreign currency translation differences for foreign operations	$	(10,050)	2,602
Defined benefit plan actuarial gains (losses)		(1,628)	(1,056)
	$	**(11,678)**	**1,546**

3) Reconciliation of income tax and (profit) before tax for the years ended December 31, 2019 and 2018 were as follows:

	2019	2018
Profit excluding income tax	$ 1,574,250	1,043,393
Income tax using the Company's domestic tax rate	314,850	208,679
Adjustment in tax rate	-	(5,847)
Tax-exempt income	(13,835)	(12,143)
Changes in unrecognized temporary differences	1,375	(2,553)
Under (over) provision in prior periods	(60,198)	(30,856)
Surtax on unappropriated earnings	11,465	17,597
Other	7,095	(3,003)
	$ 260,752	**171,874**

(ii) Deferred tax assets and liabilities

The Company was able to control the timing of the reversal of the temporary differences associated with investments in subsidiaries on December 31, 2019 and 2018. Also, the management considered it probable that the temporary differences would not be reversed in the foreseeable future. Hence, such temporary differences were not recognized under deferred tax liabilities.

1) Unrecognized deferred tax liabilities: None.

2) Unrecognized deferred tax assets:

Details of unrecognized under deferred tax assets are as follows:

	December 31, 2019	December 31, 2018
Tax effect of deductible temporary differences	**$ 33,242**	**31,867**

The management considered that the temporary differences would probably not be reversed in the foreseeable future. Therefore, such temporary differences were not recognized under deferred tax assets.

(Continued)

3) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2019 and 2018 were as follows:

	Investment income recognized under the equity method (overseas)	Others	Total
Deferred Tax Liabilities:			
Balance at January 1,2019	$ 58,840	-	58,840
Recognized in profit or loss	(3,124)	-	(3,124)
Balance at December 31, 2019	**$ 55,716**	**-**	**55,716**
Balance at January 1,2018	$ 40,749	10,101	50,850
Recognized in profit or loss	18,091	(10,101)	7,990
Balance at December 31, 2018	**$ 58,840**	**-**	**58,840**

	Defined benefit plans	Foreign currency translation adjustment	Loss on inventory valuation	Unrealized exchange losses, net	Unrealized gross profit	Others	Total
Deferred Tax Assets:							
Balance at January 1,2019	$ 11,486	13,011	13,505	33,762	4,077	33,696	109,537
Recognized in profit or loss	-	-	35,886	21,639	64,069	2,894	124,488
Recognized in other comprehensive income	1,628	10,050	-	-	-	-	11,678
Balance at December 31, 2019	**$ 13,114**	**23,061**	**49,391**	**55,401**	**68,146**	**36,590**	**245,703**
Balance at January 1,2018	$ 10,430	15,613	16,625	27,767	1,105	28,379	99,919
Recognized in profit or loss	-	-	(3,120)	5,995	2,972	5,317	11,164
Recognized in other comprehensive income	1,056	(2,602)	-	-	-	-	(1,546)
Balance at December 31, 2018	**$ 11,486**	**13,011**	**13,505**	**33,762**	**4,077**	**33,696**	**109,537**

(iii) The ROC tax authorities have examined the income tax expenses of the Company through 2017, except for the year of 2016.

(q) Capital and other equities

As of December 31, 2019 and 2018, the authorized common stocks were $3,000,000 and $2,500,000 of which 208,535 and 193,619 thousand shares, respectively, were issued. All issued shares were paid up upon issuance.

(Continued)

(i) Ordinary shares

Reconciliation of shares outstanding for 2019 and 2018 were as follows:

	Ordinary shares	
(in thousands of shares)	**2019**	**2018**
Balance on January 1	$ 193,619	189,119
Issued for cash	15,000	-
Issue of employee restricted share	-	4,500
Cancel of employee restricked share	(84)	-
Balance on December 31	**$ 208,535**	**193,619**

In 2018, the Company issued its employee restricted shares amounting to $45,000, wherein the amount of $840 had been cancelled due to failure in meeting the vested requirements in the years ended December 31, 2019. As of December 31, 2019, the registration procedure had been completed.

In order to enrich its working capital, the Company's Board of Directors resolved to issue 15,000 thousand ordinary shares with a par valued at $10, totaling of $150,000 thousands on April 9, 2019. The issuance had been applied and was effective in accordance with the Rule No.1080314862 issued by the FSC on May 21, 2019, and extended offering period in accordance with the Rule No. 1080327573 granted by the FSC on August 19, 2019. Among the issuance, 1,500 thousand shares were reserved for employee subscription in accordance with Article 267 of Company Act.

The Company announced the subscription base date was determined as at October 29, 2019 and issued a value of NTD72 per share at premium on October 16, 2019. All related registration procedures had been completed as of December 31, 2019.

(ii) Capital surplus

The balances of capital surplus were as follows:

	December 31, 2019	December 31, 2018
Additional paid-in capital	$ 3,436,118	2,575,896
Difference between consideration and carry amount arising from acqusition or disposal of subsidiaries	3,698	3,698
Changes in equity of associates and joint ventures accounted for using equity method	6,737	6,724
Issuance of convertible bonds	48,667	-
Issue of employee restricted share	208,696	207,856
	$ 3,703,916	**2,794,174**

(Continued)

According to the ROC Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring paid-in capital in excess of par value should not exceed 10% of the total common stock outstanding.

The resolution of shareholders' meeting decided to distribute the cash dividends amounting to $96,778 ($0.5 per share) and $75,648 ($0.4 per share) through capital surplus on June 25, 2019 and on June 21, 2018.

(iii) Retained earnings

The Company's article of incorporation stipulate that Company's net earnings should first be used to offset the prior years' deficits, if any, before paying any income taxes. Of the remaining balance, 10% is to be appropriated as legal reserve. The legal reserve can be exempted if it equals the paid-in capital, besides, special reserves are supposed to be set aside or reversed in accordance with the relevant regulations or as required by the government. And then any remaining profit together with any undistributed retained earnings shall be distributed according to the distribution plan proposed by the Board of Directors and submitted to the stockholders' meeting for approval.

According to the Company' s stable dividend policy, the type of dividends should be determined after considering the business environment, operating performance, financial structure, etc. If retained earnings shall be distributed to stockholders which shall not be lower than 30% of the profit and the cash dividends to stockholders shall not be lower than 10% of total cash and stock dividends.

1) Legal reverse

In accordance with the Company Act as amended, 10 percent of net income after tax should be set aside as legal reserve, until it is equal to authorized capital. If the Company experienced profit for the year, the distribution of the statutory earnings reserve, either by new shares or by cash, shall be decided at the shareholders meeting, and the distribution amount is limited to the portion of legal reserve which exceeds 25 percent of the paid-in capital.

2) Special reverse

A portion of current-period earnings and undistributed prior-period earnings shall be reclassified as a special earnings reserve during earnings distribution. The amount to be reclassified should be equal to the total net current-period reduction of other shareholders' equity resulting from the carrying amount of special earnings reserve as stated above. Similarly, a portion of undistributed prior period earnings shall be reclassified as a special earnings reserve (which does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

(Continued)

(iv) Earnings distributed

Earnings distribution for 2018 and 2017 was approved by the shareholders during their annual meeting held on June 25, 2019 and June 21, 2018, respectively. The relevant dividend distribution to shareholders were as follows:

	2018		**2017**	
	Amount per share	**Total amount**	**Amount per share**	**Total amount**
Cash dividends distributed to common shareholders	3.00	$ 580,665	1.6	302,591

(r) Share-based payment

(i) Employee restricted share

At the meeting held on June 21, 2018, the Company's Board of Directors decided to issue 4,500,000 shares of employee restricted shares to the Company's full-time employees who meet certain requirements. The restricted shares have been registered with, and approved by, the Securities and Futures Bureau of FSC. The Board of Directors decided to issue all the restricted shares on November 6, 2018, which is also the effective date of the share issuance.

3,500,000 shares of the aforementioned restricted shares are issued without consideration. 30%, 30% and 40% of the 3,500,000 restricted shares are vested when the employees continue to provide service for at least 2 year, 3 years and 4 years, respectively, from the registration and the effective date, and at the same time, meet the performance requirement. In addition, when earnings per share in two consecutive and complete fiscal years from the registration and effective date are no less than NT$ 4, and at the same time, the employees with the restricted shares meet the performance requirement, the other 1,000,000 shares of the restricted shares are vested 100% at the date the shareholders approved the financial statements for the second fiscal year. If the earnings per share in two consecutive and complete fiscal years from the registration and effective date are between NT$ 3 to NT$ 4, at the same time, the employees with the restricted shares meet the performance requirement, the restricted shares are vested 75% at the date the shareholders approved the financial statements for the second fiscal year. If the earnings per share in two consecutive and complete fiscal years from the registration and effective date are less than NT$ 3, the employees with restricted shares, whether or not they meet the performance requirement, no restricted shares are vested at the date the shareholders approved the financial statements for the second fiscal year. The earnings per share mentioned above are calculated based on the profit approved by the shareholders and the weighted average number of ordinary shares outstanding at the date of the restricted shares have been approved by the authority.

(Continued)

After the issuance, the restricted shares are kept by a trust, which is appointed by the Company, before they are vested. These restricted shares shall not be sold, transferred, pledged, gifted, or disposed by any other means, to third parties during the custody period. The voting rights of these shares are executed by the custodian, and the custodian shall act based on the law and regulations. If the shares remain unvested after the vesting period, the Company will redeem all the unvested shares without consideration and cancel the shares thereafter. Restricted shares could be received in cash and stock dividends, or could be used to participate in cash injection. The aforementioned new shares are not considered as restricted shares.

The information of the Company's restricted shares is as follows:

Unit: in thousands of shares

	2019	2018
Outstanding unit at January 1	4,500	-
Canceled during the period	(84)	-
Granted during the period	-	4,500
Outstanding unit at December 31	**4,416**	**4,500**

As of December 31, 2019 and 2018, the unearned employee benefit were $119,897 and $219,616, respectivley.

The compensation cost related to the restricted share were $99,719 and $33,240 for the years ended December 31, 2019 and 2018.

(ii) Cash injection reserved for employees

The Company's Board of Directors resolved to implement cash injection on April 9, 2019, of which 15,000 thousand shares were reserved for employees. As of December 31, 2019, the relevant information was as follows:

Grant date	2019.10.16
Number of shares granted (in thousands)	15,000
Granted recipients	(Note 1)
Vested condition	Vest immediately

(Note 1) The Company' s full-time employees who meet certain requirements.

The compensation cost, recorded as operating expense and cost of sales related to the cash injection reversed for employees, amounted to $$27,000 in 2019.

(s) Earnings per share

(i) Basic earnings per share

The calculation of basic earnings per share for the year 2019 and 2018 were as follows:

1) Profit attributable to ordinary shareholders of the Company

	2019	2018
Profit attributable to ordinary shareholders of the Company	$ **1,313,498**	**871,519**

2) Weighted-average number of ordinary shares (thousands)

	2019	2018
Weighted-average number of ordinary shares at December 31	**191,708**	**189,119**
Basic earnings per share (dollars)	$ **6.85**	**4.61**

(ii) Diluted earnings per share

The calculation of diluted earnings per share for the year 2019 and 2018 was as follows:

1) Profit attributable to ordinary shareholders of the Company (diluted)

	2019	2018
Profit attributable to ordinary shareholders of the Company(basic) (diluted)	$ **1,318,031**	**871,519**

2) Weighted-average number of ordinary shares (diluted) (thousands)

	2019	2018
Weighted-average number of outstanding ordinary shares (basic)	191,708	189,119
Effect of employee bonuses	1,914	1,659
Effect of employee restricted shares unvested	2,817	470
Convertible bonds payable	6,144	-
Weighted-average number of ordinary shares (diluted)	**202,583**	**191,248**
Diluted earnings per share (dollars)	$ **6.51**	**4.56**

(Continued)

(t) Revenue from contracts with customers

(i) Details of revenue

		2019 Networking Product Segment	2018 Networking Product Segmen
Primary geographical markets			
Europe	$	13,587,316	12,235,162
America		6,508,688	3,290,606
Asia and others		7,285,213	6,300,799
	$	**27,381,217**	**21,826,567**
Major products:			
Networking products	$	23,429,210	18,013,340
Digital Set-top-box products		3,593,446	3,374,584
Materials and others		358,561	438,643
	$	**27,381,217**	**21,826,567**

(ii) Contract balances

		December 31, 2019	December 31, 2018
Accounts receivable	$	7,143,796	5,832,362
Less: allowance for impairment		(22,596)	(26,750)
Total	$	**7,121,200**	**5,805,612**

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

(u) Remuneration to employees and directors

Based on the Company's articles of incorporation, if there is any profit without the remuneration of employees and directors in a fiscal year, it shall be distributed to employees as remuneration in an amount of not less than five percent (5%) and to directors as remuneration 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 its accumulated losses. Employees who are entitled to receive the above mentioned employee remuneration, in share or cash, include the employees of the subsidiaries of the Company who meet certain specific requirement.

(Continued)

For the years ended December 31, 2019 and 2018, the Company accrued employee remuneration of \$156,863 and \$104,047, and directors' remuneration of \$11,812 and \$8,643, respectively. The estimated amounts mentioned above are based on the net profit before tax without the remuneration to employees and directors of each respective ending period, multiplied by the percentage of remuneration to employees and directors as specified under the Company's articles. The estimations were recorded under operating expenses during 2019 and 2018.

The Company accrued remuneration to employee and directors amounting to \$104,047 and \$8,643 in 2018, respectively. There were no differences between the amounts approved in the Board of Directors' meeting and those recognized in the 2018 financial statements. Related information can be accessed through the Market Observation Post System website.

(v) Financial instruments

(i) Credit risk

1) Exposure to credit risk

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

2) Concentration of credit risk

The Company' s customers are mainly from the high-tech industry; therefore, the Company does not concentrate on a specific customer and the sales regions are widely spread, thus, there should be no concern on the significant concentrations of accounts receivable credit risk. In addition, in order to mitigate accounts receivable credit risk, the Company constantly assesses the financial status of its customers, wherein it does not require its customers to provide any collateral.

3) Credit risk

For credit risk exposure of note and trade receivables, please refer to note (6)(e).

Other financial assets at amortized cost includes other receivables and time deposits. All of these financial assets are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses. Regarding how the financial instruments are considered to have low credit risk, please refer to note (4)(f). In addition, the counterparties of the time deposits held by the Company are the financial institutions with investment grade credit ratings. Therefore, the credit risk is considered to be low.

(Continued)

The loss allowance provision as of December 31, 2019 and 2018 was determined as follows:

	Other receivables
Balance on January 1, 2019	$ 122
Impairment loss reversed	(17)
Balance on December 31, 2019	**$ 105**
Balance on January 1, 2018	$ -
Impairment loss recognized	122
Balance on December 31, 2018	**$ 122**

(ii) Liquidity risk

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

	Carrying Amount	Contractual cash flows	Within a year	1 ~ 2 years	Over 2 years
December 31, 2019					
Non-derivative financial liabilities					
Unsecured bank loans	$ 270,180	(270,180)	(270,180)	-	-
Accounts payable (including related parties)	7,085,381	(7,085,381)	(7,085,381)	-	-
Other payables	643,643	(643,643)	(643,643)	-	-
Bonds Payable	966,492	(1,000,000)	-	-	(1,000,000)
Lease liability－current and non-current	88,695	(88,760)	(86,933)	(1,827)	-
Derivative financial liabilities					
Other forward exchange contracts:	5,414	-	-	-	-
Outflow	-	(602,004)	(602,004)	-	-
Inflow	-	598,158	598,158	-	-
Forward exchange contracts used for hedging:	4,932	-	-	-	-
Outflow	-	(1,423,089)	(1,423,089)	-	-
Inflow	-	1,433,921	1,433,921	-	-
	$ 9,064,737	**(9,080,978)**	**(8,079,151)**	**(1,827)**	**(1,000,000)**

(Continued)

	Carrying Amount	Contractual cash flows	Within a year	1 ~ 2 years	Over 2 years
December 31, 2018					
Non-derivative financial liabilities					
Unsecured bank loans	$ 430,010	(430,010)	(430,010)	-	-
Accounts payable (including related parties)	5,501,765	(5,501,765)	(5,501,765)	-	-
Other payables	164,655	(164,655)	(164,655)	-	-
Derivative financial liabilities					
Other forward exchange contracts:	3,143	-	-	-	-
Outflow	-	(528,000)	(528,000)	-	-
Inflow	-	527,512	527,512	-	-
	$ 6,099,573	**(6,096,918)**	**(6,096,918)**	**-**	**-**

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

(iii) Currency risk

1) Exposure to foreign currency risk

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

	December 31, 2019			December 31, 2018		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
Financial assets						
Monetary items						
USD	$ 325,422	USD/TWD =30.02	9,769,168	150,454	USD/TWD =30.715	4,621,195
EUR	24,178	EUR/TWD =33.62	812,864	53,265	EUR/TWD =35.2	1,874,931
Financial liabilities						
USD	327,781	USD/TWD =30.02	9,839,986	192,086	USD/TWD =30.715	5,899,921

2) Sensitivity analysis

The Company’ s exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, trade and other receivables (including related parties), loans and borrowings, accounts payable (including related parties) and other payables (including related parties) that are denominated in foreign currency. The analysis assumes that all other variables remain constant. A strengthening (weakening) 5% of each foreign currency against the functional currency on December 31, 2019 and 2018 would have affected the net profit before tax as follows. The analysis is performed on the same basis for both periods:

(Continued)

		December 31, 2019	December 31, 2018
USD (against the TWD)			
Strengthening 5%	$	(3,541)	(63,936)
Weakening 5%		3,541	63,936
EUR (against the TWD)			
Strengthening 5%	$	40,643	93,746
Weakening 5%		(40,643)	(93,746)

3) Exchange gains and losses of monetary items

As the Company deals in diverse foreign currencies, gains or losses on foreign exchange were summarized as a single amount. In 2019 and 2018, foreign exchange gain (loss) (including realized and unrealized portions) amounted to $(126,589) and $(50,099), respectively.

(iv) Interest rate analysis

The Company's risk exposure to interest rate on financial assets and liabilities was as follows:

		Book value	
		December 31, 2019	December 31, 2018
Fixed rate financial instrument:			
Financial assets	$	3,000,000	1,000,000
Financial liabilities		(1,236,672)	-
	$	**1,763,328**	**1,000,000**
Variable rate financial instrument:			
Financial assets	$	1,459,194	1,794,154
Financial liabilities		-	(430,010)
	$	**1,459,194**	**1,364,144**

The following sensitivity analysis is based on the risk exposure to interest rate on the 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 management of the Company's assessment on the reasonably possible interval of interest rate change.

If the interest rate had increased or decreased by 0.25%, the net profit before tax would have increased or decreased by $3,648 and $3,410 for the years ended December 31 ,2019 and 2018, respectively, which would be mainly resulted from the bank savings and borrowings with variable interest rates.

(Continued)

(v) Fair value information

1) The kinds of financial instruments and fair value

The fair value of financial assets and liabilities at fair value through profit or loss, financial instruments used for hedging is measured on a recurring basis. The carrying amount and fair value of the Company's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and lease liabilities, disclosure of fair value information is not required :

	December 31, 2019				
		Fair Value			
	Book value	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or loss					
Derivative financial assets	$ 12,400	-	12,400	-	12,400
Non-derivative financial assets mandatorily measured at fair value through profit or loss	44,262	-	-	44,262	44,262
Subtotal	56,662				
Financial assets for hedging	61	-	61	-	61
Financial assets at fair value through other comprehensive income					
Stocks unlisted in demestic markets	49,500	-	-	49,500	49,500
Financial assets measured at amortized cost					
Cash and cash equivalents	4,460,976	-	-	-	-
Notes and Accounts receivable, net (including related parties)	7,121,200	-	-	-	-
Other receivables (including related parties)	604,332	-	-	-	-
Subtotal	12,186,508				
Total	$ 12,292,731				
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities	$ 5,414	-	5,414	-	5,414
Financial liabilities for hedging	4,932	-	4,932	-	4,932
Financial liabilities measured at amortized cost					
Short-term borrowings	270,180	-	-	-	-
Accounts payable (including related parties)	7,085,381	-	-	-	-
Other payables	643,643	-	-	-	-
Bonds payable	966,492	-	-	-	-
Lease liabilities－curent and non-current	88,695	-	-	-	-
Subtotal	9,054,391				
Total	$ 9,064,737				

(Continued)

	December 31, 2018				
		Fair Value			
	Book value	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Derivative financial assets	$ 11,540	-	11,540	-	11,540
Non-derivative financial assets mandatorily measured at fair value through profit or loss	69,176	23,531	-	45,645	69,176
Subtotal	80,716				
Financial assets measured at amortized cost					
Cash and cash equivalents	2,795,733	-	-	-	-
Notes and Accounts receivable, net (including related parties)	5,805,612	-	-	-	-
Other receivables (including related parties)	146,048	-	-	-	-
Subtotal	8,747,393				
Total	$ 8,828,109				
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities	$ 3,143	-	3,143	-	3,143
Financial liabilities measured at amortized cost					
Short-term borrowings	430,010	-	-	-	-
Accounts payable (including related parties)	5,501,765	-	-	-	-
Other payables	164,655	-	-	-	-
Subtotal	6,096,430				
Total	$ 6,099,573				

2) Vluation techniques for financial instruments not measured at fair value

The Company’s valuation techniques and assumptions used for financial instruments not measured at fair value are as follows:

a) Financial assets and financial liabilities measured at amortized cost

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

3) Valuation technique for financial instruments measured at fair value

a) Non-derivative financial instruments

Financial instruments trade in active markets are 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 basis to determine the fair value of the listed companies’ equity instrument and debt instrument of the quoted price in an active market.

(Continued)

Fair value measured by a valuation technique can be extrapolated from similar financial instruments, the discounted cash flow method, or other valuation technique including a model using observable market data at the reporting date.

The Company holds the unquoted equity investments of financial instruments without an active market. The measurement of fair value of the equity instruments is based on the Guideline Public Company method, which mainly assumes the evaluation by the price to book value ratio of similar public company and by the discount for lack of marketability. The estimation has been adjusted by the effect resulting from the discount for lack of marketability of the securities.

b) Derivative financial instruments

Measurement of 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.

There were no transfers from level 2 to level 1 in 2019 and 2018.

4) Transfers between Level 1 and Level 2

There were no transfers from level 2 to level 1 in 2019.

5) Reconciliation of Level 3 fair values

	At fair value through profit of loss	Fair value through other comprehensive income
	Non derivation mandatorily measured at fair value through profit or loss	**Unquoted equity instruments**
Opening balance, January 1, 2019	$ 45,645	-
Total gains and losses recognized		
In profit or loss	(1,383)	-
Purchased	-	49,500
Ending balance, December 31, 2019	**$ 44,262**	**49,500**
Opening balance, January 1, 2018	-	-
Total gains and losses recognized		
In profit or loss	(3,064)	-
Reclassified	48,709	-
Ending balance, December 31, 2018	**$ 45,645**	**-**

(Continued)

For the years ended December 31, 2019 and 2018, total gains and (losses) that were included in "unrealized gains and losses from financial assets(liabilities) at fair value through profit or loss" were as follows:

	2019	2018
Total gains and losses recognized:		
In profit or loss, and including "unrealized gains and (losses) from financial assets(liabilities) at fair value through profit or loss"	(1,383)	(3,064)

6) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

The Company's financial instruments that use Level 3 inputs to measure fair value include "financial assets measured at fair value through profit or loss – investments in private equity fund" and " fair value through other comprehensive income -equity investment".

Most of fair value measurements categorized within Level 3 use the single and significant unobservable inputs. Equity investments without an active market contains multiple significant unobservable inputs. The significant unobservable inputs of the equity instruments are independent from each other, as a result, there is no relevance between them.

Quantified information of significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets at fair value through other comprehensive income-equity investment without an active market	Comparable market approach	·Price-Book ratio multiples (4.38 on December 31, 2019)	·The higher the multiple is , the higher the fair value will be.
		·Lack-of-Marketability discount rate (30% on December 31, 2019)	·The higher the Lack-of-Marketability discount rate is, the lower the fair value will be.
Financial assets at fair value through profit or loss-investment in private equity fund	Net asset value method	· Net asset value	Inapplicable

(Continued)

7) Fair value measurements in Level 3 – sensitivity analysis of reasonably possible alternative assumptions

For fair value measurements in Level 3, changing one or more of the assumptions to reflect reasonably possible alternative assumptions would have the following effects:

	Input	Move up or down	Other comprehensive income Favorable	Other comprehensive income Unfavorable
December 31, 2019				
Financial assets at fair value through other comprehensive income	Price-Book ratio multiples	5%	1,912	1,911
	Lack-of-Marketability discount rae	5%	809	825

The favorable and unfavorable effects represent the changes in fair value, and fair value is based on a variety of unobservable inputs calculated using a valuation technique. The analysis above only reflects the effects of changes in a single input, and it does not include the interrelationships with another input.

(w) Financial risk management

(i) Briefings

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

1) Credit risk

2) Liquidity risk

3) Market risk

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

(ii) Structure of risk management

The Company's risk management policies are set for identifying and analyzing the risk that the Company confronts for setting the appropriate amount of the risk and complying with the policies. The Company continually reviews the risk management policies to reflect the market condition and the changes of the Company's operation. The Company develops a disciplined and constructive environment and makes employees understand their rules and obligations through training, management guidelines, and operating procedures.

Audit Committee ensures that the monitoring of the management is in compliance with the Company's risk management policies and procedures, and reviews the appropriateness of the related risk management framework. The Company's internal auditors assist the Audit Committee to supervise and review the control and procedures of the risk management periodically and aperiodically, and report the findings to the Audit Committee and the Board of Directors.

(Continued)

(iii) Credit risk

Credit risk is the risk on the financial loss to the Company if a customer or a counterparty fails to meet its contractual obligations. It rises principally from the Company's receivables from customers and investment in debt securities.

1) Accounts receivable and other receivables

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

The Company's customers are mainly from the communications industry. And in order to monitor the credit risk of accounts receivable, the Company constantly assesses the financial status of the customers, and requests the customers to provide guarantee or security if necessary. The Company regularly accesses the collectability of accounts receivable and recognizes the allowance for accounts receivable. The impairment losses are always within management's expectation.

The Company set the allowance for bad debt account to reflect the estimated losses for trade and other receivables. The allowance for bad debt account is based on extensive analysis for customers' creditworthiness and historical collection record.

2) Investments

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

(iv) Liquidity risk

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

The Company manages sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. The Company's management supervises the banking facilities and ensures in compliance with the terms of the loan agreements. The loans and borrowings from the bank form an important source of liquidity for the Company. As of December 31, 2019 and 2018, for the information of the unused credit lines of short-term, please see note (6)(k).

(Continued)

(v) Market risk

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

In order to manage market risk, there are some financial liabilities incurred by the Company from its buying and selling of derivatives. All such transactions are carried out within the guidelines set by the Risk Management Committee. Generally, the Company seeks to apply hedge accounting in order to manage volatility in profit or loss.

1) Currency risk

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

The Company designates the spot element of forward foreign exchange contracts to hedge its currency risk. Most of these contracts have a maturity of less than one year from the reporting date. The forward elements of forward exchange contracts are excluded from designation as the hedging instrument and are separately accounted for as a cost of hedging, which is recognized in equity in a cost of hedging reserve. The Company's policy is for the critical terms of the forward exchange contracts to align with the hedged item.

The Company determines the existence of an economic relationship between the hedging instrument and hedged item based on the currency, amount and timing of their respective cash flows. The Company assesses whether the derivative designated in each hedging relationship is expected to be and has been effective in offsetting changes in cash flows of the hedged item using the hypothetical derivative method.

In these hedge relationships, the main sources of ineffectiveness are:

– the effect of the counterparty and the Company's own credit risk on the fair value of the forward foreign exchange contracts, which is not reflected in the change in the fair value of the hedged cash flows attributable to the change in exchange rates; and

– changes in the timing of the hedged transactions.

2) Interest rate risk

The Company borrows funds with a stable combination of fix and variable interest rates to maintain its interest rate risk. The Company periodically assess these hedge activities to provide the best cost effect and risk assessment.

(x) Capital management

The Company maintains the capital based on the current operating characteristics of the industry, future development and changes in external environment to assure there is financial resource and operating plan to support working capital, capital expenditures, research & development expense, debt redemption and dividend payment and so on. The management decides the optimized capital structure by using the appropriate debt-to-equity ratio. To maintain a strong capital base, the Company enhances the return on equity by optimizing debt-to-equity ratio. The Company's debt-to-equity ratio at the end of the reporting date is as follows:

	December 31, 2019	December 31, 2018
Total liabilities	$ 10,650,666	7,159,736
Total equity	10,904,726	9,066,144
Debt-to-equity ratio	98 %	79 %

As of December 31, 2019, there were no changes in the Company's approach to capital management.

As of December 31, 2019, the increase in debt to equity ratio was due to the issuance of convertible bonds by the Company for enhancing its working capital.

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

The Company's investing and financing activities which did not affect the current cash flow in the year ended December 31, 2019 were as follow:

(i) The acquisition of right-of-use assets by lease, please see notes (6)(i).

(ii) Issuance of convertible bonds, please see notes (6)(l).

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

Reconciliation of liabilities arising from financing activities were as follows:

	January 1, 2019	Cash flows	Non-cash changes: Other	December 31, 2019
Short-term borrowings	$ 430,010	(159,830)	-	270,180
Lease liabilities	6,896	(6,933)	88,732	88,695
Bonds payable	-	1,007,240	(40,748)	966,492
Total liabilities from financing activities	$ **436,906**	**840,477**	**47,984**	**1,325,367**

(Continued)

	January 1, 2018	Cash flows	Non-cash changes Other	December 31, 2018
Short-term borrowings	$ -	430,010	-	430,010
Total liabilities from financing activities	**$ -**	**430,010**	**-**	**430,010**

(7) Related-party transactions:

(a) Parent company and ultimate controlling party

Compal Electronics Inc. is both the parent company of the consolidated entity and the ultimate controlling party of the Company. It owns 35 percent of all shares outstanding of the Company, and it has issued the Consolidated Financial Statements available for public use.

(b) Name and relationship with related parties

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

Name of related party	Relationship with the Company
Compal Electronics, Inc.	Parent company
Arcadyan Technology N.A. Corp. (Arcadyan USA)	Subsidiaries
Arcadyan Germany Technology GmbH (Arcadyan Germany)	〃
Arcadyan Holding (BVI) Corp. (Arcadyan Holding)	〃
ZHI-PAL Technology Inc. (ZHI-PAL)	〃
Tatung Technology Inc. (TTI)	〃
AcBel Telecom Inc. (AcBel Telecom)	〃
Arcadyan Technology Corporation Korea (Arcadyan Korea)	〃
Arcadyan do Brasil Ltda (Arcadyan Brasil)	〃
Arcadyan Technology Limited (Arcadyan UK)	〃
Arcadyan Technology Australia Pty Ltd (Arcadyan AU)	〃
Sinoprime Global Inc. (Sinoprime)	〃
Arcadyan Technology (Shanghai) Corp. (SVA)	〃
Arch Holding (BVI) Corp. (Arch Holding)	〃
Compal Networking (Kunshan) Co., Ltd. (CNC)	〃

(Continued)

Name of related party	Relationship with the Company
Arcadyan Technology (Vietnam) Co. Ltd (Arcadyan Vietnam)	〃
Tatung Technology of Japan Co., Ltd. (TTJC)	〃
Quest International Group Co., Ltd. (Quest)	〃
Exquisite Electronic Co., Ltd. (Exquisite)	〃
Tatung Home Appliance (Wujiang) Co., Ltd. (TCH)	〃
Leading Images Ltd. (Leading Images)	〃
Astoria Networks GmbH (Astoria GmbH)	〃
Kinpo Group Management Service Company (Kinpo Group Management)	The chairman of the entity's ultimate parent company is the same as that of the Company.
AcBel Polytech Inc. (AcBel)	〃
Compal Display Electronics (Kunshan) Co., Ltd.	The entity's ultimate parent company is the same.
Compal Electronics (Vietnam) Co., Ltd.	〃

(c) Significant related party transactions

(i) Sales

The amounts of significant sales by the Company to related parties were as follows:

	2019	2018
Subsidiaries:		
Arcadyan USA	$ 2,992,401	496,199
Arcadyan Australia	2,444,741	1,329,743
Arcadyan Germany	1,465,691	2,457,020
Other subsidiaries	11,754	11,715
Other related parties	2,490	21,881
	$ 6,917,077	**4,316,558**

Sales prices for subsidiaries and other related parties were similar to those of the third-party customers. The collection period was 45-120 days for the aforementioned related parties.

(ii) Purchases

The amounts of significant purchases by the Company to related parties were as follows:

	2019	2018
Parent company	$ 1,052	-
Other related parties	1,910	2,728
	$ 2,962	**2,728**

(Continued)

The terms and pricing of purchase transactions with related parties were not significantly different from those offered by other vendors. The payment terms ranged from 60 to 120 days, which were no different from the payment terms given by other vendors.

(iii) Processing cost

		2019	2018
Subsidiaries：			
CNC	$	11,451,395	11,249,751
Arcadyan Vietnam		1,026,793	-
	$	**12,478,188**	**11,249,751**

The Company sold raw materials to related parties due to the demand of processing raw materials. The related revenue and cost had been eliminated in the financial statements, had not been considered as selling raw materials and purchasing finished goods. Any revenue from selling materials is recognized in other receivables.

(iv) Other expenditures

Parent company and other related parties provided technical support, professional services and other services for the Company, and the related expenses for the years ended December 31, 2019 and 2018 were as follows:

		2019	2018
Parent company	$	5,687	3,561
Subsidiaries		89,422	66,042
Other related parties		988	1,116
	$	**96,097**	**70,719**

(v) Lease

The Company lease machinery from other related parties with a contract term of 5 years in June 2019. The lease payment will be collected by the parent company; and the amount of $81,081 had each been recorded as right-of-use assets and lease liabilities.

(vi) Loans to related parties

		December 31, 2019	December 31, 2018
Subsidiaries:			
Arcadyan Brazil	$	39,085	33,883
Less: Credit balance of investments accounted for using equity method transferred to dectuction of other receivable from related parties		(8,095)	-
	$	**30,990**	**33,883**

(Continued)

The Company has granted loans to related parties and the interest rates were set based on the average interest rates of the unsecured short-term loans that the Company borrowed from financial institutions in the current year. All the loans are not guaranteed loans. There is $59 interest receivable for the year ended December 31, 2019, which is recognized in other receivables and no need to record a bad debt expense after assessment.

(vii) Guarantees and endorsements to related parties

The Company signed guarantees and endorsements amount of USD 8,000 to the bank due to the need of operating Acradyan Brasil for the year ended December 31, 2018.

(viii) Receivable from related parties

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

Account	Related party categories	December 31, 2019	December 31, 2018
Accounts receivable	Subsidiaries:		
	Arcadyan USA	$ 2,683,393	104,031
	Arcadyan Australia	634,154	727,600
	Arcadyan Germany	392,466	805,017
	Other subsidiaries	55,769	181,572
		$ 3,765,782	**1,818,220**
Other receivables	Subsidiaries:		
	Arcadyan Vietnam	$ 362,695	-
	Compal (Vietnam)	80,936	-
	Arcadyan Australia	-	35,470
	Other subsidiaries	49,575	14,259
		493,206	49,729
Less: Credit balance of investments accounted for using equity method transferred to dectuction of other receivable from related parties		(683)	-
		$ 492,523	**49,729**

(Continued)

(ix) Payable to related parties

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

Account	Related party categories	December 31, 2019	December 31, 2018
Accounts payable	Parent company	$ 519	-
Accounts payable	Subsidiaries:		
	CNC	$ 3,117,484	3,404,030
	Sinoprime	54,720	55,986
	Other related parties	914	2
		$ 3,173,637	**3,460,018**
Other payable	Subsidiaries	18,287	16,702
	Other related parties	-	259
		$ 18,287	**16,961**

(d) Key management personnel compensation

Key management personnel compensation comprised:

	2019	2018
Short-term employee benefits	$ 84,237	70,707
Post-employment benefits	1,047	1,047
Share-based payments	30,278	12,616
	$ 115,562	**84,370**

Please refer to note (6)(r) for further explanations related to share-based payment transactions.

(8) Pledged assets:

The carrying values of pledged assets were as follows:

Assets	Subject	December 31, 2019	December 31, 2018
Property－land	Long-term loans (note)	$ -	463,262
Other current asset	Bail for court mandatory execution	41,090	41,090
		$ 41,090	**504,352**

Note: Long-term loans had been settled in 2015; and the property land that had been pledged as collateral was cancelled on May 16, 2019.

(Continued)

(9) Commitments and contingencies: None

(10) Losses Due to Major Disasters: None

(11) Subsequent Events:

On December 3, 2019, the Company's board of directors resolved to increase its investment in Arcadyan Technology (Vietnam) Co., Ltd. through its 100% -owned subsidiaries, Arcadyan Holding (BVI) Corp. and Sinoprime Global Inc. for USD20,000 thousand. All related registration procedures had been completed on January 31, 2020.

(12) Other:

(a) The followings are the summary statement of current period employee benefits, depreciation and amortization expenses by function:

By function / By item	2019 Cost of sales	2019 Operating expenses	2019 Total	2018 Cost of sales	2018 Operating expenses	2018 Total
Employee benefits						
Salary	44,260	1,163,387	1,207,647	69,244	903,836	973,080
Labor and health insurance	2,514	71,329	73,843	4,734	60,023	64,757
Pension	1,566	35,972	37,538	2,987	32,481	35,468
Remuneration of directors	-	11,812	11,812	-	8,643	8,643
Others	1,197	33,818	35,015	2,240	28,267	30,507
Depreciation	18,912	76,676	95,588	16,299	68,252	84,551
Amortization	3,601	27,585	31,186	1,612	22,893	24,505

The following are the additional information on the numbers of the Company's employees and their benefits:

	2019	2018
Number of employees	636	599
Number of directors who were not employees	7	7
The average employee benefit	$ 2,153	1,865
The average salaries and wages	$ 1,920	1,644
Average salary expense adjustment	16.79 %	

(Continued)

(13) Other disclosures:

(a) Information on significant transactions:

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Company for 2019:

(i) Loans to other parties:

Unit: thousand dollars

Number	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 (note 1)	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits (note 2)	Maximuml imit of fund financing (note 2; notes3 and notes 4)	Note
													Item	Value			
0	The Company	Arcadyan do Brasil Ltda	Other receivables	Yes	246,160 (USD8,000)	60,040 (USD2,000)	39,026 (USD1,300)	1%	2	-	Operating demand	-		-	2,180,945	4,361,890	
0	〃	Arcadyan Technology Limited	〃	Yes	219,730 (USD7,000)	210,140 (USD7,000)	-	1%	1	4,503,000 (USD150,000)	-	-		-	2,180,945	4,361,890	
0	〃	Arcadyan Technology Australia Pty Ltd	〃	Yes	126,400 (USD4,000)	-	-	1%	1	1,501,000 (USD50,000)	-	-		-	1,200,800	4,361,890	
0	〃	Arcadyan Technology (Vietnam) Co. Ltd.	〃	Yes	284,400 (USD9,000)	270,180 (USD9,000)	-	1%	1	600,400 (USD20,000)	-	-		-	480,320	4,361,890	
1	ZHI-PAL	Arcadyan do Brasil Ltda	〃	Yes	34,760 (USD1,100)	33,022 (USD1,100)	-	1%	2	-	Operating demand	-		-	41,642	166,568	
2	Arcadyan Holding	CNC	〃	Yes	523,940 (USD17,000)	510,340 (USD17,000)	510,340 (USD17000)	1%	2	-	Operating demand	-		-	2,003,996	2,003,996	

Note 1: Number 1 represents the business relationship with the Company; number 2 represents the short-term financing facility, if necessary.

Note 2: According to the policy of the Company on Lending Funds to Other Parties, the amount of loans to others shall not exceed 40% of the net worth of the Company. To borrowers having business relationship with the Company, the total amount of loans to the borrower shall not exceed 80% of the transaction amount in the last fiscal year or the expected amount for the current year, which shall not exceed 20% of the net worth of the Company. Also, the amount shall be combined with the Company's endorsements/guarantees for the borrower upon calculation. When a short-term financing facility is deemed necessary, only the investees of the Company are allowed to borrow. The total amount of loans to the borrower shall not exceed 80% of the its net worth, nor shall it exceed 20% of the net worth of the Company, and it shall be combined with the the Company's endorsements/guarantees for the borrower upon calculation.

Note 3: According to the policy of Arcadyan Holding on Loaning Funds to Others, the amount of loans to others shall not exceed the net worth of Arcadyan Holding. When a short-term financing facility with Arcadyan Holding is deemed necessary, only the investees of Arcadyan Holding are allowed to borrow. The total amount for lending the borrower shall not exceed its net worth , and it shall be combined with the Company's endorsements/guarantees for the borrower upon calculation.

Note4: According to ZHI-PAL's Procedures for Lending Funds to Other parties, the total amount of loans to others shall not exceed 40% of the net worth of ZHI-PAL. To borrowers having business relationship with ZHI-PAL, 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 ZHI-PAL. When a short-term financing facility is necessary, the borrower should be ZHI-PAL's investee. The total amount for lending the borrower shall not exceed 10% of the net worth of the borrower.

Note 5: The amounts in New Taiwan Dollars were translated at the exchange rate of $30.02 based on the year-end date.

(Continued)

(ii) Guarantees and endorsements for other parties:

Unit: thousand dollars

No.	Name of guarantor	Counter-party of guarantee and endorsement: Name	Counter-party of guarantee and endorsement: Relationship with the Company	Limitation on amount of guarantees and endorsements for a specific enterprise (note 1)	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/ guarantees to third parties on behalf of subsidiary (note 2)	Subsidiary endorsements / guarantees to third parties on behalf of parent company (note 2)	Endorsements/ guarantees to third parties on behalf of companies in Mainland China (note 2)
0	The Company	Arcadyan do Brasil Ltda	100% Owned subsidiary	1,453,963	246,160 (USD8,000)	-	-	-	- %	4,361,890	Y	N	N

Note 1: According to the policy of the Company for Endorsements and Guarantee, the total amount shall not exceed 40% of the net worth of the 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 2: Fill in "Y" if applicable, or "N" if not applicable.

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

Unit: thousand dollars/thousand shares

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance: Shares/Units (thousands)	Ending balance: Carrying value (note 1)	Ending balance: Percentage of ownership (%)	Ending balance: Fair value	Note
The Company	Geo Things Inc.	-	Financial assets at fair value through profit or loss-noncurrent	200	-	8.94 %	-	
〃	AirHop Communication, Inc.	-	〃	1,152	-	5.04 %	-	
〃	Adant Technologies Inc.	-	〃	349	-	4.93 %	-	
〃	IOT Eye, Inc.	-	〃	60	-	13.75 %	-	
〃	TIEF Fund, L.P.	-	〃	-	44,262	7.49 %	44,262	
〃	Chimei Motor Electronics Co., Ld	-	Financial assets at fair value through other comprehensive income -noncurrent	1,650	49,500	8.68 %	49,500	

Note 1: The carrying amount included the cumulative impairment.

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

(In Thousands of New Taiwan Dollars)

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	Amount	Shares	Amount	Shares	Price	Cost	Gain (loss) on disposal	Shares	Amount	Shares	Amount
The Company	Arcadyan Holding	Investments accounted for using equity method	Issued for cash	Subsidiary	32,780	1,221,252	27,000	823,505	-	-	-	-	-	(87,955) (note)	59,780	1,956,802

Note: Others include investment gains/losses under equity method, exchange differences on translation of foreign financial statements etc.

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

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

(Continued)

ARCADYAN TECHNOLOGY CORPORATION
Notes to the Financial Statements

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

Unit: In thousands of TWD and USD

Name of company	Related 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	Arcadyan Germany	Subsidiary	(Sales)	(1,465,691)	(5)%	Net 120 days from delivery	-	-	392,466	6 %	
〃	Arcadyan USA	〃	(Sales)	(2,992,401)	(11)%	Net 60 days from the end of the month of delivery	-	-	2,683,393	38 %	
〃	Arcadyan AU	〃	(Sales)	(2,444,741)	(9)%	Net 45 days from the end of the month of delivery	-	-	634,154	9 %	
〃	CNC	〃	Purchases	11,451,395	31 %	〃	According to cost plus pricing	-	(3,117,484)	(44)%	Note 1
〃	Arcadyan Vietnam	〃	Purchases	1,026,793	3 %	Net 180 days from the end of the month of delivery	〃	-	Note 2	- %	Note 1
CNC	The Company	Parent company	(Sales)	(11,451,395)	(100)%	Net 45 days from the end of the month of delivery	〃	-	3,117,484	99 %	Note 1
〃	TCH	With the same ultimate parent company	(Sales)	(158,620)	(1)%	Net 90 days from the end of the month of delivery	-	-	23,396	1 %	Note 1
Arcadyan Vietnam	The Company	Parent company	(Sales)	(1,026,793)	(100)%	Net 180 days from the end of the months of delivery	-	-	Note 2	- %	Note 1
Arcadyan Germany	The Company	Parent company	Purchases	1,465,691	100 %	Net 120 days from delivery	-	-	(392,466)	(100)%	
Arcadyan USA	〃	〃	Purchases	2,992,401	100 %	Net 60 days from the end of the month of delivery	-	-	(2,683,393)	(100)%	
Arcadyan AU	〃	〃	Purchases	2,444,741	100 %	Net 45 days from the end of the month of delivery	-	-	(634,154)	(100)%	
TCH	TTI	With the same ultimate parent company	(Sales)	(378,225)	(100)%	Net 60 days from the end of the month of delivery	According to cost plus pricing	-	Note 3	- %	Note 1
〃	CNC	〃	Purchases	158,620	2 %	Net 90 days from the end of the month of delivery	-	-	(23,396)	(54)%	Note 1
TTI	TCH	〃	Purchases	378,225	8 %	Net 60 days from the end of the month of delivery	-	-	Note 3	- %	Note 1

Note 1: The ending balance derived from the transactions on processing and sales of raw material.
Note 2: As of December 31, 2019 the other receivables (payables) of amounted to 362,695 thousand.
Note 3: As of December 31, 2019 the Advance Sales receipt (payment) of amounted to 103,079 thousand.

(Continued)

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

Unit: In Thousands of TWD and USD

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue Amount	Overdue Action taken	Amounts received in subsequent period (note 3)	Allowance for bad debts
The Company	Arcadyan Germamy	Subsidiary	392,466	2.45	-		75,366	-
〃	Arcadyan USA	〃	2,683,393	2.15	-		1,370,558	-
〃	Arcadyan AU	〃	634,154	3.59	-		509,314	-
〃	Arcadyan Vietnam	〃	362,695 (Note 2)	2.11	-		-	-
〃	TTI	〃	55,769 (Note 2)	18.18	-		18,864	-
CNC	The Company	Parent company	3,117,484 (Note 1)	3.51	-		450,187	-

Note 1: The ending balance was accounts receivable derived from processing raw material.

Note 2: The ending balance was other receivable derived from purchasing on behalf of related parties.

Note 3: Balance as of February 21, 2020.

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

(b) Information on investees:

The following is the information on investees for the year 2019 (excluding information on investees in Mainland China):

Unit: thousand dollars

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount December 31, 2019	Original investment amount December 31, 2018	Balance as of December 31, 2019 Shares (thousands)	Balance as of December 31, 2019 Percentage of ownership	Balance as of December 31, 2019 Carrying value	Net Income (Losses) of the Investee	Investment Income (losses)	Note
The Company	Arcadyan Holding	British Virgin Islands	Investment activities	2,064,032	1,240,526	59,780	100%	1,956,802	(24,302)	(43,844)	Subsidiary
The Company	Arcadyan USA	USA	Selling of wireless networking products	23,055	23,055	1	100%	(250,530)	14,289	14,289	〃
The Company	Arcadyan Germany	Germany	Selling and technical support of wireless networking products	1,125	1,125	0.5	100%	68,318	7,022	7,022	〃
The Company	Arcadyan Korea	Korea	Selling of wireless networking products	2,879	2,879	20	100%	7,047	(310)	(310)	〃
The Company and ZHI-PAL	Arcadyan Brasil	Brasil	Selling of wireless networking products	81,593	81,593	968	100%	(7,767)	(22,421)	(22,421)	〃
The Company	ZHI-PAL	Taipei City	Investment activities	48,000	48,000	34,980	100%	416,421	2,169	2,169	〃
The Company	TTI	Taipei City	Research and development, and selling digital home appliance	308,726	308,726	25,028	61%	627,585	105,625	64,477	〃
The Company	AcBel Telecom	Taipei City	Investment activities	23,000	23,000	4,494	51%	36,163	4,784	2,444	〃
The Company	Arcadyan UK	England	Technical support of wireless networking products	1,988	1,988	50	100%	3,170	452	452	〃
The Company	Arcadyan AU	Austrilia	Selling of wireless networking products	1,161	1,161	50	100%	27,970	29,187	29,187	〃

(Continued)

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Notes to the Financial Statements

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount December 31, 2019	Original investment amount December 31, 2018	Balance as of December 31, 2019 Shares (thousands)	Balance as of December 31, 2019 Percentage of ownership	Balance as of December 31, 2019 Carrying value	Net Income (Losses) of the Investee	Investment Income (losses)	Note
The Company	CBN	Hsinchu City	Manufacturing and selling of broadband network products	11,925	11,925	533	1%	13,581	10,514	85	Investments accounted for using equity method
The Company	Golden Smart home Technology	Taipei City	Selling of hardware and software integration of high-tech systems products	15,692	15,692	1,229	11%	-	(36,152)	-	〃
Arcadyan Holding	Sinoprime	British Virgin Islands	Investment activities	271,681 (USD9,050)	271,681 (USD9,050)	9,050	100%	188,856 (USD6,291)	(86,152) (USD(2,787))	Investment gain(losses) recognized by Arcadyan Holding	Subsidiary
〃	Arch Holding	British Virgin Islands	Investment activities	330,550 (USD11,011)	330,550 (USD11,011)	35	100%	871,120 (USD29,018)	57,002 (USD1,844)	〃	〃
Sinoprime	Arcadyan Vietnam	Vietnam	Manufacturing of wireless networking products	270,180 (USD9,000)	-	-	100%	184,443 (USD6,144)	(88,285) (USD(2,856))	Investment gain(losses) recognized by Sinoprime	〃
TTI	Quest	Samoa	Investment activities	36,024 (USD1,200)	36,024 (USD1,200)	1,200	100%	77,839	10,673	Investment gain(losses) recognized by TTI	〃
TTI	TTJC	Japan	Selling digital home appliance	4,130	1,341	0.3	100%	2,015	(1,550)	〃	〃
Quest	Exquisite	Samoa	Investment activities	35,123 (USD1,170)	35,123 (USD1,170)	1,170	100%	80,994 (USD2,698)	10,665 (USD345)	Investment gain(losses) recognized by Quest	〃
AcBel Telecom	Leading Images	British Virgin Islands	Investment activities	1,501 (USD50)	1,501 (USD50)	50	100%	13,985	4,623	Investment gain(losses) recognized by AcBel Telecom	〃
Leading Images	Astoria GmbH	Germany	Selling of wireless networking products	841 (EUR25)	841 (EUR25)	25	100%	13,599 (USD453)	4,637 (USD150)	Investment gain(losses) recognized by Leading Images	〃
ZHI-PAL	CBN	Hsinchu City	Manufacturing and selling of broadband network products	36,272	36,272	13,140	19.66%	334,669	10,514	Investment gain(losses) recognized by ZHI-PAL	Investments accounted for using equity method by subsidiary

Note 1: The amounts in New Taiwan Dollars were translated at the exchange rate of $US30.912 / EUR$34.613 based on the yearly average exchange rate for net income(losses) of the investees, others were translated at the exchange rate of US$30.020/EUR$33.62 based on the year-end date.

(Continued)

(c) Information on investment in mainland China:

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

(In Thousands of New Taiwan Dollars US Dollars)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2018	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2019	Net income (losses) of the investee	Percentage of ownership	Investment income (losses)	Book value	Accumulated remittance of earnings in current period	Note
					Outflow	Inflow							
SVA	Research and sale of wireless networking products	393,262 (USD13,100)	note 1	(Note 4) 552,969 (USD18,420)	-	-	552,969 (USD18,420)	5,750 (USD186)	100%	5,750 (USD186)	127,495 (USD4,247)	-	Note 3
CNC	Manufacturing of wireless networking products	373,749 (USD12,450)	〃	(Note 5) 330,550 (USD11,011)	-	-	330,550 (USD11,011)	57,002 (USD1,844)	100%	57,002 (USD1,844)	871,090 (USD29,017)	-	〃
TCH	Manufacturing of household electronics products	100,567 (USD3,350)	notes 1 and 7	34,523 (USD1,150)	-	-	34,523 (USD1,150)	10,665 (USD345)	100%	10,665 (USD345)	80,484 (USD2,681)	-	〃

Note 1: Investment in Mainland China through companies registered in a third region.

Note 2: The amounts in New Taiwan Dollars were translated at the exchange rate of $US30.912 based on the yearly average exchange rate for net income(losses) of the investees, others were translated at the exchange rate of US$30.020 based on the year-end date.

Note 3: The amounts are according to the financial statements which have been audited and certified by parent company's independent external CPA.

Note 4: The Company paid US$18,420 thousands and acquired 100% shares of SVA Arcadyan from Accton Asia through Arcadyan Holding in 2010.

Note 5: The Company paid US$8,561 thousands and acquired 100% shares of CNC from Just through Arcadyan Holding in 2007.

Note 6: SVA decreased its capital amounting to US$15,000 to offset its accumulated losses in March 2009.

Note 7: The Company's subsidiary, TTI, obtained control over TCH for US$1,150 on February 28, 2013 (base date of stock transferring).

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2019	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
918,042 (USD30,581)	918,042 (USD30,581)	6,542,836

Note : The amounts in New Taiwan Dollars were translated at the exchange rate of $30.020 on December 31, 2019.

(iii) Significant transactions:

The significant inter-company transactions with the subsidiaries in Mainland China for the year ended December 31, 2019, which were eliminated in the preparation of consolidated financial statements, are disclosed in "Information on significant transactions".

(14) Segment information:

Please refer to the consolidated financial statements for the year ended 2019.

6. Status of Financial difficulties for the Company and its subsidiaries: None.

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

1. Financial Position

(1) Assets, Liabilities and Equity for the Recent Two Years (Consolidated)

Unit: NT$ thousand

Item \ Year	2019	2018	Difference	
			Amount	%
Current assets	22,052,835	18,638,678	3,414,157	18.32
Investments accounted for using equity method	348,250	370,777	(22,527)	(6.08)
Property, plant, and equipment	2,312,578	1,913,556	399,022	20.85
Other assets	817,322	330,469	486,853	147.32
Total assets	25,530,985	21,253,480	4,277,505	20.13
Current liabilities	13,044,806	11,620,412	1,424,394	12.26
Non-current liabilities	1,145,245	159,270	985,975	619.06
Total liabilities	14,190,051	11,779,682	2,410,369	20.46
Ordinary shares	2,085,350	1,936,190	149,160	7.70
Capital surplus	3,703,916	2,794,174	909,742	32.56
Retained earnings	5,335,400	4,609,080	726,320	15.76
Other equity interests	(219,940)	(273,300)	53,360	(19.52)
Non-controlling equity	436,208	407,654	28,554	7.00
Total equity	11,340,934	9,473,798	1,867,136	19.71

(2) Main reasons and impact of material variations

(Analysis of variations exceeding 20% and amounting exceeding NT$10 million)

1. Property, plant, and equipment: Mainly due to increase in operational needs, so purchase new machinery and equipment.
2. Other assets: Mainly due to increase in deferred tax asset and right-to-use assets as compared with the last period.
3. Total assets: Mainly due to increase in current assets, property, plant and equipment for expansion of operation.
4. Non-current liabilities: Mainly due to issuance of unsecured corporate convertible bonds.
5. Total liabilities: Mainly due to increase in accounts payable, and other

liabilities for expansion of operation and issuance of unsecured corporate convertible bonds.

6. Capital surplus: Mainly due to increase in premium on issuance of cash capital increase.

(3) Material Change in Financial Position and Plans of Future for the Most Recent Two Years

In terms of the analysis from aforementioned causes, the material changes in Company's financial position for the recent two years are normal outcomes from operating activities.

2. Financial Performance:

(1) Operating revenue, operating income and pre-tax income for the Recent Two Years (Consolidated)

Unit: NT$ thousand

Item \ Year	2019 Total	2018 Total	Amount increase (decrease)	Fluctuation percentage (%)
Operating revenues	32,897,900	26,621,262	6,276,638	23.58
Operating costs	28,545,525	23,465,062	5,080,463	21.65
Gross profit	4,352,375	3,156,200	1,196,175	37.90
Operating expenses	2,624,863	2,184,757	440,106	20.14
Net operating income	1,727,512	971,443	756,069	77.83
Non-operating income and expenses	(24,688)	146,581	(171,269)	(116.84)
Net income before tax	1,702,824	1,118,024	584,800	52.31
Income tax expense	345,838	237,841	107,997	45.41
Net income	1,356,986	880,183	476,803	54.17
Other comprehensive income of the current period (after tax)	(53,703)	31,652	(85,355)	(269.67)
Total comprehensive income of the current period	1,303,283	911,835	391,448	42.93
Net income attributes to shareholders of the Parent	1,313,498	871,519	441,979	50.71
Net income attributable to non-controlling interests	43,488	8,664	34,824	401.94
Comprehensive income attributed to owners of parent	1,260,626	902,103	358,523	39.74
Comprehensive income attributed to non-controlling interests	42,657	9,732	32,925	338.32

(2) Main reasons of material variations

(Analysis of variations exceeding 20% and amounting exceeding NT$10 million)

1. Operating revenues: Mainly due to increase in demand of telecommunication networking products for 2019 and the continuous effort of the Company and its subsidiaries in acquiring new customers.
2. Operating costs: Mainly due to increase in operating costs that correspond to the growth of operating revenues.
3. Gross profit: Mainly benefitted from decrease in raw material cost, proper control of component costs and increase in efficiency of new factory.
4. Operating expenses: Mainly due to the growth of number of new customers and projects, compounded by continuous investment in new technology and R&D expenditure.
5. Net operating income: Mainly due to increase in operating revenues, proper control of costs and expenses.
6. Non-operating income and expenses: Mainly due to increase in net loss on foreign currency exchange as compared with the previous year.
7. Net income before tax: Mainly due to the growth of operational scale in 2019, and increase in gross profit and net operating income as compared with the previous year
8. Income tax expense: Mainly due to increase in net income before tax for 2019 as compared with 2018.
9. Net income before tax: Mainly due to the growth of operational scale in 2019, and increase in gross profit and net operating income as compared with the previous year.
10. Other comprehensive income of the current period (after tax): Mainly due to increase in losses from currency exchange diffrernce on the translation of financial statements for foreign operating organizations.
11. Total comprehensive income of the current period: Mainly due to increase in net income.
12. Net income attributes to owners of the Parent: Mainly due to the growth of operating scale, gross profit and net income in 2019 as compared to the same period last year.

13. Net income attributable to non-controlling interests: Mainly due to the income contributed by the subsidiary, Tatung Technology Inc.

(3) Forecast for sales for next year and basis for the forecast

With the popularization of smart mobile devices in various countries, coupled with the rapid development trend of 5G/4G, Cloud Computing, IOT, IOV and AI, Networking devices will continue to grow rapidly under the continuous construction of broadband infrastructure in various regions. However, in the first half of this year, affected by the COVID-19 epidemic, the Company expects that the shipments of broadband wireless network devices in 2020 will only slightly increase by 3% ~ 5% compared with the previous year.

(4) Potential impact on the Company's finances and sales in the future and response plan

In order to respond the growth in operation, the Company has established relevant financial strategies. For the funding needs for this year, please refer to the section on cash flow analysis for the coming year.

3. Cash Flow Analysis (Consolidated)

(1) Analysis for cash flow change in the Most Recent Year

Unit: NT$ thousand

Cash and Cash Equivalents, Beginning of Year	Net cash flow from operating activities	Cash Inflow (Outflow)	Foreign exchange adjustments	Cash Surplus (Deficit)	Financing of cash deficit	
					Investment Plans	Financing Plans
5,976,053	2,496,825	(835,007)	(30,312)	7,607,559	N/A	N/A

- Net cash inflow from operating activities amounted to NT$2,496,825 thousand: Mainly due to increase in net income in the current period.
- The cash outflow from investment amounted to NT$837,786 thousand: Mainly due to acquiring property, plant, and equipment.
- Cash inflow from financing plans amounted to NT$2,779 thousand: Mainly due to decrease in short-term borrowings and issuance of corporate bonds and cash capital increase.

(2) Plans to improve insufficient liquidity: Not applicable.

(3) Cash Flow Analysis for the Coming Year:

Unit: NT$ thousand

Cash and Cash Equivalents, Beginning of Year	Estimated net cash flow from operating activities for the year	Estimated Cash Inflow (Outflow)	Estimated Cash Surplus (Deficit)	Estimated Financing of Cash Deficit	
				Investment Plans	Financing Plans
7,607,559	1,100,000	(2,197,900)	6,509,659	N/A	N/A

- Estimated net cash flow from operating activities for the year of NTS$1,100,000 thousand: Mainly cash inflow generated from operating activities.
- Estimated net cash flow from financing activities for the year of NTS$1,155,900 thousand: Mainly due to increase in capital expenditure for 2020.
- Net cash flow used in financing activities amounted to NT$1,042,000 thousand: Mainly due to the disbursement of cash dividend, compensation to Employees and remuneration to Directors for 2019.

4. Major Capital Expenditures and Impact on Finance and Business in the Most Recent Year

(1) Major capital expenditures and sources of capital:

The Board of Directors had adopted a resolution in 2019 for the Company to invest US$20 million in subsidiary in Vietnam and acquire the land-use-right for 150 thousand square meters, which is located in Vinh Phuc Province, Vietnam. The Company plans to build new factory to expand production base.

(2) Expected Benefits

The aforementioned investment in Vietnam is expected to lower costs and diversify the risk of overseas production bases.

5. Investment Policy in the Most Recent Year, Main Causes for Profits or Losses, Improvement Plans and Investment Plans for the Coming Year

(1) Investment policy for the Most Recent Year

The investment strategy of the Company is strengthening the vertical integration of the supply chain, and expanding product lines and operational scale to lower production costs, as well as focusing on the development of broadband wireless networking industry to accumulate the core resources and strengthen core competency of the Company.

(2) Causes of profit or loss incurred on investments in the Most Recent Year, and any plan for improvement

Recently, the overall benefit by making effort in actively adjusting product strategy and developing new customers is emerging gradually. Even though part of the utilization of production capacity has not reached economy of scale, the overall net investment income of investment accounted for equity method is amounted to NT$2,172 thousand in 2019. In the future, the Company shall continue to strive to acquire new business, raise the utilization of production capacity and strengthen investment management as well as examine the return on investment regularly.

(3) Investment plans for the coming year

The Company has acquired the land-use-right for 150 thousand square meters of land in Vinh Phuc Province, Vietnam. The Company plans to expand operational scale of production base, so as to lower production costs and diversify operational risks.

6. Risk Management

(1) For the Most Recent Year up to the Publication Date of this Annual Report, the impact of fluctuation in interest rates, foreign exchange rates, and inflation on Net Income of the Company and future response messures:

1. Impact of fluctuation in interest rates and countermeasures

The net interest income of the Company for 2019 is amounted to

NT$14,338 thousand, accounted for 0.04% of the total net operating revenues and 0.83% of net operating income. The net interest income of the Company for the first quarter of 2020 is amounted to NT$475 thousand, accounted for 0.01% of the total net operating revenues and 0.11% of net operating income. The Company maintains good relationships with the banks to acquire competitive interest rates and keep a proper loan ratio. As such, the fluctuation in interest rates does not have large impact to the Company.

2. Impact of fluctuation in foreign exchange rates and countermeasures

The sales and purchase of the Company are mainly accounted in USD. Meanwhile, part of the sales are also based in Euro, Mexican peso and RMB. The foreign currency assets are greater than liabilities. The net exchange losses for 2019 is amounted to NT$181,263 thousand, accounted for 0.55% of net operating revenues and 10.49% of net operating income. The net exchange losses for the first quarter of 2020 is amounted to NT$8,472 thousand, accounted for 0.12% of net operating revenues and 1.98% of net operating income. The exchange losses for 2019 was mainly due to the depreciation of RMB, USD and Euro.

The countermeasures undertaken by the Company are as follows:

A. In addition to adopting a natural hedge effect by making sales and purchase transaction in the same foreign currency, the net foreign currency position is monitored and managed by professionals, and the foreign currency market related information and trend are also assessed. The Company accommodate the needs of fund and make foreign currency exchange transaction in time to reduce risk.

B. To maintain close relationship with the banks and grasp the change in foreign currency market that can serve as the reference for the relevant personnel in price quoting, so as to reflect the foreign currency change in transactions.

C. The Company has established “Procedures for Acquisition or Disposal of Assets”, governing the related procedures for derivative financial instruments. Meanwhile, depending on the foreign currency position and fluctuation of currency, the Company undertakes necessary measures to reduce the foreign currency exchange risk resulting from the business operation of the Company.

3. Impact of inflation and countermeasures

The net income of the Company has not been materially impacted by inflation in the past. If inflation causes the cost of purchases to increase, the Company shall also adjust the product price properly.

The Company closely monitor the impact of fluctuation of interest rates, foreign exchange rates, inflation toward the income of the Company and will take response measures in time.

(2) For the Most Recent Year up to the Publication Date of this Annual Report, policies on transactions with respect to high risks, highly-leveraged investments, loaning funds to others, endorsement, guarantee and derivatives commodities, the main reasons for making profit or loss and future countermeasures

1. Policy on transactions with respect to high risks and highly-leveraged, the main reasons for the profit or loss and future countermeasures

The Company focuses on its main business and has not crossed over to other high risk industry. Further, the Company adopts a principle of stability and prudence for financial policy. The Company does not make highly-leveraged investments and all investments are executed after assessment prudently.

2. Policy on loaning fund to others, the main reasons for the profit or loss and future countermeasures

The parties for the Company and its subsidiaries loaning funds are all related parties. The main reason is to respond the operational needs and provide for short term financing. These transactions are executed in accordance with “Procedures for Loaning Funds to Other Parties”.

3. Policy on endorsement and guarantee, the main reasons for the profit or loss and future countermeasures

The endorsement and guarantee are all made by the Company for its subsidiaries and executed in accordance with “Procedures for Endorsement and Guarantee”.

4. Policy on derivative commodities transactions, the main reasons for the profit or loss and future countermeasures

The book value of derivatives financial commodities held as of December 31, 2019 and March 31, 2020 are as follows:

Item	December 31, 2019 Book value	March 31, 2020 Book value
Financial assets at fair value through profit or loss:	15,455	26,587
Financial liabilities available for sale:	5,414	8,378

The net profit recognized for derivative financial commodities transactions undertaken by the Company for 2019 (including forward exchange agreements and FX swaps) is amounted to NT$110,075 thousand; the net profit recognized for derivative financial commodities transactions undertaken by the Company for the first quarter of 2020 (including forward exchange agreements and FX swaps) is amounted to NT$24,382 thousand. The main reason is result from the difference of foreign currency rates between settled and contracted. However, the derivative financial commodities transactions of the Company are for hedging purposes, mainly to mitigate the risks arisen from fluctuation of foreign and interest rates to net position of foreign currency assets and liabilities, and not for speculation purposes. In addition to following the regulations stipulated by the competent authorities and GAAP, the Shareholders' Meeting also adopted a resolution to the establishment of "Procedures for Acquisition or Disposal of Assets" to govern the transactions concerning derivative financial commodities.

(3) For the Most Recent Year up to the Publication Date of this Annual Report, future research & development project and budget:

In recent years, the Company is moving toward developing highly integrated, high value-added products. The relevant R&D projects and their progresses proceed as planned. In the future, the Company shall continue to invest in R&D for new products, developing niche market products, retaining talents, capital and technology and striving for the leading position in R&D capability. The Company estimates the R&D expenditure in 2020 will be amounted to NTS$1,545,000 thousand.

(4) For the Most Recent Year up to the Publication Date of this Annual Report, effects of and response to changes in local and foreign policies and regulations relating to corporate finance and business:

The Company conforms to the corporate governance regulations, Company Act and Securities and Exchange Act and amended by the competent authorities. Further, the Management of the Company closely monitor the changes of both domestic and foreign important policies and regulations, hiring legal consultants for advisory services, and undertaking countermeasures in a timely manner.

(5) For the Most Recent Year up to the Publication Date of this Annual Report, effects of and response to changes in technology and industry relating to corporate finance and business:

The Company has established an R&D center to conduct the necessary research to respond future needs of the relevant products and study ahead of time, such as material research, simulation of design structures and etc. Besides, the Company organizes a professional patent team to manage the valuable IP of the Company. Meanwhile, the knowledge process team is solely responsible for institutionalizing processes and knowledge management. As such, the Company is able to respond quickly and properly on changes in technology and industry.

(6) For the Most Recent Year up to the Publication Date of this Annual Report, the impact of changes in corporate image on corporate risk management, and the Company's response measures:

The Company adopts the principle of stability and prudence as its business philosophy. With a good corporate reputation, the Company has been publicly listed since March 2009 and continues to attract outstanding talents into its organization, strengthening the capability of the management team, giving the business results back to the Shareholders and fulfilling the corporate social responsibility. Currently, there is no incident to cause a corporate crisis because of the change of corporate image.

(7) For the Most Recent Year up to the Publication Date of this Annual Report, expected benefits from, risks relating to, and response to merger and acquisition plans: None.

(8) For the Most Recent Year up to the Publication Date of this Annual Report, expected benefits from, risks relating to, and response to factory expansion plans:

Considering the impact of the soaring production costs in China and the US-China trade war, the Company has decided to build up a new factory in Vietnam and transfer partial orders accordingly. In June of the same year, the factory has commenced mass production and reduced the impact of the trade war on the Company. In addition to diversification of foreign production bases, production capabilities are also enhanced to process more orders, which is helpful in the growth of revenue and profit, and expansion of market share. The operational and financial feasibility of expansion and construction of factory are all assessed by the technical teams before execution, so as to mitigate the potential risks and prepare for the relevant countermeasures.

(9) For the Most Recent Year up to the Publication Date of this Annual Report, risks relating to and response to excessive concentration of purchasing sources and excessive customer concentration:

1. Purchase: In addition to purchase finished products from affiliated companies (the factories in Mainland China and Vietnam), purchase orders of other major raw materials (such as chipset) are placed with several international brand name companies. The Company has also built up good relationships with other suppliers and thus has no risk from lack of diversification.
2. Sales: The main sales products of the Company are broadband wireless networking products. For the most recent year, the top 10 major customers are all well-known telecommunication operators or information technology brand name companies. As such, there is no risk from lack of diversification.

(10) For the Most Recent Year up to the Publication Date of this Annual Report, effects of, risks relating to, and response to large share transfers or changes in shareholdings by Directors, Supervisors, or Shareholders with shareholdings of over 10%: None.

(11) For the Most Recent Year up to the Publication Date of this Annual Report, effects of, risks relating to, and response to the changes in management: None.

(12) For the Most Recent Year up to the Publication Date of this Annual Report, for litigation or non-litigation cases involving the Company, Directors, Supervisors, President, actual persons in-charge, major Shareholders with a stake over 10% or affiliates that have been concluded or are still pending, and have material impact on the Shareholders' interest or security price, disclosure should be made regarding the content of the disputes, the sum of penalty or claim, the commencement date of the suits, the parties involved and the status as of the publication date of the annual report:

TAE Cable Product Defect litigation case, the defendant is Tung-Li Electronics Enterprise Co., Ltd (hereafter refer to "Tung-Li") who provided a component necessary for the assembly of networking products — TAE Cable (cables). In 2011, Arcadyan Technology Corporation (hereafter refer to "Arcadyan") filed a lawsuit against Tung-Li in Banciao District Court. Banciao District Court and Taiwan High Court both ruled in for Arcadyan's favor and the total compensation payable by Tung-Li amounted to: Euro1,842,007.67, US$110,009.57 and NT$385,288. High Court affirmed the judgement of the lower court. Tung-Li appealed the case to Supreme Court. On January 31, 2020, the Supreme Court remanded the case to the High Court. The case is still pending.

As mentioned, even though the case is still pending, the High Court has ruled in favor of Arcadyan twice. Currently, the suit is still ongoing, since the Supreme Court remanded the case to the High Court, the payment date of reimbursement will be inevitably postponed. Based on the Arcadyan's scale of capital and revenue, the final decision of this litigation, there should be no significant impact on the Arcadyan's business or finance.

Further, the Corporate Director of the Company, Compal Electronics Inc. (Compal Electronics hereafter) is involved in the following lawsuits:

1. 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 was settled on April 16, 2019. The Group had compromised and both parties had agreed to drop the lawsuits.

2. In August 2019, Inventec Corporation filed a lawsuit to the Taiwan Taipei District Prosecutors Office against the Group concerning its former employees who joined the Group. This is deemed as an act of violation according to the Trade Secret Law and Copyright Law. The Group engaged lawyers to defend its right on this matter. Currently, the case is still in progress; therefore, the Group cannot make any reasonable estimation regarding the possible impact on its business operation.

(13) Other major risks and countermeasures:

1. Risk management of information security.

(1) Information security:

Due to the growing importance of information security for the industries nowadays, in 2020, the Top Management instructed the Company to conform to the international standards, strengthen the relevant operations to meet the requirements of the regulations, contracts, customers and suppliers, and obtain international information security certification, so as to ensure the effectiveness of the relevant operations.

(2) Risk management structure of information security

Under the instruction of the Top Management to adopt the international standards of ISO27001 and ISO27005 so as to maintain the information security, the Company established the business management committee, management representatives of information security, ISMS documentation editing team, risk management and assessment team, and internal audit team to manage the relevant information security risks. The business management committee also stipulates that for twice a year, the aforementioned teams must report on the relevant policies, measures and risks, so as to implement risk management.

(3) Policy of information security:

The Company adopts a principle that is simple, easy to remember and meeting the objective of information security management, establishing a statement of information security policy proclaiming, “Information security is the duty of everybody.” The Company also uses the "Plan—Execute—Supervise and Review—Maintain and Improve" model to develop, maintain and improve continuously on the documentation of the information security management system.

(4) Managing measures:

The Company implements the policies, managing procedures, guidelines and regulations stipulated by various unit, conducts internal and external audits on a regular basis and successfully obtains the ISO27001 and ISO27005 certifications. For the relevant risks of information assets, the Company conforms to the regulations of the international standards, implements the risk evaluation of the information assets, and according to the characteristics of each risk, implements the appropriate control measures to lower or transfer the risk, as to achieve the goal of risk management. Besides, the Company has insured for information security on March 2020.

2. Countermeasures for risk on environment, society and corporate governance topics:

Major Topics		Illustration of risks	Risk management policies and strategies
Corporate governance	Business performance	Operating revenue, costs and other material financial information	1. Expanding the market scale, reducing the fluctuation of operating revenue result from the lack of customer diversification. 2. Improving cost management and increase gross profit of products. 3. Monitoring foreign currency position to reduce the impact of exchange gain or loss to corporate performance.
	Integrity Management	The integrity management and anti-corruption policies, and supervising mechanism.	1. Establishing and conforming to "Ethical Corporate Management Best Practice Principles" and "Business Integrity Procedures and Behaviors". 2. The Internal Audit Divison shall oversee and implement, then report to the Board of Directors on a regular basis. 3. Setting up a specific email address to receive malpractice reports from inside or outside of the Company. The appropriate department and personnel shall be assigned to handle the reports depending on the nature of the underlying issue and persons involved.
	Technology and R&D	Submitting innovative methods of conducting R&D and management in terms of technology,	1. The Company follows closely the development of 3GPP of 5G/4G standard, timely interprets the latest version of technology and market demand for products, and emphasizes the application of crucial technologies on all product lines to ensure the

Major Topics		Illustration of risks	Risk management policies and strategies
		manufacturing process and products.	technological advantages over other counterparts in the industry. 2. The Company adopts R&D incentive mechanism, giving high rewards to induce a new internal atmosphere of innovation on technology, manufacturing process and various aspects of products, so as to create a positive R&D cycle.
	Customer service	Product safety, customer satisfaction survey and customer management	1. Introducing ISO 9001 and TL 9000, quality management system on telecommunication electronics. 2. Joining forum of quality, strengthening product quality and customer relationship by continuous improvement on quality.
	Supply chain management	Supervision and management of supply chain to reduce the potential risks of social and environmental assessment issue of the suppliers.	1. Suppliers must provide CSR commitment letter, promising to conduct business in accordance with domestic and foreign regulatory law, and complying with CSR principles. 2. The suppliers provide confirmation according to part numbers, conforming to the environmental protection regulations of EU and international standards.
Environment	Green products	Product development and product safety management to reduce the impact on the environment	1. The Company closely monitors the changes of international regulations, continuously promoting and implementing the ecosystem and green designs in products, so as to adopt innovative technology to reduce the impact on the environment and enhance product safety. 2. From raw material procurement, suppliers must meet the component and hazardous chemical management standards. The Company has established component acceptance standard in pursuant to REACH, RoHS, HSF and other international regulations. 3. The Company ensures all the mass production products to obtain safety certification.
Society	Labor relations	Compensation, welfare and incentive systems, employment method, communication with Employees, organizational commitment and solidarity.	1. Conforming to Labor Standards Act and other relevant regulations to ensure the legal rights of Employees. 2. Establishing Staff Benefit Committee and organizing activities such as forming various societies, touring, holding birthday celebration to increase interaction. 3. Holding meetings with labors on a regular basis to express opinion and provide a communication channel, so as to maintain a good labor relations.
	Staff Training	The planning, management and	1. Via internal training programs, passing knowledge and promoting sharing of technical know-how, to increase the capability of Employees.

Major Topics		Illustration of risks	Risk management policies and strategies
		evaluation for staff training	2. Designating Employees to participate in seminars to cultivate crucial R&D talents for catering to the development of new technology.
	Occupational safety and health	Maintainance of healthy work place, occupational injury ratio, occupation disease, turn over and attendance rate	Adopting OHSAS 18001 and TOSHMS management system. Every year, the Company shall set an plan for achieving objective, effectively reduce occupational hazard and risks and comply to the requirements of the relevant regulations.
	Human rights	The Company guarantees the human rights of the Employees, ensures the right to assemble and collective bargaining, anti-discrimination and disallows child labor.	The Company has established the principle of CSR to ensure the requirements of CSR management standard are met, including the prohibition of child labor, forcing labor and any type of discrimination, as well as ensuring the right to assemble.

7. Other Material Matters: None.

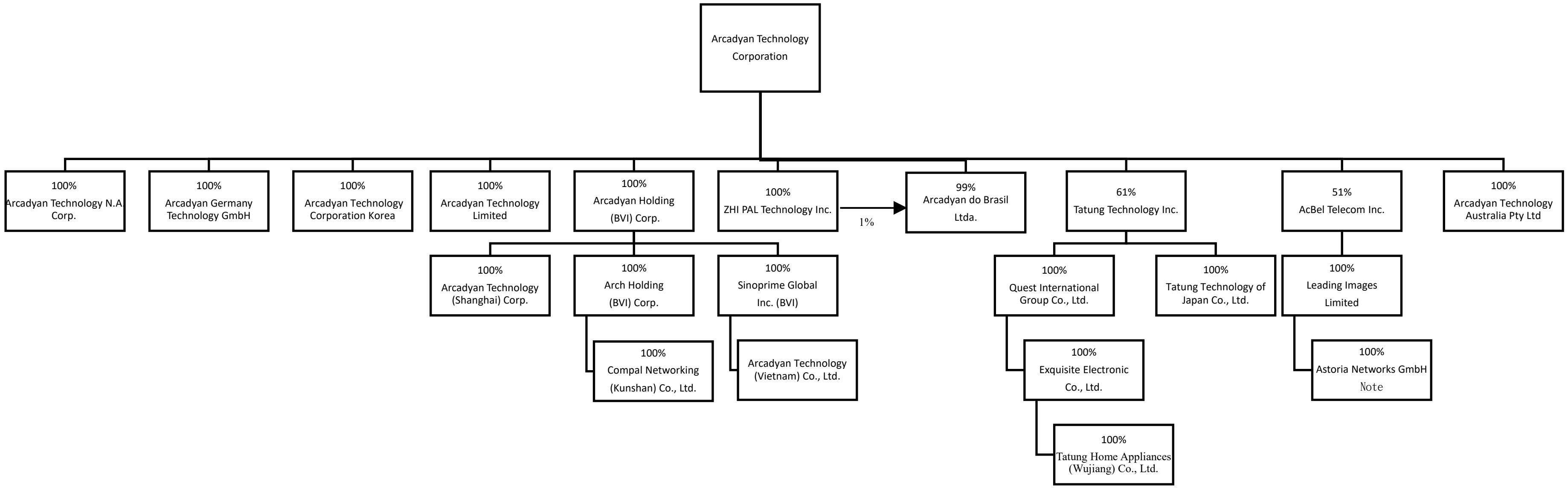
VIII. Special Disclosure

1. Summary of Affiliated Companies

(1) Consolidated business reports with affiliated enterprises

1. Affiliated enterprises chart

December 31, 2019



Note: Filed for liquidation and dissolution on December 10, 2018.

2. Basic Information of Affiliated Companies

December 31, 2019
Unit: NT$ thousand

Company Name	Date of Establishment	Address	Paid-up capital	Main business activities or products
Arcadyan Technology N.A. Corp.	July 30, 2003	5450 Thornwood Dr, Unit J Floor 2 San Jose CA 95123-1222, USA	USD 669	Sales of wireless networking products
Arcadyan Germany Technology GmbH	April 11, 2007	Koelner Strasse 10b D-65760 Eschborn, Germany	EUR 25	Technical support for wireless networking products
Arcadyan Technology Corporation Korea	October 16, 2014	103-1109RM SK Ventium 166, Gosan-ro, Gunpo-si, Gyeonggi-do, Republic of Korea 15850	KRW 100,000	Import and export trading
Arcadyan do Brasil Ltda.	April 24, 2015	Avenida Dr. Delfim Moreira, 356-SL 202, Centro, Minas Gerais, Santa Rita, Brazil. CEP 37540-000	BRL 9,682	Sales of wireless networking products
Arcadyan Technology Limited	August 16, 2016	183 Fraser Road, Sheffield, S80JP, United Kingdom	GBP 50	Technical support of wireless networking products
Arcadyan Technology Australia Pty Ltd	March 28, 2017	37 Midlothian Street Malvern East VIC 3145	AUD 50	Sales of wireless networking products
Arcadyan Holding (BVI) Corp.	March 7, 2007	Portcullis TrustNet Chambers, P.O. Box 3444, Road Town, Tortola, British Virgin Islands	USD 59,780	General investments
Sinoprime Global Inc.(BVI)	December 29, 2004	Palm Grove House, P.O. Box 438, Road Town, Tortola, British Virgin Islands	USD 9,050	General investments
Arcadyan Technology (Vietnam) Co., Ltd.	March 26, 2019	Ba Thien Industrial Park, Ba Hien commune, Binh Xuyen district, Vinh Phuc Province	USD 9,000	Production and sales of wireless networking products
Arcadyan Technology (Shanghai) Corp.	April 17, 2002	4F, Block 3, No. 80 Huashen Road, Free Economic Pilot Zone, Shanghai, China	USD 13,100	Research and sales of wireless networking products
Arch Holding (BVI) Corp.	May 24, 2007	Palm Grove House, P.O. Box 438, Road Town, Tortola, British Virgin Islands	USD 10,550	General investments
Compal Networking (Kunshan) Co., Ltd.	June 26, 2006	No. 520 Nanbang Road, Economic & Technological Development Zone, Kunshan, Jiangsu, China, China	USD 12,450	Production and sales of wireless networking products
ZHI PAL Technology Inc.	August 10, 2009	5F, No. 58, Lane 188, Ruiguang Road, Neihu District, Taipei City	TWD 349,800	General investments
Tatung Technology Inc.	January 21, 2008	10F, No. 288, Section 6, Civic Boulevard, Xinyi District, Taipei City	TWD 410,000	Development and sale of digital home electronics
Tatung Technology of Japan Co., Ltd.	November 22, 2017	1 Chome-2-18, Mita, Minato-ku, Tokyo-to, Japan	JPY 15,000	Sales of digital home electronics
Quest International Group Co., Ltd.	December 11, 2012	Level 2, Lotemau Centre, Vaea Street, Apia, Samoa	USD 1,200	General investments

Company Name	Date of Establishment	Address	Paid-up capital	Main business activities or products
Exquisite Electronic Co., Ltd.	February 3, 2012	Level 2, Lotemau Centre, Vaea Street, Apia, Samoa	USD 1,170	General investments
Tatung Home Appliances (Wujiang) Co., Ltd.	February 13, 2001	No. 508 Youming Road, Songling Town, Wujiang District, Suzhou, Jiangsu, China	USD3,350	Production and sales of digital home electronics
AcBel Telecom Inc.	November 29, 2004	5F, No. 58, Lane 188, Ruiguang Road, Neihu District, Taipei City	TWD87,990	Manufacturing and duplicating of data storage media, manufacturing of electronic components, manufacturing of cable and wireless communication equipment
Leading Images Limited	January 2, 2008	Palm Grove House, P.O. Box 438, Road Town, Tortola, British Virgin Islands	USD 50	General investments
Astoria Networks GmbH(Note)	September 22, 2008	Koelner Strasse 10b D-65760 Eschborn, Germany	EUR 25	Sales of wireless networking products

Note: Filed for liquidation and dissolution on December 20, 2018.

3. Business activities and relationships of affiliated enterprises

December 31, 2019

Industry	Name of Affiliated Enterprises	Business Relations with Other Affiliated Enterprises
Holding Company	Arcadyan Holding (BVI) Corp.	invests in Sinoprime Global Inc.(BVI),Arch Holding (BVI) Corp., Arcadyan Technology (Shanghai) Corp.
	Arch Holding (BVI) Corp.	Invested in Compal Networking (Kunshan) Co., Ltd.
	ZHI PAL Technology Inc.	Invested in Arcadyan do Brasil Ltda.
	Quest International Group Co., Ltd.	Invested in Exquisite Electronic Co., Ltd.
	Exquisite Electronic Co., Ltd.	Invested in Tatung Home Appliances (Wujiang) Co., Ltd.
	AcBel Telecom Inc.	Invested in Leading Images Limited
	Leading Images Limited	Invested in Astoria Networks GmbH
	Sinoprime Global Inc.(BVI)	Invested in Arcadyan Technology (Vietnam) Co., Ltd.
Wholesaling of Electronics	Arcadyan Technology N.A. Corp.	Sales of Wireless Networking Products
	Arcadyan Technology Corporation Korea	Sales of Wireless Networking Products
	Arcadyan do Brasil Ltda.	Sales of Wireless Networking Products
	Arcadyan Technology Australia Pty Ltd	Sales of Wireless Networking Products

Industry	Name of Affiliated Enterprises	Business Relations with Other Affiliated Enterprises
	Tatung Technology Inc.	Research and Sales of digital home electronics
	Tatung Technology of Japan Co., Ltd.	Sales of digital home electronics
	Astoria Networks GmbH	Sales of Wireless Networking Products
	Arcadyan Germany Technology GmbH	Technical support for wireless networking products
Manufacturing of electronics	Compal Networking (Kunshan) Co., Ltd.	Production and sales of wireless networking products
	Arcadyan Technology (Vietnam) Co., Ltd.	Production and sales of wireless networking products
	Tatung Home Appliances (Wujiang) Co., Ltd.	Production and Sales of Digital Home-Based Electronics
Technical Service	Arcadyan Technology (Shanghai) Corp.	Research and sales of wireless networking products
	Arcadyan Technology Limited	Technical support of wireless networking products

4. Directors, Supervisors and President of Affiliated Companies

December 31, 2019Unit; share; %

Company Name	Position	Name or Representative	Shares Held	
			Number of Shares	Percentage of Shareholding
Arcadyan Technology N.A. Corp.	Director	Arcadyan Technology Corporation. (Representative: Chen Jui-Tsung)	1,000	100%
	Director	Arcadyan Technology Corporation. (Representative: Tseng Chao-Peng)	1,000	100%
	President	Tseng Chao-Peng	0	0%
Arcadyan Germany Technology GmbH	Manager	Arcadyan Technology Corporation. (Representative: Tseng Chao-Peng)	500	100%
Arcadyan Technology Corporation Korea	Director	Arcadyan Technology Corporation. (Representative: Tseng Chao-Peng)	20,000	100%
Arcadyan do Brasil Ltda.	Manager	Hsiun Nien-Che g	964,510	99%
Arcadyan Technology Limited	Director	Arcadyan Technology Corporation. (Representative: Tseng Chao-Peng)	50,000	100%
	Director	Arcadyan Technology Corporation. (Representative: Lin Keng-Tien)	50,000	100%
Arcadyan Technology Australia Pty Ltd	Director	Arcadyan Technology Corporation. (Representative: Tseng Chao-Peng)	50,000	100%
	Director	Arcadyan Technology Corporation. (Representative: Lu Fong-Yu)	50,000	100%
	Director	Arcadyan Technology Corporation. (Representative: Linda, Chu)	50,000	100%

Company Name	Position	Name or Representative	Shares Held	
			Number of Shares	Percentage of Shareholding
Arcadyan Holding (BVI) Corp.	Director	Arcadyan Technology Corporation. (Representative: Chen Jui-Tsung)	59,780,148	100%
	Director	Arcadyan Technology Corporation. (Representative: Tseng Chao-Peng)	59,780,148	100%
Sinoprime Global Inc.(BVI)	Director	Arcadyan Holding (BVI) Corp. (Representative: Chen Jui-Tsung)	9,050,000	100%
	Director	Arcadyan Holding (BVI) Corp. (Representative: Tseng Chao-Peng)	9,050,000	100%
Arcadyan Technology (Vietnam) Co., Ltd.	Chairman & President	Tseng Chao-Peng	0	100%
Arch Holding (BVI) Corp.	Director	Arcadyan Holding (BVI) Corp. (Representative: Chen Jui-Tsung)	34,900	100%
	Director	Arcadyan Holding (BVI) Corp. (Representative: Tseng Chao-Peng)	34,900	100%
Arcadyan Technology (Shanghai) Corp.	Chairman	Arcadyan Holding (BVI) Corp. (Representative: Tseng Chao-Peng)	0	100%
	Director	Arcadyan Holding (BVI) Corp. (Representative: Lu Ching-Hsiung)	0	100%
	Director	Arcadyan Holding (BVI) Corp. (Representative: Lu Fong-Yu)	0	100%
	Director	Arcadyan Holding (BVI) Corp. (Representative: Liu Chung-Pao)	0	100%
	Director	Arcadyan Holding (BVI) Corp. Representative: Chen Chien-Ling)	0	100%
	Supervisor	Arcadyan Holding (BVI) Corp. (Representative: Huang Shih-Wei)	0	100%
	President	Liu Chung -Pao	0	0%
Compal Networking (Kunshan) Co., Ltd.	Chairman	Arch Holding (BVI) Corp. (Representative: Lu Fong-Yu)	0	100%
	Director	Arch Holding (BVI) Corp. (Representative: Chen Jui-Tsung)	0	100%
	Director	Arch Holding (BVI) Corp. (Representative: Tseng Chao-Peng)	0	100%
	Supervisor	Arch Holding (BVI) Corp. (Representative: Lu Ching-Hsiung)	0	100%
	President	Liu Chung -Pao	0	0%
ZHI PAL Technology Inc.	Chairman	Arcadyan Technology Corporation. (Representative: Tseng Chao-Peng)	34,980,000	100%
	Director	Arcadyan Technology Corporation. (Representative: Wang Cheng-Chiang)	34,980,000	100%
	Director	Arcadyan Technology Corporation. (Representative: Lu Ching-Hsiung)	34,980,000	100%
	Director	Arcadyan Technology Corporation. (Representative: Lu Fong-Yu)	34,980,000	100%
	Supervisor	Arcadyan Technology Corporation. (Representative: Huang Shih-Wei)	34,980,000	100%
	President	Tseng Chao-Peng	0	0%

Company Name	Position	Name or Representative	Shares Held: Number of Shares	Shares Held: Percentage of Shareholding
Tatung Technology Inc.	Chairman	Arcadyan Technology Corporation. (Representative: Tseng Chao-Peng)	25,027,910	61%
	Director	Arcadyan Technology Corporation. (Representative: Lu Fong-Yu)	25,027,910	61%
	Director	Arcadyan Technology Corporation. Representative: Chen Chien-Ling)	25,027,910	61%
	Director	Arcadyan Technology Corporation. (Representative: Hsiung Nien-Che)	25,027,910	61%
	Director	Arcadyan Technology Corporation. (Representative: Dang Li-Wei)	25,027,910	61%
	Director	Shang Chi Investment Co., Ltd. (Representative: Lin Chia-Tien)	1,027,056	3%
	Director	Chunghwa Investment Holding Company (Representative: Chien Chih-Cheng)	4,570,830	11%
	Supervisor	Huang Shih-Wei	0	0%
	Supervisor	Chi Sheng Investment Co., Ltd. (Representative: Lin Chang-Chuan)	2,727,272	7%
	Supervisor	Liang I-Yu	0	0%
	President	Dang Li-Wei	1,062,935	3%
Tatung Technology of Japan Co., Ltd.	Chairman	Tatung Technology Inc. (Representative: Dang Li-Wei)	300	100%
	Director	Tatung Technology Inc. (Representative: Tseng Chao-Peng)	300	100%
Quest International Group Co., Ltd.	Director	Tatung Technology Inc. (Representative: Tseng Chao-Peng)	1,200,000	100%
	Director	Tatung Technology Inc. (Representative: Dang Li-Wei)	1,200,000	100%
Exquisite Electronic Co., Ltd.	Director	Quest International Group Co., Ltd. (Representative: Tseng Chao-Peng)	1,170,000	100%
	Director	Quest International Group Co., Ltd. (Representative: Dang Li-Wei)	1,170,000	100%
Tatung Home Appliances (Wujiang) Co., Ltd.	Chairman	Exquisite Electronic Co., Ltd. (Representative: Lu Fong-Yu)	0	100%
	Director	Exquisite Electronic Co., Ltd. (Representative: Tseng Chao-Peng)	0	100%
	Director	Exquisite Electronic Co., Ltd. (Representative: Dang Li-Wei)	0	100%
	Supervisor	Exquisite Electronic Co., Ltd. (Representative: Huang Shih-Wei)	0	100%
	President	Dang Li-Wei	0	0%
AcBel Telecom Inc.	Chairman	Arcadyan Technology Corporation. (Representative: Tseng Chao-Peng)	4,494,111	51%
	Director	Arcadyan Technology Corporation. (Representative: Lu Fong-Yu)	4,494,111	51%
	Director	AcBel Polytech Inc. (Representative: Kao Ching-Shang)	4,292,216	49%
	Supervisor	Huang Shih-Wei	0	0%
	President	Lu Fong-Yu	0	0%

Company Name	Position	Name or Representative	Shares Held	
			Number of Shares	Percentage of Shareholding
Leading Images Limited	Director	AcBel Telecom Inc. (Representative: Tseng Chao-Peng)	50,000	100%
	Director	AcBel Telecom Inc. (Representative: Lu Ching-Hsiung)	50,000	100%
	Director	AcBel Telecom Inc. (Representative: Liu Chung-Pao)	50,000	100%
Astoria Networks GmbH(Note)	Manager	Leading Images Limited (Representative: Chuang Tsai-Yen)	25,000	100%
	Manager	Leading Images Limited (Representative: Wang Yu-Yu)	25,000	100%

Note: Filed for liquidation and dissolution on December 20, 2018.

5. Operational Highlights of Affiliated Companies for 2019

Unit: NT$ thousand

Company Name	Capital	Total assets	Total liabilities	Net worth	Operating revenue	Operating income	Net loss/profit for the period (after tax)	EPS (in NTD) (After tax)
Arcadyan Technology N.A. Corp.	23,055	2,880,629	2,797,098	83,531	1,738,881	23,792	14,289	14,289.50
Arcadyan Germany Technology GmbH	1,125	526,609	458,291	68,318	1,552,393	9,246	7,022	14,044.71
Arcadyan Technology Corporation Korea	2,879	172,915	165,868	7,047	940,047	(207)	(310)	(15.51)
Arcadyan do Brasil Ltda.	81,593	38,829	46,596	(7,767)	0	(20,747)	(22,421)	(23.16)
Arcadyan Technology Limited	1,988	3,313	143	3,170	11,810	562	452	9.03
Arcadyan Technology Australia Pty Ltd	1,161	702,311	667,822	34,489	2,452,109	42,477	29,187	583.74
Arcadyan Holding (BVI) Corp.	1,875,212	2,003,997	0	2,003,997	0	(929)	(24,302)	(0.41)
Sinoprime Global Inc.(BVI)	271,681	243,562	54,720	188,856	0	(3)	(86,152)	(9.52)
Arcadyan Technology (Vietnam) Co., Ltd.	270,180	2,841,343	2,656,913	184,443	2,881,729	(76,231)	(88,285)	-
Arch Holding (BVI) Corp.	316,711	871,110	0	871,120	0	0	57,002	1,633.31
Arcadyan Technology (Shanghai) Corp.	393,262	138,266	10,778	127,495	52,059	4,781	5,750	-
Compal Networking (Kunshan) Co., Ltd.	373,749	7,752,279	6,881,174	871,090	19,656,528	1,287	57,002	-

Company Name	Capital	Total assets	Total liabilities	Net worth	Operating revenue	Operating income	Net loss/profit for the period (after tax)	EPS (in NTD) (After tax)
ZHI PAL Technology Inc.	349,800	416,491	70	416,421	0	(71)	2,169	0.06
Tatung Technology Inc.	410,000	3,471,403	2,442,091	1,029,312	6,769,437	166,209	105,625	2.58
Tatung Technology of Japan Co., Ltd.	1,341	2,022	14	2,015	0	(1,550)	(1,550)	(5,166.84)
Quest International Group Co., Ltd.	36,024	81,810	0	77,839	0	0	10,673	8.89
Exquisite Electronic Co., Ltd.	35,123	80,996	0	80,994	0	0	10,665	9.12
Tatung Home Appliances (Wujiang) Co., Ltd.	126,723	182,165	101,674	80,484	4,644,854	42,908	10,665	-
AcBel Polytech Inc.	87,990	75,920	5,123	70,797	0	(201)	4,784	0.54
Leading Images Limited	1,534	13,985	0	13,985	0	0	4,623	92.46
Astoria Networks GmbH(Note 2)	767	15,370	1,771	13,599	0	(270)	4,637	184.87

Note 1: Computed based on closing foreign currency rate.
Note 2: Filed for liquidation and dissolution on December 20, 2018.

(2) Consolidated financial statements of affiliated enterprises

Declaration

The entities that are required to be included in the combined financial statements of Arcadyan Technology Corporation as of and for the year ended December 31, 2019 (from January 1, 2019 to December 31, 2019) under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 endorsed by the Financial Supervisory Commission, "Consolidated and Separate Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Arcadyan Technology Corporation and its subsidiaries do not prepare a separate set of combined financial statements.

Company name: Arcadyan Technology Corporation

Person In-Charge: Chen Jui-Tsung

March 17, 2020

(3) Affiliation reports

1. Controlling Company

December 31, 2019

Name of Controlling Company	Reason(s) of Controlling Interest	Shares Held and Pledged by Controlling Company			Director(s), Supervisor(s) or Manager(s) appointed by Controlling Company	
		Shares Held	Percentage of Shareholding	Shares Pledged	Position	Name
Compal Electronics Inc. (Compal Electronics hereafter) (Note 1)	Parent company of the Company	41,304,504	19.81%	-	Director	Chen Jui-Tsung, Wong Chung-Pin, Peng Sheng-Hua, Liu Chng-Pao (Note 2)

Note 1: The total shareholding of the Company held by Compal Electronics and its subsidiaries amounted to 34.85%, and thus a de facto control.

Note 2: On April 12, 2019, Compal Electronics Inc. appointed new Director representative: Tseng Chao-Peng stepped down and Liu Tsung-Pao was appointed.

2. Transaction with Controlling Company

(1) Purchase or sale transactions with Controlling Company

The purchase transactions made by the Company with the Controlling Company amounted to NT$1,052 thousand, and the purchase prices are similar to those from thrid-party suppliers. As of December 31, 2019, the outstanding amount totaled NT$519 thousand, and was recognized as account payables.

(2) Property transactions with Controlling Company: None.

(3) Financing transactions with Controlling Company: None.

(4) Leasing transactions with Controlling Company: None.

(5) Other material transaction(s):

The Company engaged the Controlling Company for providing services and the related fees is amounted to NT$5,687 thousand. As of December 31, 2019, there was not outstanding amount.

3. Endorsement or guarantee provided by the Company to the Controlling Company: None.

2. Private Placement of Securities in the Most Recent Year up to the Publication Date of this Annual Report: None.

3. Status of the Company Shares Held or Disposed by Subsidiaries in the Most Recent Year up to the Publication Date of this Annual Report: None.

4. Other Necessary Supplementary Information: None.

5. Any Event that had Material impact on Shareholders Right or Stock Prices as Stated in Item 3 Paragraph 2 of Article 36 of Securities and Exchange Act in the Most Recent Year up to the Publication Date of this Annual Report: None.

Arcadyan Technology Corporation

Chairman: Chen Jui-Tsung

President: Tseng Chao-Peng