

# Compal Electronics, Inc.

## 2019 Annual Report

### Notice to readers

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



Taiwan Stock Exchange Market Observation Post System:

<http://newmops.twse.com.tw>

The Company's Annual Report is available at:

<http://www.compal.com>

Printed on May 13, 2020

## **I. Spokesperson**

Spokesperson: Ching-Hsiung Lu/Vice President

Deputy Spokesperson: Cheng-Chiang Wang /Vice President of Accounting Dept.

Tel: 886-2-8797-8588

E-mail: [Investor@compal.com](mailto:Investor@compal.com)

## **II. Headquarters, Branches and Plant**

Headquarters

Address: No.581& 581-1, Ruiguang Rd., Neihu District, Taipei, Taiwan

Tel: 886-2- 8797-8588

Manufacturing Site

Address: No. 8, South East Rd., Pingzhen City, Taoyuan City

Tel: 886-3-439-1707

## **III. Share Administration Agency**

Chinatrust Transfer Agent

Address: 5F, No. 83, Sec 1, Chung Ching Nan Road, Taipei, Taiwan

Tel: 886-2-6636-5566

Website: <https://www.ctbcbank.com>

## **IV. Auditors**

CPA Firm: KPMG Taiwan

Auditors: Chien, Szu Chuan and Au, Yiu Kwan

Address: 68F, No. 7, Sec. 5, Xinyi Road, Taipei, Taiwan

Tel.: 886-2-8101-6666

Website: <http://www.kpmg.com.tw>

## **V. Overseas Securities Exchange**

Luxembourg Stock Exchange: <http://www.bourse.lu>

London Stock Exchange <http://www.londonstockexchange.com>

## **VI. Corporate Website**

<http://www.compal.com>

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

# I. Letter to Shareholders

**Dear shareholders,**

2019 has been a year of many challenges. With the gloomy economy, global GDP experienced slow growth. Although the growth of Taiwan's GDP maintained stable, the US-China trade dispute has significantly disrupted the global supply chain system, posing a sense of uncertainty among industry. In the face of challenges in our industry, the business of Compal has remained steady and we have delivered a number of decent results, continuing to build a strong foundation for future development. We would like to present the following summary of our financial and operational results for last year and the business outlook for this year:

## **2019 Financial Performance**

Compal's 2019 consolidated revenue came to NT\$980,442 million, up NT\$12,736 million or 1% from the previous year. The total overall shipping volume of 5C related electronic products reached 92 million units, an increase of 9 million units with an annual growth of 11%. Thanks to the collaborative efforts from all Compal employees to continue to improve product service value and focus on profitability, the 2019 consolidated operating profit totaled NT\$10,586 million which translates to an increase of 14%. With non-operating income and income tax accounted for, the net profit attributed to the parent company came to NT\$6,956 million, with the EPS at NT\$1.60.

## **Core Business and Technology Development**

In terms of business development, Compal's Notebook PC business has continued to rank as the world's number 1 in the industry, accounting for 25% of global market share. Under the successful cultivation of technology as well as customers, diversified products including servers, wearables and auto electronic parts have more than doubled in 2019. With the stronger demand, Compal's AIOT business, in which we have been a leader in its long-term planning, has also shown the decent growth momentum. We believe that, with the integration of AI and 5G technologies in the future, our AIOT business will keep accelerating, gaining even more development opportunities. Furthermore, since 2015, we have continued to invest in and planned the layout of our new field "Smart Medical and Healthcare". Up to now, we have invested in more than ten medical technology new ventures and have accumulated a large amount of knowledge through various collaborations of external resources. The non-Notebook PC business has contributed 34% to the Company's revenue in 2019, up 2% compared to the previous year. We aim to achieve our goals at a steady but firm pace.

## **Production Diversification and Smart Manufacturing**

From the US-China trade disputes starting in 2018 to the recent novel coronavirus (COVID-19) outbreak in the beginning of this year, the demand for production diversification and smart manufacturing seems to have come to a new inflection point. Although the global supply chain may appear chaotic, it also poses as a beginning of a new era. To fulfill customers' demand, we have conducted strategic capacity relocation in 2019 for various customers simultaneously, including investing in Taiwan and reestablishing and expanding

production sites in Vietnam. We will also continue to invest in smart manufacturing and automation equipment. Meanwhile, we have pro-actively recruited talents and teams from the industry, combined with supply chain logistic planning, to cope with this new era.

### **Corporate Governance and Sustainability**

The business philosophy of “sustainability” allows Compal to be widely recognized by the world in terms of environment, society and corporate governance. In 2019, Compal was once again honored to receive "Taiwan Corporate Sustainability Awards" from Taiwan Institute for Sustainable Energy and has maintained its ranking in the top 6%-20% among Taiwanese listed companies during the latest "Corporate Governance Evaluation" on the Taiwan Stock Exchange (TWSE). We have also been selected as an index constituent of FTSE4Good Index for a number of years. In the “2019 Happy Enterprise Award” poll organized by a top job bank, Compal have gained the honor of being voted as one of the top 20 in Taiwan’s technology industry, indicating how much we value our talents and how essential they are to the growth of our sustainability and smart transformation.

### **2020 Business Outlook**

Looking ahead, changes in the global economy and industry still pose many uncertainties to lead year 2020 to be another challenging year. We believe volatilities may become a new normality for enterprises. With the decent results of last year, other than staying on top of the industry, we must accelerate the diversification on our product portfolio, production and supply chain. In the meantime, we believe that only by establishing a solid foundation of technology, operation and finance, can we face future uncertainties with flexibility. Therefore, in respect to technology, AI, 5G and Cloud will be the key focus, so that Compal is able to expand the business not only with the quantity increase but also with the quality enhancement, creating more value for customers. For operation, we will continue to enforce digitalization and automation, aiming to be a leading manufacturer in smart manufacturing. With regards to finance, based on our solid financial structure fundamental, we will keep the balance between the business growth as well as the long-term shareholders’ returns, so that our company can readily face and manage the risks brought by the industry fluctuations.

Once again, we sincerely appreciate shareholders’ long-term support and advice for Compal and wish you a peaceful and prosperous year ahead.

Sincerely,

Chairman: Sheng-Hsiung Hsu (Rock Hsu)

CEO: Chung-Pin Wong (Martin Wong)

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

## II. Company Profile

**2.1 Date of Incorporation:** June 1, 1984

**2.2 Company History**

■ **Company history in the past two years:**

### **2018**

- Won 11 awards at the 2018 “iF design” awards and ranked 18th in Global Innovation.
- Selected to take part in the CDP climate change program for four consecutive years (2014-2017) and received an overall CDP rating of B at the Management Level in 2017.
- Ranked within the top 6%~20% of TWSE-listed companies in the “4th Round of Corporate Governance Evaluations” by TWSE
- Chairman Rock Hsu received the Economic Profession Medal (First Rank).
- Ranked 6th in CommonWealth Magazine’s “Top-2000 Manufacturers.”
- Ranked 59th in CommonWealth Magazine’s “Cross-strait Top 1000 Survey.”
- Ranked 404th on the Fortune Global 500.
- Ranked 1500th on the Forbes Global 2000.
- Received Taiwan Corporate Sustainability Report Awards at the “2018 TCSA” – ICT Manufacturing – The Platinum Medal.
- The Company’s share capital reached NTD 44.1 billion in 2018.
- The Company earned NTD 967.7 billion in consolidated revenues in 2018.

### **2019**

- Won 13 awards at the 2019 “iF design” awards and ranked 17th in Global Innovation. Ranked World Design Index - TOP 3 Taiwan, Top 10 Asia, Top 10 Computer, and Top 25 Companies 2015~2019
- Selected to take part in the CDP climate change program for five consecutive years (2014-2018) and received an overall CDP rating of B- at the Management Level for 2018.
- Ranked within top the 6%~20% TWSE-listed companies of the “5th Round of Corporate Governance Evaluations” by TWSE.
- Ranked 6th in CommonWealth Magazine’s “Top-2000 Manufacturers.”
- Ranked 62nd in CommonWealth Magazine’s “Cross-strait Top 1000 Survey.”
- Won the Platinum Medal of 2019 Taiwan Corporate Sustainability Report Award of TCSA.
- Selected into the FTSE4GOOD Index for four consecutive years and in the FTSE4GOOD TIP Taiwan ESG Index for the second consecutive years .
- Ranked 390th on the Fortune Global 500.
- Ranked 1463th on Forbes Global 2000.
- Top 20 of 2019 Happiness Enterprise online voting by 1111 Human resource agency.

- The Company's share capital reached NTD 44.1 billion in 2019.
- The Company earned NTD 980.4 billion in consolidated revenues in 2019.

## **2020**

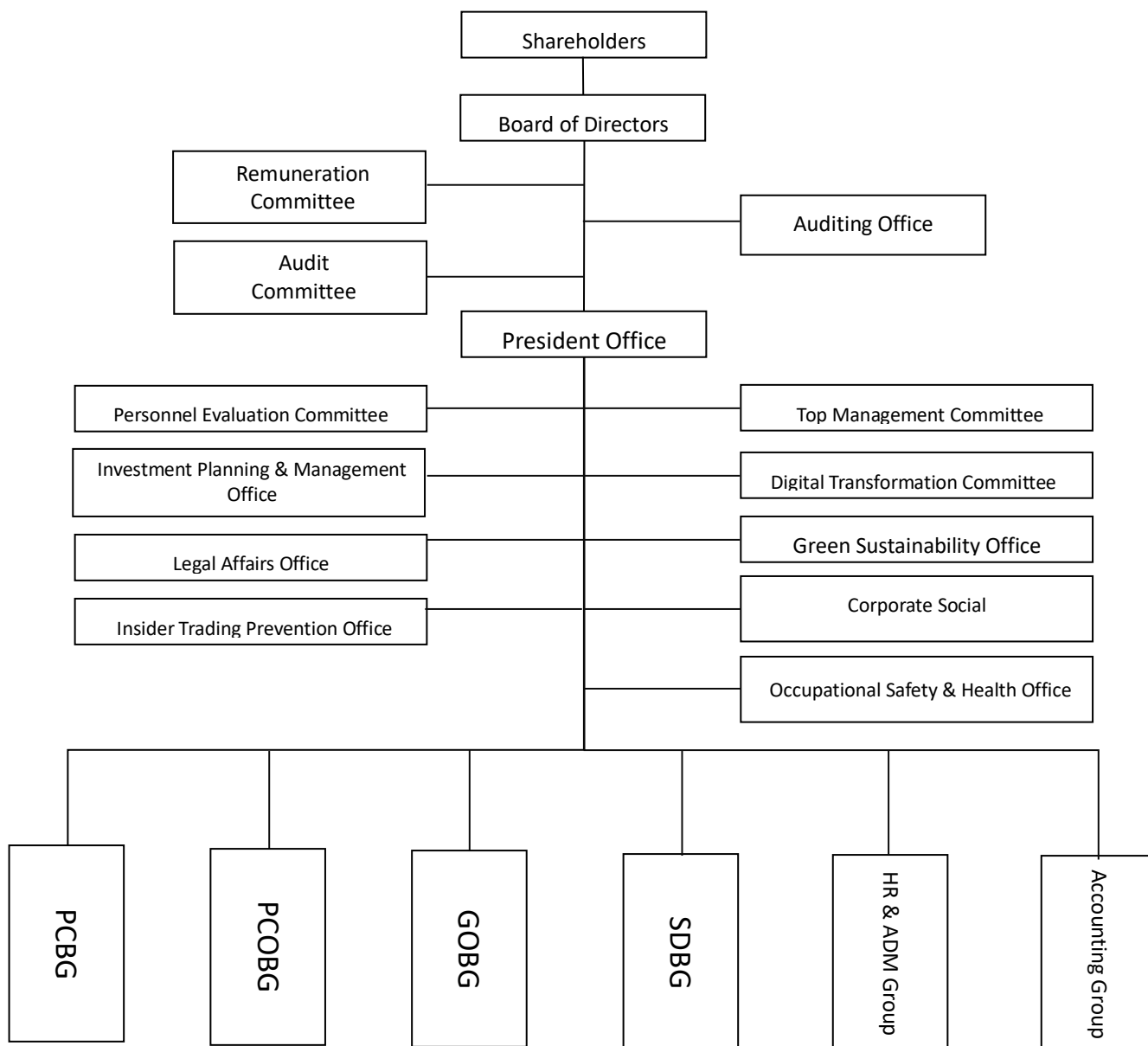
- Won 18 honors at the 2020 "iF design awards" and a third consecutive Gold Award. Ranked 11th in the iF Global Innovation Companies Ranking.
- Selected to take part in the CDP climate change program for 6 consecutive years (2014-2019) and received an overall CDP rating of B- at the Management Level for 2019.
- Ranked within top the 6%~20% TWSE-listed companies of the "6th Round of Corporate Governance Evaluations" by TWSE.

- **Any changes to the management rights, significant changes of the management mode or business content, and other important matters that can affect shareholders' equity and their impact on the Company in the most recent year and up to the date of printing of the annual report: None.**



### 3.1 Organization

#### 3.1.1 Organizational Chart (As of Jan 1, 2020)



### 3.1.2 Major Corporate Functions

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

### 3.2 Directors and Management Team

#### 3.2.1 Directors

April 21, 2020

Title	Name/ Nationality/Gender (Note 1, 2)	Elected Date	Term	First Elected Date	Shareholding as of elected date		Current shareholding		Shares held by spouse and underage children Current shareholding		Shares held by proxy		Major career (academic) achievements	Selected Current Positions held concurrent ly in the company and/or any other companies	Spouse or relatives of second degree or closer acting as Directors, Supervisors, or department heads		
					Shares	Shareholding Percentage (%)	Shares	Shareholding Percentage (%)	Shares	Shareholding Percentage (%)	Shares	Shareholding Percentage (%)			Title	Name	Relationship
Chairman	Sheng-Hsiung Hsu	2018.6.22	3 years	1984.04.16	8,975,401	0.20%	8,975,401	0.20%	17,107,025	0.39%	0	0.00%	Honorary Doctorate, National Taiwan Normal University Chairman of Kinpo and Compal Electronics, Inc.	(Note 4)	Director Director	Sheng- Chieh Hsu Shyh-Yong Shen	Brothers Father and son in law
Vice Chairman	Jui-Tsung Chen	2018.6.22	3 years	1992.04.30	35,352,587	0.80%	35,352,587	0.80%	1,069,405	0.02%	0	0.00%	Honorary Doctorate, National Cheng Kung University Chairman of Compal Communication Inc. & Arcadyan Technology Corp.	(Note 4)	N/A	N/A	N/A
Director	Binpal Investment Co., Ltd. Representative: Wen- Being Hsu	2018.6.22	3 years	2018.6.22	5,000,000	0.11%	5,000,000	0.11%	-	-	0	0.00%	National Tao-Yuan Sr. Vocational Agricultural & Industrial School Director of BAOTEK, Inc.	(Note 4)	N/A	N/A	N/A
				1984.04.16	4,000,000	0.09%	5,000,000	0.11%	0	0.00%	0	0.00%					
Director	Kinpo Electronics, Inc. Representative: Shyh- Yong Shen	2018.6.22	3 years	1990.06.22	151,628,692	3.43%	151,628,692	3.44%	-	-	0	0.00%	MBA, University of Southern California, USA, Ph.D, Law, Whittier Law School, USA Director and President of Kinpo Electronics Inc.	(Note 4)	Chairman	Sheng- Hsiung Hsu	Father and son in law
				2012.03.14	0	0.00%	0	0.00%	0	0.00%	0	0.00%					
Director	Chang-Chyi Ko	2018.6.22	3 years	1984.04.16	7,896,867	0.18%	7,896,867	0.18%	30,645	0.00%	0	0.00%	National Taiwan University College of Management PhD, Lincoln University, USA Chairman and President of Taiwan Biotech Co., Ltd.	(Note 4)	N/A	N/A	N/A
Director	Sheng-Chieh Hsu	2018.6.22	3 years	1997.05.29	9,119,297	0.21%	8,714,297	0.20%	8,152,928	0.18%	(Note 3)	(Note 3)	Department of Architecture, Tam-Kang University Managing Director of Kinpo Electronics Inc.	(Note 4)	Chairman	Sheng- Hsiung Hsu	Brothers

Director	Yen-Chia Chou	2018.6.22	3 years	1987.06.13	8,022,874	0.18%	8,022,874	0.18%	2,502,768	0.06%	0	0.00%	Department of Geosciences, National Taiwan University Supervisor of Kinpo Electronics Inc.	(Note 4)	N/A	N/A	N/A
Director	Chung-Pin Wong	2018.6.22	3 years	2007.06.15	6,618,618	0.15%	6,618,618	0.15%	1,398	0.00%	0	0.00%	Graduate Institute of Management Science, National Chiao Tung University Chairman of Compal Broadband Networks, Inc.	(Note 4)	N/A	N/A	N/A
Director	Chiung-Chi Hsu	2018.6.22	3 years	1994.04.23	2,000,731	0.05%	2,117,731	0.05%	30,000	0.00%	0	0.00%	Master's Degree, Golden Gate University, San Francisco, USA Director of I PAO Bearing Co., Ltd.	(Note 4)	N/A	N/A	N/A
Director	Ming-Chih Chang	2018.6.22	3 years	2018.6.22	1,919,489	0.04%	1,919,489	0.04%	0	0.00%	0	0.00%	Master's degree in San Francisco Golden Gate University. Director of Mactech Co., Ltd.	(Note 4)	N/A	N/A	N/A
Director	Anthony Peter Bonadero	2018.6.22	3 years	2018.6.22	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Texas A&M University EVP of Auscom Engineering Inc.	(Note 4)	N/A	N/A	N/A
Director	Sheng-Hua Peng	2018.6.22	3 years	2018.6.22	835,000	0.02%	835,000	0.02%	0	0.00%	0	0.00%	Graduate Institute of Electronics Engineering of National Taiwan University Director of Arcadyan Technology Corp.	(Note 4)	N/A	N/A	N/A
Independent Director	Min-Chih Hsuan	2018.6.22	3 years	2012.6.22	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Honorary Doctorate, National Chiao Tung University Chairman of United Microelectronics Corp. & Faraday Technology Corp.	(Note 4)	N/A	N/A	N/A
Independent Director	Duei Tsai	2018.6.22	3 years	2012.6.22	0	0.00%	0	0.00%	0	0.00%	0	0.00%	PhD, Graduate Institute of Electrical Engineering, National Taiwan University Minister of Transportation and Communications R.O.C.	(Note 4)	N/A	N/A	N/A
Independent Director	Duh-Kung Tsai	2018.6.22	3 years	2012.6.22	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Department of Industrial Engineering, National Taipei Institute of Technology Chairman of Powertech Technology Inc.	(Note 4)	N/A	N/A	N/A

- Note: 1. All directors are male; except for Anthony Peter Bonadero who is a U.S. citizen, the remaining are ROC nationals.  
2. The Chairman, Chief Strategy Officer and President of the Company are not the same person, spouses, or related to each other.  
3. Director Sheng-Chieh Hsu held 3,041,000 shares (0.08%) through proxies.

4. Selected Current Positions as below:

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

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

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

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



## Major shareholders of the Company's corporate shareholders

April 24, 2020

Name of corporate shareholder	Major shareholders of the corporate shareholder (Note)
Kinpo Electronics, Inc.	Compal Electronics, Inc. (8.46%), Cathay Life Insurance Co., Ltd. (5.36%), Jipo Investment Inc.(3.15%), Lai-Shun Shen, Tsai (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%), Li-Chu Tsai(1.48%)

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

## Major shareholders of the Company's major corporate shareholders

Name of corporate shareholder	Major shareholders of corporate shareholders
Cathay Life Insurance Co.,Ltd.	Cathay Financial Holding Co., Ltd. (100%)
Jipo Investment Inc.	Kinpo Electronics, Inc. (100%)
Nan Shan Life Insurance Co., Ltd.	First Commercial Bank Trustee Account For Representative of Ruen Chen Investment Holding Co., Ltd. (60.01%), Representative of Ruen Chen Investment Holding Co., Ltd. (29.54%), Ying-Tsong Du (2.90%), Ruen Tai Shing Co., Ltd. (0.30%), Ruen Hua Dyeing & Weaving Co., Ltd. (0.27%), Ruentex Development Co., Ltd. (0.23%), Ruentex Industries Ltd. (0.21%), Taishin International Bank Trust Account of Nan Shan Life Insurance Co., Ltd. (0.21%), Yen Sin Corporation (0.16%), Ruentex Leasing Co., Ltd. (0.13%,)
Panpal Technology Corporation	Compal Electronics, Inc. (100%)
Ho Bao Investment Co., Ltd.	Chieh-Li Hsu (42.93%), Li-Chu Tsai (27.83%), Chun-Chi Hsu (13.91%), Yung-Hsu Hsu (12.50%), Hsin-Hsu, Huang (2.83%)

## Professional qualifications and independence analysis of directors

Name	Having Met One of the Following Professional Qualifications combined with at Least Five Years Work Experience			Independence Criteria (Note)												Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Having Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	11	12	
Sheng-Hsiung Hsu		✓		✓		✓			✓		✓	✓		✓	✓	0
Jui-Tsung Chen		✓				✓			✓		✓	✓	✓	✓	✓	0
Representative of Binpal Investment Co., Ltd.: Wen-Being Hsu		✓		✓		✓		✓	✓	✓	✓	✓	✓	✓		0
Representative of Kinpo Electronics Inc.: Shyh-Yong Shen		✓		✓		✓			✓		✓	✓		✓		0
Charng-Chyi Ko	✓	✓		✓		✓	✓		✓		✓	✓	✓	✓	✓	0
Sheng-Chieh Hsu		✓		✓		✓			✓		✓	✓		✓	✓	0
Yen-Chia Chou		✓		✓		✓	✓		✓		✓	✓	✓	✓	✓	0
Chung-Pin Wong		✓				✓		✓	✓		✓	✓	✓	✓	✓	0
Chiung-Chi Hsu		✓		✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Ming-Chih Chang		✓				✓		✓	✓		✓	✓	✓	✓	✓	0
Anthony Peter Bonadero		✓				✓		✓	✓		✓	✓	✓	✓	✓	0
Sheng-Hua Peng		✓				✓		✓	✓		✓	✓	✓	✓	✓	0
Min Chih Hsuan		✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Duei Tsai		✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
Duh-Kung Tsai		✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1

Note: If the director or supervisor meets the following conditions in the two years before the election and during the term of office, please mark "✓" in the space below each condition code.

- (1) Not an employee of the Company or its affiliated enterprises.
- (2) Not a director or a supervisor of the Company or its affiliated enterprises (except for concurrent independent directors of the Company and its parent company, subsidiaries, or subsidiaries of the same parent company in accordance with this Act or local laws and regulations).

- (3) A natural person shareholder who or whose spouse or minor children or in another person's name does not hold more than 1% of the total issued shares of the Company or is not a top-ten shareholder.
- (4) Not a manager in (1) or the spouse, second-tier relatives, or third-tier relatives of the persons listed in (2) or (3).
- (5) A director, supervisor, or employee of a corporate shareholder who does not directly hold more than 5% of the total issued shares of the Company, is a top-five shareholder, or is designated as a representative to serve as a director or supervisor of the Company in accordance with paragraph 1 or 2 of Article 27 of the Company Act (except for concurrent independent directors of the Company and its parent company, subsidiaries, or subsidiaries of the same parent company in accordance with this Act or local laws and regulations).
- (6) A director, supervisor, or employee of another company who does not have a seat on the board of directors or more than half of the shares with voting rights are controlled by the same person of this company (except for concurrent independent directors of the Company and its parent company, subsidiaries, or subsidiaries of the same parent company in accordance with this Act or local laws and regulations).
- (7) A director, supervisor, or employee of another company or institution who is not the same person or spouse as the Chairman, President, or an equivalent position of the Company (except for concurrent independent directors of the Company and its parent company, subsidiaries, or subsidiaries of the same parent company in accordance with this Act or local laws and regulations).
- (8) A director, supervisor, or manager of another company or institution which does not have financial or business dealings with the Company, or a shareholder holding more than 5% of the shares of the Company (not applicable if the Company or institution holds more than 20% but no more than 50% of the total issued shares of the Company, with concurrent independent directors of the Company and its parent company, subsidiaries, or subsidiaries of the same parent company in accordance with this Act or local laws and regulations).
- (9) A professional, sole proprietor, partner, business owner or partner, director, supervisor, manager, or the spouse of the above of a company or institution which does not provide audit services to the Company or its affiliated enterprises or the cumulative remuneration amount of which in the past two years does not exceed NT\$500,000 for business, legal affairs, finance or accounting related services. However, this does not apply to the members of the remuneration committee, public takeover review committee, or special merger and acquisition committee who perform their functions in accordance with the Securities and Exchange Act or the Business Mergers and Acquisitions Act.
- (10) Not a spouse or have a second-tier relative relationship with other directors.
- (11) There are no such circumstances as in Article 30 of the Company Act.
- (12) Not the government, legal person, or their representatives are elected as stipulated in Article 27 of the Company Act.

### 3.2.2 Management Team

April 21, 2020

Title	Name/ Nationality/ Gender (Note 1, 2)	Date elected /appointed	Shares held		Shares held by spouse and minors Subsidiary shareholding		Total shares held in the names of others Shares held		Major career (academic) achievements	Selected Current Positions	Spouse or relatives of second degree or closer acting as managers		
			Shares	Shareholding Percentage (%)	Shares	Shareholding Percentage (%)	Shares	Shareholding Percentage (%)			Title	Name	Relationship
Chief Strategy Officer	Jui-Tsung Chen	2018.07.04	35,352,587	0.80%	1,069,405	0.02%	0	0.00%	Honorary Doctorate, National Cheng Kung University Chairman of Compal Communication Inc. & Arcadyan Technology Corp.	Refer to Page12-13	Vice President	Po-Tang Wang	Relative by affinity
President	Chung-Pin Wong	2018.07.04	6,618,618	0.15%	1,398	0.00%	0	0.00%	Graduate Institute of Management Science, National Chiao Tung University Chairman of Compal Broadband Networks, Inc.	Refer to Page 14	N/A	N/A	N/A
Executive Vice President	Ming-Chih Chang	2018.07.04	1,919,489	0.04%	0	0.00%	0	0.00%	Department of Electrical Engineering, Ming Chi University of Technology Director of Mactech Co., Ltd.	Refer to Page 14	N/A	N/A	N/A
Executive Vice President	Sheng-Hua Peng	2018.07.04	835,000	0.02%	0	0.00%	0	0.00%	Graduate Institute of Electrical Engineering, National Taiwan University Director of Arcadyan Technology Corp.	Refer to Page 15	N/A	N/A	N/A
Executive Vice President	Chen-Chang Hsu	2011.08.31	0	0.00%	0	0.00%	0	0.00%	National Chiao Tung University EMBA Executive Vice President of WINTEK Corporation	(Note 4)	N/A	N/A	N/A
Senior Vice President	Chun-Te Shen	2007.01.01	2,953,700	0.07%	900,000	0.02%	0	0.00%	Graduate Institute of Electrical Engineering, National Taiwan University Director of Kinpo Electronics Inc.	(Note 4)	N/A	N/A	N/A
Senior Vice President	Kuo-Chuan Chen	2007.01.01	829,823	0.02%	10,924	0.00%	0	0.00%	Department of Physics, Chung Yuan Christian University Senior Vice President of Compal Communication Inc.	N/A	N/A	N/A	N/A
Senior Vice President	Pei-Yuan Chen	2009.10.06	3,487,698	0.08%	1,045,585	0.02%	0	0.00%	Department of International Trade, Hsingwu College Director of Kinpo Electronics Inc.	(Note 4)	N/A	N/A	N/A
Senior Vice President	Chyou-Jui Wei	2010.03.18	0	0.00%	0	0.00%	0	0.00%	Master of Business Administration, University of Washington, USA Senior Vice President of Toppoly	(Note 4)	N/A	N/A	N/A

Title	Name/ Nationality/ Gender (Note 1, 2)	Date elected /appointed	Shares held		Shares held by spouse and minors Subsidiary shareholding		Total shares held in the names of others Shares held		Major career (academic) achievements	Selected Current Positions	Spouse or relatives of second degree or closer acting as managers		
			Shares	Shareholding Percentage (%)	Shares	Shareholding Percentage (%)	Shares	Shareholding Percentage (%)			Title	Name	Relationship
									Optoelectronics Corp.				
Senior Vice President	Ying Chang	2011.02.24	735,000	0.02%	0	0.00%	0	0.00%	MBA, University Of Georgia President of Swenc Technology Co., Ltd.	(Note 4)	N/A	N/A	N/A
Senior Vice President	Wen-Da Hsu	2014.02.27	1,333,000	0.03%	0	0.00%	0	0.00%	Department of Media Administration, Shih Hsin University Senior Vice President of Compal Communication Inc.	(Note 4)	N/A	N/A	N/A
Senior Vice President	Wei-Chang Chen	2004.04.01	810,656	0.02%	0	0.00%	0	0.00%	Department of Electronic Engineering, Taipei College of Maritime Technology Vice President of Cheong Tat Technology	(Note 4)	N/A	N/A	N/A
Senior Vice President	Shi-Kuan Chen	2009.05.01	0	0.00%	0	0.00%	0	0.00%	Master of Industrial Design, Cranbrook Academy of Art Director of Design and Customer Affairs, Philips (Hong Kong)	(Note 4)	N/A	N/A	N/A
Senior Vice President	Chi-Wai Wan	2017.05.10	0	0.00%	0	0.00%	0	0.00%	Department of Electrical Engineering, Fu Jen Catholic University Inventec Corp. Vice President	N/A	N/A	N/A	N/A
Senior Vice President	Min-Tung Weng	2018.12.01	623,786	0.01%	0	0.00%	0	0.00%	Master of Business Administration, University of Washington, USA Deputy Manager of Sales, Kapok Computer Company	(Note 4)	N/A	N/A	N/A
Senior Vice President	Lo-Chun Lee	2018.12.01	420,000	0.01%	0	0.00%	0	0.00%	Department of Electronic Engineering, Lee- Ming Institute of Technology Chairman's Special Assistant, Mag Technology Co., Ltd.	N/A	N/A	N/A	N/A
Senior Vice President	Sheng-Hung Li	2019.11.11	504,574	0.01%	0	0.00%	0	0.00%	Department of Electronics, National Taipei Institute of Technology	N/A	N/A	N/A	N/A
Senior Vice President	Bor-Heng Chen	2020.05.13	280,010	0.01%	0	0.00%	0	0.00%	COLUMBIA UNIVERSITY Master of Industrial Engineering and Operations Management	N/A	N/A	N/A	N/A

Title	Name/ Nationality/ Gender (Note 1, 2)	Date elected /appointed	Shares held		Shares held by spouse and minors Subsidiary shareholding		Total shares held in the names of others Shares held		Major career (academic) achievements	Selected Current Positions	Spouse or relatives of second degree or closer acting as managers		
			Shares	Shareholding Percentage (%)	Shares	Shareholding Percentage (%)	Shares	Shareholding Percentage (%)			Title	Name	Relationship
Vice President	Chih-Chuan Cheng	2003.01.01	2,103,786	0.05%	51,194	0.00%	0	0.00%	Department of Electronic Engineering, Lunghwa University of Science and Technology Deputy Manager of Research and Development, Top Information Technologies Co., Ltd.	N/A	N/A	N/A	N/A
Vice President	Ching-Hsiung Lu	2003.01.01	7,597,007	0.17%	910,000	0.02%	0	0.00%	Department of Accounting, Feng Chia University Director Compal Communication Inc.	(Note 4)	N/A	N/A	N/A
Vice President	Po-Tang Wang	2007.07.10	559,548	0.01%	486	0.00%	0	0.00%	Department of Computer Science and Information Engineering, National Taiwan University President of Vibo Telecom Inc.	N/A	Chief Strategy Officer	Jui-Tsung Chen	Relative by affinity
Vice President	Tzong-Ming Wang	2009.07.16	293,184	0.01%	0	0.00%	0	0.00%	National Taipei Institute of Technology Head of Research and Development, CLEVO Company	N/A	N/A	N/A	N/A
Vice President	Fu-Chuan Chang	2009.07.16	170,662	0.00%	0	0.00%	0	0.00%	National Chin-Yi University of Technology Production Manager, ADI Corp	(Note 4)	N/A	N/A	N/A
Vice President	Yung-Nan Chang	2011.01.01	0	0.00%	0	0.00%	0	0.00%	MBA, Pacific Western University Factory Manager, Delta Electronics Inc.	N/A	N/A	N/A	N/A
Vice President	Yong-Ho Su	2011.07.01	500,401	0.01%	73,000	0.00%	0	0.00%	Department of Electrical Engineering, National Taipei Institute of Technology Vice President of Arima Photovoltaic & Optical Corp.	N/A	N/A	N/A	N/A
Vice President	Jyh-Shyan Liang	2011.10.31	105,000	0.00%	0	0.00%	0	0.00%	University of Colorado Postgraduate Institute of Digital Communication/Vice President of Wireless Communication, Altek Corporation	N/A	N/A	N/A	N/A
Vice President	Chiao-Lie Huang	2014.02.27	38,992	0.00%	0	0.00%	0	0.00%	Graduate Institute of Electrical Engineering, National Taiwan University Vice President of Compal Communication Inc.	(Note 4)	N/A	N/A	N/A
Vice President	Chung-Hsing Tan	2014.02.27	0	0.00%	5,320	0.00%	0	0.00%	Department of Electrical Engineering, Tatung University	(Note 4)	N/A	N/A	N/A

Title	Name/ Nationality/ Gender (Note 1, 2)	Date elected /appointed	Shares held		Shares held by spouse and minors Subsidiary shareholding		Total shares held in the names of others Shares held		Major career (academic) achievements	Selected Current Positions	Spouse or relatives of second degree or closer acting as managers		
			Shares	Shareholding Percentage (%)	Shares	Shareholding Percentage (%)	Shares	Shareholding Percentage (%)			Title	Name	Relationship
									Vice President of Compal Communication Inc.				
Vice President	Yi-Yun Chang	2014.08.13	300,246	0.01%	0	0.00%	0	0.00%	Graduate Institute of Electrical Engineering, National Taiwan University Senior Manager of Compal Communication Inc.	N/A	N/A	N/A	N/A
Vice President	Hsin-Kung Mao	2014.11.13	420,714	0.01%	0	0.00%	0	0.00%	Master of Business Administration, University of Lincoln Director of Avalue Technology Inc.	(Note 4)	N/A	N/A	N/A
Vice President	Hsin-Hsiung Huang	2015.01.22	419,001	0.01%	0	0.00%	0	0.00%	Department of Electronics, Chung Yuan Christian University Senior Manager of Compal Communication Inc.	(Note 4)	N/A	N/A	N/A
Vice President	Shih-Hong Huang	2016.02.24	280,000	0.01%	0	0.00%	0	0.00%	Master in Control Engineering, National Chiao Tung University Director of Coretronic Corporation	N/A	N/A	N/A	N/A
Vice President	Yi-Chiang Chiu	2016.02.24	280,000	0.01%	0	0.00%	0	0.00%	Master in Earth Sciences, National Central University	N/A	N/A	N/A	N/A
Vice President	Jui-Chun Shyur	2016.05.11	0	0.00%	0	0.00%	0	0.00%	PhD, Graduate Institute of Electrical Engineering, National Taiwan University Photonics Industries International, Inc. President	N/A	N/A	N/A	N/A
Vice President	Shyh-An Lee	2016.06.29	76,071	0.00%	4,000	0.00%	0	0.00%	Department of Navigation, Taipei College of Maritime Technology LCFC Taiwan Branch Vice CEO	(Note 4)	N/A	N/A	N/A
Vice President	Ta-Chun Wang	2016.06.29	204,200	0.00%	4,119	0.00%	0	0.00%	Master of Industrial Engineering, University of Illinois Shanghai Real Industrial Co., Ltd. Managing Vice President	N/A	N/A	N/A	N/A
Vice President	Jen-Liang Lin	2018.03.06	100,500	0.00%	0	0.00%	0	0.00%	Department of Industrial Engineering, Feng Chia University Director of Operations Division, Compal Fab No. 2	N/A	N/A	N/A	N/A

Title	Name/ Nationality/ Gender (Note 1, 2)	Date elected /appointed	Shares held		Shares held by spouse and minors Subsidiary shareholding		Total shares held in the names of others Shares held		Major career (academic) achievements	Selected Current Positions	Spouse or relatives of second degree or closer acting as managers		
			Shares	Shareholding Percentage (%)	Shares	Shareholding Percentage (%)	Shares	Shareholding Percentage (%)			Title	Name	Relationship
General Counsel	Peng-Hong Chan	2018.05.09.	0	0.00%	0	0.00%	0	0.00%	Master of Cornell University Law School CSO, Pou Chen Group	N/A	N/A	N/A	N/A
Vice President	Wei-Chia Wang	2018.12.01	120,000	0.00%	0	0.00%	0	0.00%	Chung Yuan Christian University, Electrical Engineering Senior Director of LCFC	N/A	N/A	N/A	N/A
Accounting & Corporate Governance Officer	Cheng-Chiang Wang	2018.07.04 2019.05.13	955,808	0.02%	30	0.00%	0	0.00%	Fu Jen Catholic University, Department of Accounting Financial officer of Allied Circuit Co., Ltd.	(Note 4)	N/A	N/A	N/A
Vice President	Cheng-Hui Su	2018.12.01	105,000	0.00%	0	0.00%	0	0.00%	Tulane University Master of MBA	N/A	N/A	N/A	N/A
Vice President	Tu-Chuan Tu	2018.12.01	593,081	0.01%	62,105	0.00%	0	0.00%	Vanung University, Electrical Engineering	N/A	N/A	N/A	N/A
Vice President	Chang-Chieh Tien	2018.12.01	403	0.00%	0	0.00%	0	0.00%	National Chiao Tung University,Transportation Management	N/A	N/A	N/A	N/A
Vice Presiden	Hsiao-Wei Lo	2019.11.11	20,000	0.00%	100	0.00%	0	0.00%	Tamkang University Bachelor of International Trade	N/A	N/A	N/A	N/A
Vice Presiden	Guo-Dung Yu	2019.11.11	60,000	0.00%	0	0.00%	0	0.00%	George Washington University Master of Accounting Financial officer of Arcadyan Technology Corp.	(Note 4)	N/A	N/A	N/A
Internal Audit Officer	Po-Wen Hsieh	2019.11.11	0	0.00%	0	0.00%	0	0.00%	Department of Accounting, National Taiwan University Audit Manager, KGT Telecom	N/A	N/A	N/A	N/A

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

2. The Chairman, Chief Strategy Officer, and President of the Company are not the same person, spouses, or related to each other.

3. Vice President Po-Hsiung Chang, Tsing-Fa Lee, and Fei-Long Chen resigned in 2019.

4. Concurrent positions in other companies



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

Title	Name	Concurrent positions in other companies
		Electronics (Kunshan) Co., Ltd. , Compal Networking (Kunshan) Co., Ltd., Kunshan Botai Electronics Co., Ltd., Compal Investment (Sichuan) Co., Ltd., Compal Investment (Jiangsu) Co., Ltd., Compal Management (Chengdu) Co., Ltd.
Vice President	Po-Tang Wang	Director: Bizcom Electronics, Inc., Compal Europe (Poland) Sp. z o. o.
Vice President	Fu-Chuan Chang	President: Compal Optoelectronics (Kunshan) Co., Ltd., Compal Electronics, (China) Co., Ltd.
Vice President	Chiao-Lieh Huang	Supervisor: HANHELT Communications (Nanjing) Co., Ltd
Vice President	Chung-Shing Tan	Director: HANHELT Communications (Nanjing) Co., Ltd
Vice President	Hsin-Kung Mao	Director: Avalue Technology Inc., Unicom Global, Inc., Amexcom Electronics, Inc., Compalead Electronics B.V., Mexcom Electronics, LLC, Mexcom Technologies, LLC President: Amexcom Electronics, Inc.
Vice President	Hsin-Hsiung Huang	Director: Compal Wireless Communications (Nanjing) Co., Ltd., Compal Digital Communications (Nanjing) Co., Ltd., Compal Communications (Nanjing) Co., Ltd.
Vice President	Shyh-An Lee	Director: Infinno Technology Corp., Rayonnant Technology (Taicang) Co., Ltd.
Accounting & Corporate Governance Officer	Cheng-Chiang Wang	Director: Zhi-pal Technology Inc., HengHao Technology Co. Ltd., Palcom International Corporation, Compal Electronics India Private Limited Supervisor: HippoScreen Neurotech Corp., Compal System Trading (Kunshan) Co., Ltd., Compower Global Service Co., Ltd., HengHong Optoelectronics Technology (Kunshan) Co., Ltd., Compal Smart Device (Chongqing) Co., Ltd.
Vice President	Guo-Dung Yu	Chairman: Compal Electronics India Private Limited Supervisor: Palcom International Corporation, Compal Wireless Communications (Nanjing) Co., Ltd., Compal Digital Communications (Nanjing) Co., Ltd., Compal Communications (Nanjing) Co., Ltd. President: Compal Electronics India Private Limited

### 3.2.3 Remuneration of Directors, Independent Directors, President and Vice Presidents

#### Remuneration of Directors and Independent Directors

Unit: NTD thousand; thousand shares; %

Title	Name	Directors' remuneration								The sum of A, B, C and D as a percentage of after-tax profit		Remuneration as an employee								The sum of A, B, C, D, E, F, and G as a percentage of after-tax profit		Remuneration from ventures other than subsidiaries or from the parent company (H)	
		Remuneration (A)		Pension (B)		Remuneration from earnings appropriation (C)		Business department implementation Fees for services rendered (D)				Salaries, bonuses, special allowances etc (E)		Retirement 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	Stock				
Chairman	Sheng-Hsiung Hsu																						
Vice Chairman	Jui-Tsung Chen																						
Director	Representative: of Binpal Investment Co., Ltd. Wen-Being Hsu																						
Director	Representative of Kinpo Electronics Inc.: Shyh-Yong Shen	0	0	0	0	38,671	38,671	2,284	3,064	0.5888%	0.6000%	58,895	106,144	708	708	31,700	0	31,700	0	1.9014%	2.5919%	95,769	
Director	Charng-Chyi Ko																						
Director	Sheng-Chieh Hsu																						
Director	Yen-Chia Chou																						
Director	Chung-Pin Wong																						
Director	Chiung-Chi Hsu																						
Director	Ming-Chih Chang																						
Director	Anthony Peter Bonadero																						
Director	Sheng-Hua Peng																						
Independent Director	Min-Chih Hsuan																						
Independent Director	Duei Tsai	7,200	7,200	0	0	0	0	475	475	0.1103%	0.1103%	0	0	0	0	0	0	0	0	0.1103%	0.1103%	0	
Independent Director	Duh-Kung Tsai																						

1. Please state the remuneration payment policy, system, standard and structure of independent directors, and the relationship between factors such as the responsibilities, risks and time devoted, and the amount of remuneration:  
The remuneration of Independent Directors shall be submitted by the remuneration committee to the Board of Directors and decided by the Board of Directors, which depended on personal partake-in, contribution to the Company's business and benchmarks in the same industry according to the "Articles of Incorporation."

2. Remuneration collected by Directors for their services (i.e. acting as advisor for non-employees) as disclosed in the Financial Report in the most recent year not shown in the table: 0

Note: 1. In 2019, the Company made pension contributions totaling NT\$ 708 thousand (including NT\$ 324 thousand under the new system and NT\$ 384 thousand under the old system) for directors who also assumed managerial roles as employees; Meanwhile, all companies reported in the financial statements had made pension contributions totaling NT\$ 708 thousand (including NT\$ 324 thousand under the new system and NT\$ 384 thousand under the old system).

2. Directors' compensation refers to the estimated directors' compensation approved by the Board of Directors meeting on March 30, 2020.

Range of Remuneration	Number of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G+H)	
	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements
Under NT\$ 1,000,000	2 (Note 1)	2 (Note 5)	2 (Note 9)	1 (Note 15)
NT\$1,000,000 ~ NT\$2,000,000 (exclusive)				
NT\$2,000,000 ~ NT\$3,500,000 (exclusive)	11 (Note 2)	11 (Note 6)	8 (Note 10)	5 (Note 16)
NT\$3,500,000 ~ NT\$5,000,000 (exclusive)	3 (Note 3)	3 (Note 7)	2 (Note 11)	2 (Note 17)
NT\$5,000,000 ~ NT\$10,000,000 (exclusive)	1 (Note 4)	1 (Note 8)	1 (Note 12)	2 (Note 18)
NT\$10,000,000 ~ NT\$15,000,000 (exclusive)				
NT\$15,000,000 ~ NT\$30,000,000 (exclusive)			2 (Note 13)	2 (Note 19)
NT\$30,000,000 ~ NT\$50,000,000 (exclusive)			2 (Note 14)	5 (Note 20)
NT\$50,000,000 ~ NT\$100,000,000 (exclusive)				
Over NT\$100,000,000 (inclusive)				
Total	17	17	17	17

Note:

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

12. Sheng-Hsiung Hsu – 1 position
13. Ming-Chih Chang, Sheng-Hua Peng – 2 positions
14. Jui-Tsung Chen, Chung-Pin Wong– 2 positions
15. Wen Being Hsu -1 position
16. Yen-Chia Chou, Chiung-Chi Hsu, Min-Chih Hsuan, Duei Tsai, Duh-Kung Tsai – 5 positions
17. Binpal Investment Co., Ltd., Kinpo Electronics, Inc.– 2 positions
18. Charng-Chyi Ko, Sheng-Chieh Hsu-- 2 positions
19. Ming-Chih Chang, Sheng-Hua Peng- 2 positions
20. Sheng-Hsiung Hsu, Jui-Tsung Chen, Shyh-Yong Shen, Chung-Pin Wong, Anthony Peter Bonadero- 5 positions

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

**Remuneration of the President and Vice Presidents**

Unit: NTD thousand; thousand shares; %

Title	Name	Salary (A)		Pension (B)		Bonus and special allowances (C)		Share of profit as an employee (D)				Sum of A, B, C and D as a percentage of after-tax profit (%)		Remuneration from ventures other than subsidiaries or from the parent company (E)
		The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company		All companies included in the financial statements		The Company	All companies included in the financial statements	
								Cash Amount	Stock Amount	Cash Amount	Stock Amount			
48 employees including CSO Jui-Tsung Chen (Note1)		122,319	128,737	6,130	6,130	208,759	209,348	102,600	0	102,600	0	6.32281%	6.42354%	1,052

Note: 1. Managers' titles and names

- Chief Strategy Officer: Jui-Tsung Chen – 1 position
  - President: Chung-Pin Wong – 1 position
  - Executive Vice Presidents: Ming-Chih Chang, Shen-Hua Peng, Chen-Chang Hsu – 3 positions
  - Senior Vice Presidents: Chun-Te Shen, Kuo-Chuan Chen, Pei-Yuan Chen, Chyou-Jui Wei, Ying Chang, Wen-Da Hsu, Wei-Chang Chen, Shi-Kuan Chen, Chi-Wai Wan, Min-Tung Weng, Lo-Chun Lee, Sheng-Hung Li, Bor-Heng Chen– 13 positions
  - Vice Presidents: Chih-Chuan Cheng, Ching-Hsiung Lu, Po-Tang Wang, Tzong-Ming Wang, Fu-Chuan Chang, Yung-Nan Chang, Yong-Ho Su, Jyh-Shyan Liang, Chiao-Lie Huang, Chung-Hsing Tan, Yi-Yun Chang, Hsin-Kung Mao, Hsin-Hsiung Huang, Shih-Hong Huang, Yi-Chiang, Jui-Chun Shyur, Shyh -An Lee, Ta-Chun Wang, Liang-Jen Lin, Peng-Hong Chan, Wei-Chia Wang, Cheng- Chiang Wang, Cheng-Hui Su, Tu-Chuan Tu, Chang-Chieh Tien, Hsiao-Wei Lo, Guo-Dung Yu, Po-Hsiung Chang, Tsing-Fa Lee, Fei-Long Chen– 30 positions
2. The Company made pension contributions totaling NT\$ 6,130 thousand (including NT\$ 4,495, thousand under the new system and NT\$ 1,635 thousand under the old system). While all companies reported in the financial statements made pension contributions totaling NT\$ 6,130 thousand (including NTD NT\$ 4,495, thousand under the new system and NT\$ 1,635 thousand under the old system).
3. Employees' compensation appropriation was approved by the Board of Directors at the meeting on March 30, 2020. The compensations of the aforementioned managers were not yet final and will be reviewed based on the list of the date of distribution.

Range of Remuneration	Number of President and Vice Presidents	
	Total of (A+B+C+D)	Total of (A+B+C+D+E)
	The Company	Companies in the consolidated financial statements
Under NT\$ 1,000,000	1 (Note 1)	1 (Note 9)
NT\$1,000,000 ~ NT\$2,000,000 (exclusive)	2 (Note 2)	2 (Note 10)
NT\$2,000,000 ~ NT\$3,500,000 (exclusive)	2 (Note 3)	2 (Note 11)
NT\$3,500,000 ~ NT\$5,000,000 (exclusive)	3 (Note 4)	1 (Note 12)
NT\$5,000,000 ~ NT\$10,000,000 (exclusive)	26 (Note 5)	28 (Note 13)
NT\$10,000,000 ~ NT\$15,000,000 (exclusive)	8 (Note 6)	8 (Note 14)
NT\$15,000,000 ~ NT\$30,000,000 (exclusive)	4 (Note 7)	4 (Note 15)
NT\$30,000,000 ~ NT\$50,000,000 (exclusive)	2 (Note 8)	2 (Note 16)
NT\$50,000,000 ~ NT\$100,000,000 (exclusive)		
Over NT\$100,000,000 (inclusive)		
Total	48	48

Note:

1. Po-Hsiung Chang – 1 position
2. Tsing-Fa Lee, Fei-Long Chen – 2 positions
3. Hsiao-Wei Lo, Guo-Dung Yu – 2 positions
4. Fu-Chuan Chang, Yung-Nan Chang, Chang-Chieh Tien – 3 positions
5. Kuo-Chuan Chen, Pei-Yuan Chen, Chyou-Jui Wei, Ying Chang, Wen-Da Hsu, Chih-Chuan Cheng, Ching-Hsiung Lu, Po-Tang Wang, Tzong-Ming Wang, Yong-Ho Su, Jyh-Shyan Liang, Chiao-Lie Huang, Yi-Yun Chang, Hsin-Kung Mao, Hsin-Hsiung Huang, Shih-Hong Huang, Yi-Chiang Chiu, Jui-Chun Shyur, Shyh-An Lee, Ta-Chun Wang, Liang-Jen Lin, Peng-Hong Chan, Wei-Chia Wang, Cheng-Chiang Wang, Cheng-Hui Su, Tu-Chuan Tu – 26 positions
6. Chun-Te Shen, Wei-Chang Chen, Shi-Kuan Chen, Min-Tung Weng, Lo-Chun Lee, Sheng-Hung Li, Chung-Hsing Tan, Bor-Heng Chen – 8 positions
7. Ming-Chih Chang, Shen-Hua Peng, Chen-Chang Hsu, Chi-Wai Wan – 4 positions
8. Jui-Tsung Chen, Chung-Pin Wong – 2 positions
9. Po-Hsiung Chang – 1 position
10. Tsing-Fa Lee, Fei-Long Chen – 2 positions
11. Hsiao-Wei Lo, Guo-Dung Yu – 2 positions
12. Chang-Chieh Tien – 1 position
13. Kuo-Chuan Chen, Pei-Yuan Chen, Chyou-Jui Wei, Ying Chang, Wen-Da Hsu, Chih-Chuan Cheng, Ching-Hsiung Lu, Po-Tang Wang, Tzong-Ming Wang, Fu-Chuan Chang, Yung-Nan Chang, Yong-Ho Su, Jyh-Shyan Liang, Chiao-Lie Huang, Yi-Yun Chang, Hsin-Kung Mao, Hsin-Hsi Yi-Chiang Chiu, Jui-Chun Shyur, Shyh-An Lee, Ta-Chun Wang, Liang-Jen Lin, Peng-Hong Chan, Wei-Chia Wang, Cheng-Chiang Wang, Cheng-Hui Su, Tu-Chuan Tu – 28 positions

14. Chun-Te Shen, Wei-Chang Chen, Shi-Kuan Chen, Min-Tung Weng, Lo-Chun Lee, Sheng-Hung Li, Chung-Hsing Tan, Bor-Heng Chen – 8 positions
15. Ming-Chih Chang, Shen-Hua Peng, Chen-Chang Hsu, Chi-Wai Wan –4 positions
16. Jui-Tsung Chen, Chung-Pin Wong – 2 positions

**Employee profit sharing granted to the management team**

Unit: NTD thousand

Title	Name	Stock dividends	Cash dividends	Total	Total as a percentage to after-tax profit (%)
46 employees including CSO Jui-Tsung Chen (Note 1)		0	102,819	102,819	1.47816%

Note: 1. Managers' titles and names

- Chief Strategy Officer: Jui-Tsung Chen – 1 position
  - President: Chung-Pin Wong – 1 position
  - Executive Vice Presidents: Ming-Chih Chang, Shen-Hua Peng, Chen-Chang Hsu– 3 positions
  - Senior Vice Presidents: Chun-Te Shen, Kuo-Chuan Chen, Pei-Yuan Chen, Chyou-Jui Wei, Ying Chang, Wen-Da Hsu, Wei-Chang Chen, Shi-Kuan Chen, Chi-Wai Wan, Min-Tung Weng, Lo-Chun Lee, Sheng-Hung Li, Bor-Heng Chen– 13 positions
  - Vice Presidents :Chih-Chuan Cheng, Ching-Hsiung Lu, Po-Tang Wang, Tzong-Ming Wang, Fu-Chuan Chang, Yung-Nan Chang, Yong-Ho Su, Jyh-Shyan Liang, Chiao-Lie Huang, Chung-Hsing Tan, Yi-Yun Chang, Hsin-Kung Mao, Hsin-Hsiung Huang, Shih-Hong Huang, Yi-Chiang Chiu, Jui-Chun Shyur, Shyh -An Lee, Ta-Chun Wang, Liang-Jen Lin, Peng-Hong Chan, Wei-Chia Wang, Cheng- Chiang Wang, Cheng-Hui Su, Tu-Chuan Tu, Chang-Chieh Tien, Hsiao-Wei Lo, Guo-Dung Yu – 27 positions
  - Other: Po-Wen Hsieh - 1 position
2. Vice President Po-Hsiung Chang, Tsing-Fa Lee, and Fei-Long Chen resigned in 2019.
  3. Employees' compensation appropriation was approved by the Board of Directors at the March 30, 2020 meeting. The compensations of the aforementioned managers have not been finalized and will be reviewed based on the list upon the date of distribution.



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

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

Unit: NT\$ thousand

Analysis	2019		2018 (Note)		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Directors	542,598	7.80%	413,080	4.63%	129,518	31.35%
CSO, Presidents, and Vice Presidents						
Net Income	6,955,899		8,913,365		(1,957,466)	

Note: 2018 is the actual amount.

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

- Remuneration paid by the Company to Directors has been made in accordance with the Articles of Incorporation. When the Company makes profit in a year, no more than 2% of the Company's pre-tax profit (not including remuneration for employees and Directors) shall be paid to Directors as remuneration along with reasonable compensation based on other factors such as the Company's operational performance and the individual Director's contribution to the Company's performance taken into consideration.

- The Company's remuneration policy for Managers has been established based on various factors, including the Company's wage policy, the average wage offered by competitors for the same position, the duties and responsibilities for the position in question, and the Manager's actual contribution to the Company's operational objectives.

- The Company's procedure for determining remuneration not only takes into account the Company's overall operational performance but also includes employee's personal performance and their contribution to the Company's performance in order to determine a reasonable compensation. Relevant wages and compensations are reviewed by the Remuneration Committee and resolved by the Board of Directors. The Company will also be keeping a close eye on the latest developments in the global economy, international financial environment, and state of the industry in order to predict its operational development, profit status, operational risks and changes in pertinent regulations in the near future in order to review the compensation system, thereby striving for an ideal balance between the Company's sustainable operation and relevant risk control.

### 3.3 Implementation of Corporate Governance

#### 3.3.1 Board of Directors

- The term of the 13<sup>th</sup> committee is from June 22, 2018 to June 21, 2021.
- There were Six Board meetings during 2019 (A). Director's attendance records are as shown below:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) [B/A]	Remarks
Chairman	Sheng-Hsiung Hsu	5	1	83%	
Director	Jui-Tsung Chen	5	1	83%	
Director	Wen-Being Hsu	6	0	100%	
Director	Kinpo Electronics, Inc. Representative: Shyh-Yong Shen	1	5	17%	
Director	Charng-Chyi Ko	6	0	100%	
Director	Sheng-Chieh Hsu	6	0	100%	
Director	Yen-Chia Chou	5	0	83%	
Director	Chung-Pin Wong	5	1	83%	
Director	Chiung-Chi Hsu	5	1	83%	
Director	Ming-Chih Chang	3	2	50%	
Director	Anthony Peter Bonadero	2	2	33%	
Director	Sheng-Hua Peng	4	2	67%	
Independent Director	Min-Chih Hsuan	5	1	83%	
Independent Director	Duei Tsai	5	1	83%	
Independent Director	Duh-Kung Tsai	4	1	67%	

- In 2019, Independent Director's attendance records are as shown below:

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

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

Other notes:

- 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:
  - Conditions described in Article 14-3 of the Securities and Exchange Act: Not applicable (the Company has assembled the Audit Committee in place of supervisors)
  - Any other documented objections or qualified opinions raised by independent directors against board resolutions in relation to matters other than those described above: None.

2. Disclosure regarding avoidance of interest-conflicting agendas, including the names of directors concerned, the agendas, the nature of conflicting interests, and the voting outcome:

Board of Directors Meeting	The agendas, the nature of conflicting interests, and the voting outcome
Meeting (13 <sup>th</sup> Term) 2019.5.13	<ul style="list-style-type: none"> <li>• Approved the release of non-competition restrictions for the managers An interested party relationship existed among Directors Jui-Tsung Chen, Chung-Pin Wong, Ming-Chih Chang, and Sheng-Hua Peng. In order to avoid conflict of interest, these Directors recused themselves from discussion and voting on this proposal. Upon solicitation of comments by the Chairman of the meeting, there was no objection addressed and the resolution was adopted unanimously by the remaining Directors present.</li> </ul>
	<ul style="list-style-type: none"> <li>• Approved the establishment of Compal Electronics Kaohsiung Branch Office An interested party relationship existed in Director Chung-Pin Wong. In order to avoid conflict of interest, the Director recused himself from discussion and voting on this proposal. Upon solicitation of comments by the Chairman of the meeting, there was no objection addressed and the resolution was adopted unanimously by the remaining Directors present.</li> </ul>
	<ul style="list-style-type: none"> <li>• Approve the first mid-year employees' bonus of 2019 In accordance with the Company's Regulations Governing the Proceedings of Board of Directors Meetings, if an interested party relationship exists among any Directors and any agenda proposals, such Directors should recuse themselves during discussion of and voting on those proposals. Accordingly, to avoid conflict of interest, Directors Jui-Tsung Chen, Chung-Pin Wong, Ming-Chih Chang, and Sheng-Hua Peng, who are also acting as managerial officers of Compal, avoided discussion and voting on this proposal. Upon solicitation of comments by the chairman, there was no objection addressed and the resolution was adopted unanimously by the remaining Directors present.</li> </ul>
	<ul style="list-style-type: none"> <li>• Approve employees' salary adjustment of 2019 In accordance with the Company's Regulations Governing the Proceedings of Board of Directors Meetings, if an interested party relationship exists among any Directors and any agenda proposals, such Directors should recuse themselves during discussion of and voting on those proposals. Accordingly, to avoid conflict of interest, Directors Jui-Tsung Chen, Chung-Pin Wong, Ming-Chih Chang, and Sheng-Hua Peng, who are also acting as managerial officers of Compal, avoided discussion and voting on this proposal. Upon solicitation of comments by the chairman, there was no objection addressed and the resolution was adopted unanimously by the remaining Directors present.</li> </ul>
9 <sup>th</sup> Meeting (13 <sup>th</sup> Term) 2019.8.13	<ul style="list-style-type: none"> <li>• Passed the compensation of Directors' Remuneration of 2018 Chairman Sheng-Hsiung Hsu asked the Independent Director Min-Chih Hsuan to act as a deputy chairman to preside at this meeting for discussion and voting on this proposal. Since an interested party relationship existed, the Directors (i.e., Sheng-Hsiung Hsu, Jui-Tsung Chen, Wen Being Hsu, Shyh-Yong Shen [ attended by proxy of Sheng-Hsiung Hsu ], Charng-Chyi Ko, Sheng-Chieh Hsu, Yen-Chia Chou, Chung-Pin Wong, Chiung-Chi Hsu, Ming-Chih Chang, Sheng-Hua Peng), recused themselves from discussion and voting on this proposal to avoid conflict of interest. Upon solicitation of comments by the deputy chairman, there was no objection addressed and the resolution was adopted unanimously by the remaining Directors present.</li> </ul>
	<ul style="list-style-type: none"> <li>• Approve the second mid-year employees' bonus of 2019 In accordance with the Company's Regulations Governing the Proceedings of Board of Directors Meetings, if an interested party relationship exists between any Directors and any agenda proposals, such Directors should recuse themselves during discussion of and voting on those proposals. Accordingly, to avoid conflict of interest, Directors Jui-Tsung Chen,</li> </ul>

	<p>Chung-Pin Wong, Ming-Chih Chang, and Sheng-Hua Peng, who are also acting as managerial officers of Compal, avoided discussion and voting on this proposal. Upon solicitation of comments by the chairman, there was no objection addressed and the resolution was adopted unanimously by the remaining Directors present.</p>
<p>10<sup>th</sup> Meeting (13<sup>th</sup> Term) 2019.11.11</p>	<ul style="list-style-type: none"> <li>• Approved the compensation of Employee bonuses in cash of year 2018</li> </ul> <p>In accordance with the Company's Regulations Governing the Proceedings of Board of Directors Meetings, if an interested party relationship exists between any Directors and any agenda proposals, such Directors should recuse themselves during discussion of and voting on those proposals. Accordingly, to avoid conflict of interest, Directors Jui-Tsung Chen, Chung-Pin Wong, Ming-Chih Chang, and Sheng-Hua Peng, who are also acting as managerial officers of Compal, avoided discussion and voting on this proposal. Upon solicitation of comments by the chairman, there was no objection addressed and the resolution was adopted unanimously by the remaining Directors present.</p>
	<ul style="list-style-type: none"> <li>• Approved the proposal for 2019 year-end employees' bonus</li> </ul> <p>In accordance with the Company's Regulations Governing the Proceedings of Board of Directors Meetings, if an interested party relationship exists between any Directors and any agenda proposals, such Directors should recuse themselves during discussion of and voting on those proposals. Accordingly, to avoid conflict of interest, Directors Jui-Tsung Chen, Chung-Pin Wong, Ming-Chih Chang, and Sheng-Hua Peng, who are also acting as managerial officers of Compal, avoided discussion and voting on this proposal. Upon solicitation of comments by the chairman, there was no objection addressed and the resolution was adopted unanimously by the remaining Directors present.</p>
<p>13<sup>th</sup> Meeting (13<sup>th</sup> Term) 2020.5.13</p>	<ul style="list-style-type: none"> <li>• Approved the release of non-competition restrictions for the managers</li> </ul> <p>A conflict of interest relationship between multiple parties exists among Directors Jui-Tsung Chen, Chung-Pin Wong and Sheng-Hua Peng. In order to avoid conflict of interest, these Directors recused themselves from discussion and voting on this proposal. Upon solicitation of comments by the Chairman of the meeting, there was no objection addressed and the resolution was adopted unanimously by the remaining Directors present.</p>
	<ul style="list-style-type: none"> <li>• Approved the first mid-year employees' bonus of the year 2020</li> <li>• Approved the proposal for 2019 year-end employees' bonus</li> </ul> <p>In accordance with the Company's Regulations Governing the Proceedings of Board of Directors Meetings, if an interested party relationship exists between any Directors and any agenda proposals, such Directors should recuse themselves during discussion of and voting on those proposals. Accordingly, to avoid conflict of interest, Directors Jui-Tsung Chen, Chung-Pin Wong, Ming-Chih Chang, and Sheng-Hua Peng, who are also acting as managerial officers of Compal, avoided discussion and voting on this proposal. Upon solicitation of comments by the chairman, there was no objection addressed and the resolution was adopted unanimously by the remaining Directors present.</p>
	<ul style="list-style-type: none"> <li>• Approved employees' salary adjustment of the year 2020</li> <li>• Approved the proposal for 2019 year-end employees' bonus</li> </ul> <p>In accordance with the Company's Regulations Governing the Proceedings of Board of Directors Meetings, if an interested party relationship exists between any Directors and any agenda proposals, such Directors should recuse themselves during discussion of and voting on those proposals. Accordingly, to avoid conflict of interest, Directors Jui-Tsung Chen, Chung-Pin Wong, Ming-Chih Chang, and Sheng-Hua Peng, who are also acting as managerial officers of Compal, avoided discussion and voting on this proposal. Upon solicitation of comments by the chairman, there was no objection addressed and the resolution was adopted unanimously by the remaining Directors present.</p>
	<ul style="list-style-type: none"> <li>• Approved the proposal for the appropriate percentage for the remuneration of employees and Directors of the year 2020</li> <li>• Approved the proposal for 2019 year-end employees' bonus</li> </ul>

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

The Board of Directors enacted the "Rules of Self-Evaluation of the Board of Directors and Functional Committees Performance" on March 30, 2020.

Evaluation cycles	Once a year
Evaluation periods	From June 1, 2019 to May 31, 2020
Scope of evaluation	Board of Directors, Functional Committees (Including Audit Committee, Remuneration Committee), individual directors
Method of evaluation	Internal self-evaluation of Board of Directors and Functional Committees (Including Audit Committee, Remuneration Committee), Self-evaluation of individual directors
Content of evaluation	<p>◆Criteria for evaluating the performance of the Board of Directors, which should cover the following five aspects:</p> <ol style="list-style-type: none"> <li>1.Participation in the operation of the Company;</li> <li>2.Improvement of the quality of the Board of Directors' decision making;</li> <li>3.Composition and structure of the Board of Directors;</li> <li>4.Election and continuing education of the Directors; and</li> <li>5.Internal control</li> </ol> <p>◆Criteria for evaluating the performance of the Functional Committees, which should cover the following five aspects:</p> <ol style="list-style-type: none"> <li>1.Participation in the operation of the Company;</li> <li>2.Awareness of the duties of the Functional Committee;</li> <li>3.Improvement of quality of decisions made by the Functional Committee;</li> <li>4.Makeup of the Functional Committee and election of its members; and</li> <li>5. Internal control.</li> </ol> <p>◆Criteria for evaluating the performance of the individual directors, which should cover the following five aspects:</p> <ol style="list-style-type: none"> <li>1.Alignment of the goals and missions of the Company;</li> <li>2.Awareness of the duties of a Director;</li> <li>3.Participation in the operation of the Company;</li> <li>4.Management of internal relationship and communication;</li> <li>5.The Director's professionalism and continuing education; and</li> <li>6. Internal control.</li> </ol>

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

- The Company established a "Remuneration Committee" in 2011. During the election of the 11th Board of Directors and Supervisors at the 2012 annual shareholders' meeting, 3 independent directors were elected and appointed to be the committee members of the Remuneration

Committee.

- Supervisor positions were replaced with the Audit committee after the 12th Board of Directors was elected at the 2015 annual shareholders' meeting.
- In 2019, the "Rules and Procedures for Board of Directors Meetings" was amended in accordance with the "Key points for the establishment and compliance of exercising duties of powers of the Board of Directors by TWSE Listed Companies" and "Company Act," and the Company shall appoint a chief corporate governance officer to execute corporate governance matters.
- In 2020, to implement corporate governance, enhance the Board of Directors function and set up the performance targets, the "Rules of Self-Evaluation of the Board of Directors and Functional Committees Performance" was enacted to strengthen their operation efficiency.

### 3.3.2 Audit Committee

- The Company's Audit Committee has three members.
- The term of the 2<sup>nd</sup> committee is from June 22, 2018 to June 21, 2021.
- There were four Audit Committee meetings during 2019 (A). The attendance records of the Independent Directors are as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) [B/A]	Remarks
Independent Director	Min-Chih Hsuan	4	0	100%	-
Independent Director	Duei Tsai	4	0	100%	-
Independent Director	Duh Kung Tsai	3	1	75%	-

#### ■ Duties of the Audit Committee

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

#### ■ The powers of the Committee are as follows:

1. The adoption of or amendments to the internal control system pursuant to Article 14-1 of the Securities and Exchange Act.
2. Assessment of the effectiveness of the internal control system.
3. The adoption or amendment, pursuant to Article 36-1 of the Securities and Exchange Act, of the procedures for handling financial or business activities of a material nature, such as acquisition or disposal of assets, derivatives trading, loaning of funds to others, and endorsements or guarantees for others.
4. Matters in which a director is an interested party.
5. Asset transactions or derivatives trading of a material nature.
6. Loans of funds, endorsements, or provision of guarantees of a material nature.
7. The offering, issuance, or private placement of equity-type securities.
8. The hiring or dismissal of a certified public accountant, or their compensation.
9. The appointment or discharge of a financial, accounting, or internal audit officer.
10. Annual financial reports which are signed or sealed by the chairperson, managerial officer, and accounting officer.
11. Other material matters as may be required by this Corporation or by the competent authority.

- The major audit items of the Audit Committee in 2019 are as follows:
  1. 2018 Financial Statement
  2. To evaluate the CPAs' independence and competence for performing the financial report audit.
  3. To approve the amendment to the "Procedures for Acquisition or Disposal of Assets," "Procedures for Financial Derivatives Transactions," "Procedures for Endorsement and Guarantee," "Procedures for Lending Funds to Other Parties" and "Ethical Corporate Management Best Practice Principles"
  4. Appointment of the manager of the Kaohsiung Branch Office.
  5. A matter bearing on the personal interest of the director and Manager
  6. A material monetary loan
  7. A material asset transaction.
  8. Assessment of the design and operation effectiveness of the internal control system.
  9. The defects, irregularities, and the status of corrections in the internal control system.
  10. Annual audit plan for year 2020
  11. Compliance with the relevant laws and regulations by this Corporation.

- Other notes:

1. The Company should record the date of the Board of Directors' meeting, the term, content of discussion, the result of the Audit Committee's decision and the actions the Company has taken in response should any of the following situations arise in the operation of the Audit Committee:

(1) Matters listed in Item 5, Article 14 of the Security Act:

Board of Directors Meeting	Content of discussion and actions taken in response	Matters listed in Item 5, Article 14 of the Security Act	Not approved by the Audit Committee but had the consent of more than two-thirds of all directors.
6 <sup>th</sup> Meeting (13 <sup>th</sup> Term) 2019.3.22	1. To review and approve the Consolidated and Individual Financial Statements for 2018.	V	None
	2. To review and approve the Company's Internal Control Declaration for 2018.	V	None
	3. To review and approve the independence and fitness of the CPA engaged by the Company for the Financial Statements.	V	None
	▲ Resolution adopted by the Audit Committee (2019.3.22): Upon solicitation of comments by the Chairman, there was no objection addressed and the resolution was adopted unanimously by the Committee Members present.		
	▲ Action taken by the Company in response to opinion of the Audit Committee: Upon solicitation of comments by the Chairman, there was no objection addressed and the resolution was adopted unanimously by the Directors present.		
9 <sup>th</sup> Meeting (13 <sup>th</sup> Term) 2019.5.13	1.To approve the amendment to the "Procedures for Acquisition or Disposal of Assets"	V	None
	2.To approve the amendment to the "Procedures for Financial Derivatives Transactions"	V	None
	3.To approve the amendment to the "Procedures for Endorsement and Guarantee"	V	None
	4.To approve the amendment to the "Procedures for Lending Funds to Other Parties"	V	None
	5. To review and approve the motion to lift the non-competition restriction for Managers.	V	None
	6. To propose the manager of the Kaohsiung Branch Office.	V	None
	7.To approve fund loan to 100% owned subsidiary	V	None



	Compal (Vietnam) Co., Ltd.		
	8.To approve fund loan to 100% owned subsidiary Compalead Eletrônica do Brasil Indústria e Comércio Ltda.	V	None
	<p>▲ Resolution adopted by the Audit Committee (2019.5.13): Upon solicitation of comments by the Chairman, there was no objection addressed and the resolution was adopted unanimously by the Committee Members present.</p>		
	<p>▲ Action taken by the Company in response to the opinion of the Audit Committee:</p> <ul style="list-style-type: none"> <li>• Motion 1~4 and Motion 7~8: Upon solicitation of comments by the Chairman, there was no objection addressed and the resolution was adopted unanimously by the Directors present.</li> <li>• Motion 5: An interested party relationship existed among Directors Jui-Tsung Chen, Chung-Pin Wong, Ming-Chih Chang, and Sheng-Hua Peng. In order to avoid conflict of interest, these Directors recused themselves from discussion and voting on this proposal. Upon solicitation of comments by the Chairman of the meeting, there was no objection addressed and the resolution was adopted unanimously by the remaining Directors present.</li> <li>• Motion 6: An interested party relationship existed in Director Chung-Pin Wong. In order to avoid conflict of interest, the Director recused himself from discussion and voting on this proposal. Upon solicitation of comments by the Chairman of the meeting, there was no objection addressed and the resolution was adopted unanimously by the remaining Directors present.</li> </ul>		
9 <sup>th</sup> Meeting (13 <sup>th</sup> Term) 2019.8.13	1.To approve for a loan to Henghao Technology Co. Ltd.	V	None
	2.To approve for a loan to Unicom Global, Inc.	V	None
	<p>▲ Resolution adopted by the Audit Committee (2019.8.13): Upon solicitation of comments by the Chairman, there was no objection addressed and the resolution was adopted unanimously by the Committee Members present.</p>		
	<p>▲ Action taken by the Company in response to opinion of the Audit Committee: Upon solicitation of comments by the Chairman, there was no objection addressed and the resolution was adopted unanimously by the Directors present.</p>		
10 <sup>th</sup> Meeting (13 <sup>th</sup> Term) 2019.11.11	1.To propose for approval of annual audit plan for year 2020	V	None
	2.To approve the amendment to the “Ethical Corporate Management Best Practice Principles”	V	None
	3.To approve the proposal of leasing the office (building) and car parking lots, with Shin Kong Life Insurance Co., Ltd.	V	None
	<p>▲ Resolution adopted by the Audit Committee (2019.11.11): Upon solicitation of comments by the Chairman, there was no objection addressed and the resolution was adopted unanimously by the Committee Members present.</p>		
	<p>▲ Action taken by the Company in response to opinion of the Audit Committee: Upon solicitation of comments by the Chairman, there was no objection addressed and the resolution was adopted unanimously by the Directors present.</p>		

(2) With the exception of the aforementioned matter, other matters not approved by the Audit Committee but had the consent of more than two-thirds of all directors: None.

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

3. Status of communication between Independent Directors, Internal Audit Officer, and CPA:

(1) Method of communication between Independent Directors, the Internal Audit Officer, and CPA:

- After the Internal Audit Officer has submitted an audit report and follow-up report, he/she should provide the completed audited items to the independent directors for their review by the end of the following month. Should the Independent Directors require clarification of the audit and follow-up, they should contact the internal audit supervisor at any time. The internal auditor shall report the audit results to the Audit Committee on a quarterly basis and discuss the relevant matters in person with the committee.
- The Independent Directors must communicate with the CPA on a yearly basis through the Audit Committee or Board of Directors' Meeting. The CPA shall report to the Independent Directors on the results of the financial statement audit and other pertinent legal requirements while the Audit Committee shall also evaluate the selection, independence, and fitness of the CPA engaged by the Company.

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

Date	Content of discussion	Results
2019.3.22	1. Report on operational status of the internal audit activities	The report was reviewed by the Audit Committee whereupon independent directors raised no objection or further instruction.
	2.To approve the Internal Control System Statement for the year 2018	The proposal was approved by the Audit Committee and will be resolved by the Board of Directors
2019.5.13	1. Report on operational status of the internal audit activities	The report was reviewed by the Audit Committee whereupon independent directors raised no objection or further instruction.
2019.8.13	1. Report on operational status of the internal audit activities	The report was reviewed by the Audit Committee whereupon independent directors raised no objection or further instruction.
2019.11.11	1. Report on operational status of the internal audit activities	The report was reviewed by the Audit Committee whereupon independent directors raised no objection or further instruction.
	2. To propose for approval of annual audit plan for year 2020	The proposal was approved by the Audit Committee and will be resolved by the Board of Directors
2020.3.30	1. Report on operational status of the internal audit activities	The report was reviewed by the Audit Committee whereupon independent directors raised no objection or further instruction.
	2.To approve the Internal Control System Statement for the year 2019	The proposal was approved by the Audit Committee and will be resolved by the Board of Directors
2020.5.13	1. Report on operational status of the internal audit activities	The report was reviewed by the Audit Committee whereupon independent directors raised no objection or further instruction.

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

Date	Content of discussion	Results
2019.3.22	1. To approve 2018 Audited Consolidated Financial Statements and Parent Company Only Financial Statements · Explanation of key audit items · Financial statements and major accounting items analysis	The proposal was approved by the Audit Committee and will be resolved by the Board of Directors
2020.3.30	1. To approve 2019 Audited Consolidated Financial Statements and Parent Company Only Financial Statements · Explanation of key audit items · Financial statements and major accounting items analysis · Description of the Company's self-made financial report process	The proposal was approved by the Audit Committee and will be resolved by the Board of Directors

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

Assessment criteria	Actual governance			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
I. Has the company established and disclosed its corporate governance principles based on the “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies?”	Yes		The Company’s corporate governance principles were approved by the Board of Directors on May 13, 2020, and have been disclosed on its official website and MOPS.	No deviations were found
II. Shareholding structure and shareholders’ interests				
1. Has the company implemented a set of internal procedures to handle shareholders’ suggestions, queries, disputes, and litigations?	Yes		The Company has a spokesperson and acting spokesperson that represent the interest of the shareholders and a unit that specializes in addressing shareholders’ suggestions, queries, disputes, and litigations.	No deviations were found
2. Is the company constantly informed of the identities of its major shareholders and the ultimate controller?	Yes		The Company keeps track of the identity of its ultimate controller by monitoring insider shareholding positions (including that of directors, supervisors, managers, and shareholders with more than 10% ownership interest), with the shareholder registry held by the share administration agency.	No deviations were found
3. Has the company established and implemented risk management practices and firewalls for companies it is affiliated with?	Yes		The Company has established “Internal Control Policy - Non-trade Activities - Supervision and Management of Subsidiaries,” “Internal Control Policy - Trade Activities – Investment Management,” and “Guidelines on Financial and Business Dealings Between Affiliated Enterprises” to set up and execute firewalls and risk controls over related parties.	No deviations were found
4. Has the company established internal policies that prevent insiders from trading securities against non-public information?	Yes		To prevent insider trading, the “CO10 Insider Trading Prevention Management” and “Insider Trading Prevention Procedures” have been included as part of the internal control of the Company and details are published on the intranet and linked to the TWSE website to which employees have access. Both policies have been included as part of the compulsory e-Learning courses for departmental heads, and eCSA questionnaires are issued on a yearly basis to facilitate self-assessment. Insiders such as directors, supervisors, and managers are given a copy of the TWSE	No deviations were found

Assessment criteria	Actual governance			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
			“Insider Share Trading Manual” when they come aboard to make them aware of the company insider rules.	
III. Assembly and obligations of the board of directors				
1. Has the board devised and implemented policies to ensure the diversity of its members?	Yes		The Company has established rules and regulations such as the “Corporate Governance Guidelines” and “Rules for Director Election” to ensure a diversified board member composition in addition to drafting suitable guidelines for diversification based on the Board’s operation, the Company’s operating format, and its needs and developments. As such, board members are required to possess the required knowledge, skills, and character in order to accomplish the goal of ideal corporate governance. For more information on the diversification of board members, please refer to page 50.	No deviations were found
2. Apart from the Remuneration Committee and Audit Committee, has the company assembled other functional committees at its own discretion?	Yes		Apart from the Remuneration and Audit Committees, the Company has also established a CSR Committee headed by President & CEO Chung-Pin Wong, who in turn reports to the Board of Directors regarding the operating status and results of the committee on a yearly basis.	No deviations were found
3. Has the Company established performance evaluation measures and methods for the board of directors, conducted performance evaluation annually and regularly,	Yes		The Board of Directors enacted the “Rules of Self-Evaluation of the Board of Directors and Functional Committees Performance” on March 30, 2020. The performance evaluation scope covers the evaluation of the Board as a whole, individual directors and Functional Committees. Methods of evaluations included the Self-Evaluation of the Board of Directors and Functional Committees, self-evaluation by individual board members, or other appropriate methods. The evaluation results, being submitted to the Remuneration Committee analytical review and	No deviations were found

Assessment criteria	Actual governance			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
reported the results of performance evaluation to the board of directors and applied them to the reference of salary and remuneration of individual directors and nomination and renewal? )			reported to the Board of Directors for discussion and improvement, shall be used as reference in determining individual Directors compensation and their nomination of next office term.	
4. Is the independence of external auditors assessed on a regular basis?	Yes		The CPA issues an "Independent Auditor's Report" on an annual basis and is required to decline engagement should he/she be involved in any direct or indirect material interest. The Company evaluates the independence and suitability of the CPA at least once a year, in accordance with Article 47 of the CPA Law and Bulletin 10 of the Norms of Ethics for Certified Public Accountants. The CPA cannot be a director, supervisor, or shareholder of the company and may not be on the payroll or be a related party to the Company. The Company then submits the "CPA Independence and Fitness Evaluation Form" along with the "Independent Auditor's Report" to the Audit Committee for review before it is submitted to the Board of Directors for examination and discussion. The same principles apply to whenever there is an internal rotation within the accounting firm.	No deviations were found
IV. Is the listed or OTC company equipped with competent and appropriate number of corporate governance personnel and has its designated corporate governance director to be responsible for corporate governance related matters (including but not limited to providing information required by directors and supervisors to carry out business, assisting directors	Yes		VP Cheng-Chiang Wang has been appointed to take charge of and supervise affairs pertaining to corporate governance in accordance with the Company's "Corporate Governance Guidelines," while the BOD secretariat was assigned as the Company's responsible unit for corporate governance to handle relevant affairs. VP Cheng-Chiang Wang and the designated personnel responsible for corporate governance have more than 25 years of experience in stock affairs and meeting-related management for publicly traded companies.  They are primarily responsible for handling corporate governance affairs, such as handling matters relating to board meetings and shareholders meetings according to the laws, producing minutes of board meetings and shareholders meetings, assisting in onboarding and continuous development of directors, furnishing information required for duty execution by directors and members of the audit committee, ensuring legal compliance and taking other matters set out in the articles or corporation or contracts, periodically examining and revising the Company's corporate governance	No deviations were found

Assessment criteria	Actual governance			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
and supervisors to comply with laws and regulations, managing related matters of the board of directors' meeting and shareholders' meeting in accordance with laws, taking minutes of the board of directors' meeting and shareholders' meeting, etc.)			guidelines and relevant procedures, improving disclosure transparency, safeguarding shareholder rights and promoting better corporate governance. For more information on the status of Compal's corporate governance operations for 2019, refer to page 51.	
V. Has the company provided proper communication channels and created dedicated sections on its website to address corporate social responsibility issues that are of significant concern to stakeholders (including but not limited to shareholders, employees, customers, and suppliers)?	Yes		The Company has addressed its stakeholder relations on its corporate website, CSR report, and CSR Sustainability website. Separate contact persons, phone numbers, and e-mail addresses have been provided for each type of stakeholder relation to ensure that queries are directed to the relevant departments. In addition, an online "Material Aspects" questionnaire has also been created for stakeholders to identify issues that are of significant concern. The Company will address stakeholders' responses properly and take their suggestions as part of the Company's goals.	No deviations were found
VI. Does the company engage a share administration agency to handle shareholder meeting affairs?	Yes		The Chinatrust Commercial Bank – Securities Trust has been appointed as the share administration agency responsible for handling shareholder affairs and meetings while offering share administration services.	No deviations were found
VII. Information disclosure				
1. Has the company established a website that discloses financial, business and corporate governance-related	Yes		The Company website at (www.compal.com) is regularly updated with information such as financial performance, corporate governance and shareholder meetings	No deviations were found

Assessment criteria	Actual governance			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
information?				
2. Has the company adopted other means to disclose information (e.g. an English website, assignment of specific personnel to collect and disclose corporate information, implementation of a spokesperson system, broadcasting of investor conferences via the company website)?	Yes		<ul style="list-style-type: none"> <li>• The Company website has both Chinese and English pages. The information is gathered and disclosed by a dedicated department.</li> <li>• The Company has also appointed a spokesperson and an acting spokesperson in place.</li> <li>• Investor conferences are held regularly and whenever deemed necessary. The proceedings are posted on the Company's website and also broadcast on the TWSE platform (at <a href="https://www.compal.com/investor-relations/financial-release/">https://www.compal.com/investor-relations/financial-release/</a>).</li> </ul>	No deviations were found
3. Does the Company announce and declare the annual financial report within two months after the end of the fiscal year and announce and declare the first, second, and third quarter financial reports and the operation of each month ahead of the required time limit?		No	The Company financial reports were not able to be announced and filed within two months after the fiscal year end. However, the date of the Company's announcing and filing financial reports for annual and quarterly, such as first, second, third, as well as business operational results for each month were earlier than that of statutory request.	The Company will carefully assess the probability of announcing and filing annual financial reports within two months after the fiscal year end.



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	
VIII. Does the company offer other vital information (including but not limited to employee rights, employee care, investor relationships, supplier relationships, stakeholders' interests, continuing education of directors/supervisors, risk management policies, risk assessment standard implementation status, implementation status of customer policies, insuring against liabilities of company directors and supervisors) that would enable a better understanding of the company's corporate governance practices?	Yes		<ul style="list-style-type: none"> <li>• Employee rights and care for employees (page 52)</li> <li>• Code of conduct for directors, managers, and employees (page 52)</li> <li>• Investor relations (page 53)</li> <li>• Supplier relations and execution of customer policy (page 53-54)</li> <li>• Stakeholders' interests (page 54)</li> <li>• Risk management practice and framework (page 54-56), Risk analysis (page 171-176)</li> <li>• Purchasing liability coverage for the company's directors, supervisors, and managers (page 56)</li> <li>• Continuing education for directors and managers (page 57-58)</li> <li>• Succession plan for Board members and key Management team (page 58)</li> <li>• Certificate and qualification acquisition status for personnel (page 59)</li> </ul>	No deviations were found

Assessment criteria	Actual governance			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
<p>IX. State the improvements that have been made with regards to the results of the latest Corporate Governance Evaluation conducted by TWSE in the most recent year. For items that have yet to be improved upon, state the Company's priorities and measures for improvement.</p> <ul style="list-style-type: none"> <li>• With regards to the further education of Directors (including Independent Directors), Compal has advocated and encouraged Directors to take part in courses on the pertinent regulations offered by subsidiary Kinpo Group Management Consultant Company or training provided by external professional organizations. In 2019, members of the Board of Directors completed a total of 24 hours of training.</li> <li>• In 2019, the amendment to the "Articles of Incorporation," "Procedures for Acquisition or Disposal of Assets," "Procedures for Financial Derivatives Transactions," "Procedures for Endorsements and Guarantees," "Procedures for Lending Funds to Other Parties," "Corporate Governance Best-Practice Principles," "Rules and Procedures for Board of Directors Meetings" and "Ethical Corporate Management Best Practice Principles" were proposed to accommodate the business needs and the requirements of applicable laws and regulations. The Board of Directors approved the policies that were based on integrity accordingly. In addition, the Board of Directors and the management had issued "The statement of compliance with the Ethical Corporate Management Best Principles".</li> <li>• In 2019, with setting forth a performance target to improve the operation efficiency of the Board of Directors, the "Rules of Self-Evaluation of the Board of Directors and Functional Committees Performance" was enacted. , In addition, the enactment to the "Colleague Integrity Code" has made and the amendment to the ""Rules and Procedures for Board of Directors Meetings," "Audit Committee Charter," "Remuneration Committee Charter," "Corporate Governance Best-Practice Principles," "Corporate Social Responsibility Best Practice Principles" and "Procedures for Ethical Management and Guidelines for Conduct" are completed to accommodate the business needs and the requirements of applicable laws and regulations.</li> <li>• In the "6<sup>th</sup> Round of Corporate Governance Evaluations" by TWSE, Compal was placed in the top 6%~20% listed companies.</li> <li>• The Company will provide the quarterly financial report in English from the first quarter of 2020.</li> </ul>				

A. Status of board member diversification :

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

Item		Director	Independent Director
Age	31 ~ 50 years old	1	0
	51~65 years old	5	0
	65 years and over	6	3
Gender	Male	12	3
	Female	0	0
Country of Citizenship	Republic of China	11	3
	United States	1	0
Employee Status (Note)		5	0

Note: Concurrently an employee of the Company, subsidiaries companies.

B. The status of Compal's corporate governance operations for 2019 is as follows:

- Compiled and prepared relevant documents needed for the Audit Committee and the Board of Directors' Meetings in accordance with pertinent regulations and operational/financial needs; and be responsible for coordination of relevant units and coordination of proposal making from different relevant units.
- Pursuant to amendments to pertinent regulations, operations needs and corporate governance, partial revisions have been made to the "Articles of Incorporation," "Procedures for Acquisition or Disposal of Assets," "Procedures for Financial Derivatives Transactions," "Procedures for Endorsement and Guarantee," "Procedures for Lending Funds to Other Parties," "Corporate Governance Best-Practice Principles," "Rules and Procedures for Board of Directors Meetings," "Ethical Corporate Management Best Practice Principles" and the Company formulates policies that are based on integrity accordingly, all of which have been submitted to the Board of Directors for approval.
- Planned the communication meeting between Independent Directors, Internal Audit Supervisors and CPA to have the Audit Committee determine the independence and fitness of the CPA engaged by the Company as a measure to ensure sound corporate governance. For the records of the communication meetings, access Compal's website.
- Pursuant to "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies," Compal has advocated and encouraged Directors to take part in the courses on pertinent regulations offered by subsidiary Kinpo Group Management Consultant Company or by external professional organizations.
- Disclosed and announced important information in conjunction with Board of Directors Meetings, Shareholders Meetings, financial and sales information; in addition, the Company has also held investor conferences at least two times annually, and has been invited to attend domestic/overseas investor conferences to help investors better understand the Company's status of operation.
- Registered the date for Shareholders Meetings as required by law; prepared meeting notifications within the scheduled deadline, meeting handbook and meeting minutes and filing; coordinated relevant units, agents for stock affairs, CPA, attorneys and so forth.
- .Contents on the chapter for corporate governance – responsible for the collection of data, compilation of stock affairs data, coordination of different units and editing.
- Corporate governance evaluation – responsible for the collection of data, compilation of stock affairs data, coordination of different units and website maintenance.
- The Company has offered liability coverage for directors, supervisors and managers. The amount for their liability insurance in 2019 came to USD 50,000 thousand, which was roughly equivalent to NTD 1,525,000 thousand. Vital information relating to their liability insurance was reported to the Board of Directors on the meeting of the Board of Directors.
- Continuing education for the Corporate Governance Officer is offered in total 21 hours. The exact education program, please see page 58.

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

### ■ **Employees' rights and care for employees**

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

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

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

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

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

### ■ **Codes of conduct for directors, managers, and employees**

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

- Comply with government regulations.
- Protect the interests of employees, customers, shareholders, suppliers, communities, and relevant

organizations.

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

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

## ■ **Investor relations**

The Company has an Investor Relations Department available to handle shareholders' recommendations. The department bridges communication between the Company and its investors. In addition to hosting investor seminars on a regular and ad-hoc basis, the department has also created an Investor Relations section on the Company's website to facilitate complete and fair disclosure of Compal's latest progress, and thereby provide investors with full understanding of the Company's business performance and long-term goals. In 2019, Compal organized two investor conferences on its own and was invited to participate in four investor forums hosted by foreign brokers, which it used as a means to promote investors' understanding towards the Company's operations.

## ■ **Supplier relations and execution of customer policy**

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

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

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

The Company operates throughout Europe, America, and Asia, and has service centers established at main business locations to provide customers with safe and high-quality products, as well as complete and correct product information. The Company addresses customer complaints actively and immediately.

It accepts customers' audit requests, participates in customers' activities, and handles critical correspondences in a confidential manner. The Company has always been protective of customers' secrets. It has firewalls in place to block exchange of confidential information between customers, teams, office areas, and factories. A specialized team has been assembled to monitor the security of network information from time to time for the protection of customers' interests. Meanwhile, all employees are required to sign a confidentiality agreement that prohibits them from openly discussing customers' details. It is the organization's goal to provide customers with the most comprehensive service network and the best protection anywhere in the world. There has been no violation of law concerning the offering and use of products or services.

## ■ Stakeholders' interests

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

## ■ Risk management

### 1. Risk management practice

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

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

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

- The first level involves the organizer or handling officer, who is responsible for risk discovery,

assessment and control at first contact, as well as designing preventive measures against risks.

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

(3) From the implementation perspective, all the divisions of the company evaluate various business risks to make contingency plans, while preparing annual budget and work plan. At the same time, the internal audit office drafts the annual audit plans for the coming year based on the risk assessment of operating activities. The annual audit plan is implemented after being approved by the Board of Directors, and the execution status is also reported to the Board of Directors. Given the Company's role as an ODM for 5C electronics, we review and assess business risks on an annual basis, and reflect our findings in the financial statements under accounts such as allowance for doubtful debts, warranty reserves, and royalties. All provisioning policies are submitted to the CPA for review whenever adjustments are made. This is to ensure that financial reports present a fair view of the Company's operations. Furthermore, the Company has dedicated personnel appointed to monitor and control exchange rate risks, and take hedging measures as necessary (please refer to page 171).

(4) If an important operating activity is identified with a potential urgent risk, it can be reported to the supervisor immediately for proper prevention. For extremely important matters, such as investments or engineering bidding, will be jointly reviewed by relevant departments. Audits will be performed on a regular or irregular basis.

## 2. Risk management framework

Key risk areas	Front line unit (Business organizer) (Level 1)	Risk review and control (Executive management meeting) (Level 2)	Board of directors, Audit Committee, Legal Affairs Office, Auditing Office (Level 3)
<ul style="list-style-type: none"> <li>• Interest rate, exchange rate, inflation and financial risks</li> <li>• High-risk or highly leveraged investment, loan to third party, endorsement, guarantee, trading of derivatives and treasury investment</li> </ul>	<ul style="list-style-type: none"> <li>• Finance Department</li> </ul>	<ul style="list-style-type: none"> <li>• Operation Team</li> </ul>	<ul style="list-style-type: none"> <li>• Legal Affairs Office: Oversees legal affairs and makes suggestions on risk identification, assessment and prevention</li> </ul>
<ul style="list-style-type: none"> <li>• R&amp;D planning</li> <li>• Changes in policy and law</li> <li>• Changes in technology and industry</li> <li>• Changes in corporate image</li> <li>• Investment, subsidiary and</li> </ul>	<ul style="list-style-type: none"> <li>• Business departments/centers (Note 1)</li> <li>• Common departments (Note 3)</li> </ul>	<ul style="list-style-type: none"> <li>• Corporate investment review</li> <li>• Executive management meeting</li> <li>• Subsidiaries monitoring and management report</li> </ul>	<ul style="list-style-type: none"> <li>• Auditing Office: Risk inspection, evaluation, supervision, improvement and reporting</li> </ul>



M&A benefits			<ul style="list-style-type: none"> <li>• Board of Directors, Audit Committee: Decision-making and ultimate control over risk evaluation</li> </ul>
<ul style="list-style-type: none"> <li>• Expansion of factory, production site and equipment</li> <li>• Centralized purchase or sale</li> </ul>	<ul style="list-style-type: none"> <li>• Business departments/centers (Note 1)</li> <li>• Common departments (Note 3)</li> </ul>	<ul style="list-style-type: none"> <li>• Monthly operating meeting</li> <li>• Production and marketing meeting</li> </ul>	
<ul style="list-style-type: none"> <li>• Equity transfer involving directors, supervisors, and major shareholders</li> <li>• Change of management</li> </ul>	<ul style="list-style-type: none"> <li>• Share administration affairs</li> <li>• Board of Directors</li> </ul>	<ul style="list-style-type: none"> <li>• Share administration affairs</li> <li>• Head of Finance/Accounting</li> </ul>	
<ul style="list-style-type: none"> <li>• Litigation and non-contentious cases</li> <li>• Handling of product safety incidents</li> <li>• Other operational affairs</li> </ul>	<ul style="list-style-type: none"> <li>• Product risk management</li> <li>• Managers of all levels</li> </ul>	<ul style="list-style-type: none"> <li>• Legal affairs</li> <li>• Business groups/centers (Note 2)</li> </ul>	
<ul style="list-style-type: none"> <li>• Personnel behaviors, ethics, and conduct</li> </ul>	<ul style="list-style-type: none"> <li>• Managers of all levels</li> <li>• HR &amp; Administration</li> </ul>	<ul style="list-style-type: none"> <li>• Personnel Evaluation Committee</li> </ul>	
<ul style="list-style-type: none"> <li>• Rules (including SOP), internal control system and compliance with regulations</li> </ul>	<ul style="list-style-type: none"> <li>• Managers of all levels</li> </ul>	<ul style="list-style-type: none"> <li>• Legal Affairs Office</li> <li>• Investment Planning and Management Office</li> <li>• Auditing Office</li> <li>• Finance</li> <li>• Accounting</li> <li>• HR &amp; Administration</li> <li>• IT</li> </ul>	
<ul style="list-style-type: none"> <li>• Board of Directors Meetings</li> </ul>	<ul style="list-style-type: none"> <li>• Share administration affairs</li> <li>• Secretary of the Board of Directors</li> </ul>	<ul style="list-style-type: none"> <li>• Legal Affairs Office</li> <li>• Auditing Office</li> </ul>	
<ul style="list-style-type: none"> <li>• Prevention of insider trading</li> </ul>	<ul style="list-style-type: none"> <li>• Managers of all levels</li> </ul>	<ul style="list-style-type: none"> <li>• Insider Trading Prevention Office</li> </ul>	
<ul style="list-style-type: none"> <li>• Information security management</li> </ul>	<ul style="list-style-type: none"> <li>• Managers of all levels</li> </ul>	<ul style="list-style-type: none"> <li>• Information Security (ISMS) Committee</li> <li>• Information Security Team</li> </ul>	

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

■ **Purchasing liability coverage for the Company’s directors, supervisors, and managers**

Starting from 2002, the Company has been purchasing liability coverage for directors, supervisors, and managers. The amount for their liability insurance in 2019 came to USD 50,000,000, which was roughly equivalent to NTD 1,525,000,000. Vital information relating to their liability insurance was reported to the Board of Directors on February 14, 2020.

■ Continuing education for directors and managers

All directors and managers are equipped with relevant professional knowledge and skills. In addition to offering relevant information both on a regular and intermittent basis to directors and managers, the Company would also organize seminars and workshops when deemed necessary. Training completed by directors and managers in 2019 include:

Title	Name	Date of training	Organized by	Course title	Hours of training
Director	Charng-Chyi Ko	2019.07.23	Kinpo Group Management Consultant Company	Global Economy and Foreign Exchange Rate Outlook in the Storm of Trade War	2
Director	Chiung-Chi Hsu	2019.07.23	Kinpo Group Management Consultant Company	Global Economy and Foreign Exchange Rate Outlook in the Storm of Trade War	2
Independent Director	Min Chih Hsuan	2019.12.18	Taiwan Corporate Governance Association	Compliance of Company Law and Director's Supervision Obligation	3
		2019.12.18	Taiwan Corporate Governance Association	How insider trading is avoided in Corporate, Directors and Supervisors?	3
Independent Director	Duei Tsai	2019.07.23	Kinpo Group Management Consultant Company	Global Economy and Foreign Exchange Rate Outlook in the Storm of Trade War	2
		2019.09.17	Taiwan Corporate Governance Association	Introduction of important contract terms of corporate mergers and acquisitions	3
		2019.11.25	Taiwan Corporate Governance Association	Risk of global and Corporate Social Responsibility	3
Independent Director	Duh Kung Tsai	2019.11.13	Taiwan Corporate Governance Association	Understanding and case analysis of money laundering prevention and combating capital terrorism	3
		2019.11.13	Taiwan Corporate Governance Association	Management and prevention of new generation enterprise threat : Analysis of big data and detection of company fraud	3
Vice President	Cheng-Hui Su	2019.02.01	Compal Electronics, Inc.	Management for the prevention of insider trading (Senior managers)	0.58
Vice President	Tu-Chuan Tu	2019.02.01	Compal Electronics, Inc.	Management for the prevention of insider trading (Senior managers)	0.58
Vice President	Chang-Chieh Tien	2019.02.01	Compal Electronics, Inc.	Management for the prevention of insider trading (Senior managers)	0.58
Vice President	Cheng-Chiang Wang	2019.02.15	Compal Electronics, Inc.	Management for the prevention of insider trading (Senior managers)	0.58
Vice President	Guo-Dung Yu	2019.12.31	Compal Electronics, Inc.	Management for the prevention of insider trading (Senior managers)	0.58
Accounting Officer	Cheng-Chiang Wang	2019.12.9~ 2019.12.10	Accounting Research and Development Foundation	“Training program for the new Accounting Officer” The class for the new Accounting Officer, requested due to the company share exchange/transaction on public	12

Title	Name	Date of training	Organized by	Course title	Hours of training
				place.	
Corporate Governance Officer	Cheng-Chiang Wang (Note)	2019.08.21	Accounting Research and Development Foundation	Compliance for listed companies in the matter of appointment of independent directors & audit committees	3
		2019.11.1	Taiwan Corporate Governance Association	Key audit matters and corresponding strategies for the board of directors to learn	3
		2019.12.09	Accounting Research and Development Foundation	Application and legal liability in Business Judgment Rule under economic crime	3
		2019.12.09	Accounting Research and Development Foundation	Rules and practices in compliance with the Corporate Governance Roadmap 2018~2020	3
		2019.12.13	Taiwan Corporate Governance Association	The practice of Audit Committee	3
		2020.02.18	Taiwan Corporate Governance Association	Functions and tasks of corporate governance personnel under the corporate governance blueprint	3
		2020.03.06	Taiwan Corporate Governance Association	Shareholders meeting planning and case study	3
Internal Audit Officer	Powen Hsieh	2019.12.16	Accounting Research and Development Foundation	How to respond the impact of the Corporate Governance Roadmap (2018~2020) for internal audit	6
		2019.12.20	Accounting Research and Development Foundation	Regulatory issues and common risk patterns of the information security and personal privacy for internal audit	6

Note: Corporate Governance Officer Cheng-Chiang Wang took office on May 13, 2019.

#### ■ Succession plan for Board members and key Management team

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

In response to the future growth, the Company will continue to invest in the talents and promote the key management team's experience sharing and inheritance, through the arrangement of the regular "Group General Managers Meetings" and "Executive Management Meetings." This plan and mechanism will enable the Company to achieve its long-term sustainability goals.

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

Name of certificate	No. of persons
CPA qualification	6 persons
USCPA qualification	2 persons
Senior Securities Specialist	11 persons
Securities Specialist	5 persons
Futures Specialist	4 persons
Securities Investment Trust and Consulting Professional	5 persons
Certified Internal Auditor - Taiwan	2 persons
Certified Internal Auditor	2 persons
Chartered Financial Analyst	1 person

### 3.3.4 Composition, Responsibilities, and Operations of the Remuneration Committee

#### A. Professional Qualifications and Independence Analysis of Remuneration Committee Members

Title (Note 1)	Criteria	Having Met One of the Following Professional Qualifications, Together with at Least Five Years Work Experience			Independence Criteria (Note 2)										Number of Other Public Companies in Which the Individual is Concurrently Serving as an Remuneration Committee Member	Remarks
		An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the Company in a public or private junior college, college or university	A judge, public prosecutor, attorney, Certified Public Accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the Company	Having work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company	1	2	3	4	5	6	7	8	9	10		
Independent Director	Min-Chih Hsuan			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	-
Independent Director	Duei Tsai			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2	-
Independent Director	Duh-Kung Tsai			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	-

Note: If the director or supervisor meets the following conditions in the two years before the election and during the term of office, please mark "✓" in the space below each condition code.

- (1) Not an employee of the Company or its affiliated enterprises.
- (2) Not a director or supervisor of the Company or its affiliated enterprises (except for concurrent independent directors of the Company and its parent company, subsidiaries, or subsidiaries of the same parent company in accordance with this Act or local laws and regulations).
- (3) A natural person shareholder who or whose spouse or minor children or in another person's name does not hold more than 1% of the total issued shares of the Company or is not a top-ten shareholder.
- (4) Not a manager in (1) the spouse, second-tier relatives, or third-tier relatives of the persons listed in (2) or (3).
- (5) A director, supervisor, or employee of a corporate shareholder who does not directly hold more than 5% of the total issued shares of the Company or is a top-five shareholder or is designated as a representative to serve as a director or supervisor of the Company in accordance with paragraph 1 or 2 of Article 27 of the Company Act (except for concurrent independent directors of the Company and its parent company, subsidiaries, or subsidiaries of the same parent company in accordance with this Act or local laws and regulations).
- (6) A director, supervisor, or employee of another company who does not have a seat on the board of directors or more than half of the shares with voting rights are controlled by the same person of this company (except for concurrent independent directors of the Company and its parent company, subsidiaries, or subsidiaries of the same parent company in accordance with this Act or local laws and regulations).
- (7) A director, supervisor, or employee of another company or institution who is not the same person or spouse as the Chairman, President, or an equivalent position of the Company (except for concurrent independent directors of the Company and its parent company, subsidiaries, or subsidiaries of the same parent company in accordance with this Act or local laws and regulations).
- (8) A director, supervisor, or manager of another company or institution which does not have financial or business dealings with the Company or a shareholder holding more than 5% of the shares of the Company (not applicable if the Company or institution holds more than 20% but no more than 50% of the total issued shares of the Company, with concurrent independent directors of the Company and its parent company, subsidiaries, or subsidiaries of the same parent company in accordance with this Act or local laws and regulations).
- (9) A professional, sole proprietor, partner, business owner or partner, director, supervisor, manager, or the spouse of the above of a company or institution which does not provide audit services to the Company or its affiliated enterprises or the cumulative remuneration amount of which in the past two years does not exceed NT\$500,000 for business, legal affairs, finance or accounting related services. However, this does not apply to the members of the remuneration committee, public takeover review committee, or special merger and acquisition committee who perform their functions in accordance with the Securities and Exchange Act or the Business Mergers and Acquisitions Act.
- (10) There are no such circumstances as in Article 30 of the Company Act.

## B. Attendance of Members at Remuneration Committee Meetings

- The Company elected three members of the Remuneration Committee.
- The term of the 4<sup>th</sup> committee is from July 4, 2018 to June 21, 2021.
- There were four Remuneration Committee meetings during 2019(A) and the committee member qualifications and attendance records are as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) [B/A]	Remarks
Convener	Min-Chih Hsuan	4	0	100%	-
Committee Member	Duei Tsai	4	0	100%	-
Committee Member	Duh-Kung Tsai	3	1	75%	-

### ■ Functions and Tasks of the Remuneration Committee

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

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

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

Board of Directors Meeting	Resolution Adopted by the Remuneration Committee
6 <sup>th</sup> Meeting (13 <sup>th</sup> Term) 2019.3.22	1. To approve the distribution of compensation to employees and directors for 2018 ▲ Resolution Adopted by the Remuneration Committee (2019.3.22): Upon solicitation of comments by the Chairman, there was no objection addressed and the resolution was adopted unanimously by the Committee Members present.
	▲ Action taken by the Company in Response to the Opinion of the Remuneration Committee: Upon solicitation of comments by the Chairman, there was no objection addressed and the resolution was adopted unanimously by the Directors present.
8 <sup>th</sup> Meeting (13 <sup>th</sup> Term) 2019.5.13	1. To approve the 1st mid-year bonus of 2019
	2. Salary adjustment of 2019
	3. To approve the percentage of compensation to employees and directors for 2019 ▲ Resolution Adopted by the Remuneration Committee (2019.5.13): Upon solicitation of comments by the Chairman, there was no objection addressed and the resolution was adopted unanimously by the Committee Members present.
	▲ Action taken by the Company in Response to the Opinion of the Remuneration Committee: • Motion 1 and 2: In accordance with the Company's Regulations Governing the Proceedings of Board of Directors Meetings, to avoid conflict of interest, Directors Jui-Tsung Chen, Chung-Pin Wong, Ming-Chih Chang and Sheng-Hua Peng, who are also acting as managerial

Board of Directors Meeting	Resolution Adopted by the Remuneration Committee
	<p>officers of Compal, avoided discussion and voting on this proposal. Upon solicitation of comments by the chairman, there was no objection addressed and the resolution was adopted unanimously by the remaining Directors present.</p> <ul style="list-style-type: none"> <li>• Motion 3: Upon solicitation of comments by the Chairman, there was no objection addressed and the resolution was adopted unanimously by the Directors present</li> </ul>
9 <sup>th</sup> Meeting (13 <sup>th</sup> Term) 2019.8.13	1. To approve the Directors' remuneration of 2018
	2. To approve the 2nd mid-year bonus of 2019
	<p>▲ Resolution Adopted by the Remuneration Committee (2019.8.13): Upon solicitation of comments by the Chairman, there was no objection addressed and the resolution was adopted unanimously by the Committee Members present.</p>
	<p>▲ Action taken by the Company in Response to the Opinion of the Remuneration Committee:</p> <ul style="list-style-type: none"> <li>• Motion 1: Chairman Sheng-Hsiung Hsu asked the Independent Director Min-Chih Hsuan to act as a deputy chairman to preside at this meeting for discussion and voting on this proposal. Since an interested party relationship exists, the Directors (i.e., Sheng-Hsiung Hsu, Jui-Tsung Chen, Wen Being Hsu, Shyh-Yong Shen [ attended by proxy of Sheng-Hsiung Hsu ] , Charng-Chyi Ko, Sheng-Chieh Hsu, Yen-Chia Chou, Chung-Pin Wong, Chiung-Chi Hsu, Ming-Chih Chang, Sheng-Hua Peng), recused themselves from discussion and voting on this proposal to avoid conflict of interest. Upon solicitation of comments by the deputy chairman, there was no objection addressed and the resolution was adopted unanimously by the remaining Directors present.</li> <li>• Motion 2: In accordance with the Company's Regulations Governing the Proceedings of Board of Directors Meetings, to avoid conflict of interest, Directors Jui-Tsung Chen, Chung-Pin Wong, Ming-Chih Chang and Sheng-Hua Peng, who are also acting as managerial officers of Compal, avoided discussion and voting on this proposal. Upon solicitation of comments by the chairman, there was no objection addressed and the resolution was adopted unanimously by the remaining Directors present.</li> </ul>
10 <sup>th</sup> Meeting (13 <sup>th</sup> Term) 2019.11.11	1. To approve employee compensation in cash of 2018
	2. To approve the year-end bonus payment of 2019
	<p>▲ Resolution Adopted by the Remuneration Committee (2019.11.11): Upon solicitation of comments by the Chairman, there was no objection addressed and the resolution was adopted unanimously by the Committee Members present.</p>
	<p>▲ Action taken by the Company in Response to the Opinion of the Remuneration Committee:</p> <ul style="list-style-type: none"> <li>• Motion 1 and 2: In accordance with the Company's Regulations Governing the Proceedings of Board of Directors Meetings, to avoid conflict of interest, Directors Jui-Tsung Chen, Chung-Pin Wong, Ming-Chih Chang and Sheng-Hua Peng, who are also acting as managerial officers of Compal, avoided discussion and voting on this proposal. Upon solicitation of comments by the chairman, there was no objection addressed and the resolution was adopted unanimously by the remaining Directors present.</li> </ul>

■ Other notes:

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



### 3.3.5 Corporate Social Responsibility

Assessment criteria	Actual governance			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
1. Does the Company conduct risk assessment on environmental, social, and corporate governance issues related to the Company's operation in accordance with the principle of materiality and formulate relevant risk management policies or strategies?	Yes		The Company at least once a year in accordance with CSR materiality collects and reviews issues that stakeholders concern about, evaluates risks on material issues and formulates strategies and goals to respond to the risks as well as completely implements the strategies and goals.  In 2019, the Company collects material issues on economic, environment and social to formulate strategies and implement management.	No deviations were found
2. Has the Company set up a full-time (or part-time) unit to promote corporate social responsibility, which is authorized by the board of directors to be handled by the senior management and reported to the board of directors?	Yes		The Company has established a CSR Committee and a dedicated unit responsible for the prevention of insider trading. The Committee consists of members of senior management authorized by the Board of Directors to oversee affairs pertaining to CSR and integrity management. In addition, Compal has also initiated its CSR Office with designated personnel to handle the promotion of relevant tasks resolved by the CSR Committee. For the 2019 Corporate Social responsibility operation and implementation please refer to page 69, the targets and plans of 2020 Corporate Social Responsibility please refer to page70. The results of implementation are also disclosed in our Annual Report, CSR Report, and on our corporate website/CSR sustainability website.	No deviations were found
3. Environmental issues.				
(1) Has the Company established an appropriate environmental management system according to its industrial characteristics?	Yes		The Company began its implementation of ISO 14001 Environment Management System in April 1997. Quality and environmental safety policies were created in 2005 to guide the Company's efforts on employee workplace safety and corporate responsibilities. Operating procedures and environmental/safety/health management systems have been established based on government regulations and international standards such as ISO 45001. The Company adopts proper communication channels to convey its environmental and safety policies and goals to employees, suppliers, contractors, surrounding neighbors, and interest groups.	No deviations were found

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	
(2) Is the Company committed to improving the efficiency of resource utilization and using recycled materials with a low impact on the environment?	Yes		Throughout the "product life cycle," we consider the environmental impacts of raw material procurement, manufacturing, transportation and distribution, consumer use and disposal, etc., at the beginning of product design. In addition to focusing on user needs, functionality and additional Value, the R&D team is more focused on product development and design from the perspective of "environmental load minimization" at each stage, covering at least the three core directions of "green materials," "energy efficiency," and "ease of dis-assembly/recycling." Improve production line yield and energy efficiency, develop, and use recycled materials stably, design energy-saving products to reduce energy consumption during reuse, and increase the recoverable proportion of waste entering the waste phase	No deviations were found
(3) Does the Company assess the potential risks and opportunities of climate change for the enterprise now and in the future and take measures to deal with climate-related issues?	Yes		Extreme weather conditions caused by global warming and climate change have caused significant impact to the world and Taiwan and posed unprecedented challenges to mankind. Apart from mitigation, we must also begin adaptation operations since climate change is inevitable. Adaptation applies not only to individuals, but to corporations as well, for it is important for companies to minimize business risks caused by extreme weather, which will require extensive and thorough risk assessments in order to turn risks into opportunities. Attach a climate-related risk and opportunity identification table, Please see page 72.	No deviations were found

Assessment criteria	Actual governance			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies															
	Yes	No	Summary description																
(4) Does the Company prepare statistics of greenhouse gas emissions, water consumption, and the total weight of waste in the past two years and formulate policies for energy conservation and carbon reduction, greenhouse gas reduction, water consumption reduction, or other waste management?	Yes		<p>The Company began its greenhouse gas surveys (scopes 1 and 2) and carbon footprint inventory as early as 2010. Starting from 2014, the Company has conducted greenhouse gas (scopes 3) inventory on a yearly basis. In 2015, Compal was included in the CDP Climate Disclosure Leadership Index (“CDLI”) for the first time. The Company has actively participated in the Carbon Disclosure Project (“CDP”) as a means to improve its response to climate changes. The CDP achieves its purpose by assessing a company’s carbon emissions, reduction progress, compliance risks and exposure to physical risks in the hopes of reducing operational risks and costs through autonomous carbon reduction or even turning risks into opportunities to ensure the Company’s sustainability. In order to reduce the environmental impact of Compal's operations, we actively promote water saving and waste reduction in each plant area, and record the water consumption and the total amount of various types of waste of the latest 2 years attached as follows:</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th colspan="3" style="text-align: right;">Unit: Tons</th> </tr> <tr> <th style="text-align: center;">Items</th> <th style="text-align: center;">2018</th> <th style="text-align: center;">2019</th> </tr> </thead> <tbody> <tr> <td>Total greenhouse gas emissions</td> <td style="text-align: center;">282,796</td> <td style="text-align: center;">301,471</td> </tr> <tr> <td>Total water consumption</td> <td style="text-align: center;">2,286,986</td> <td style="text-align: center;">2,184,654</td> </tr> <tr> <td>Total waste</td> <td style="text-align: center;">19,035</td> <td style="text-align: center;">11,759</td> </tr> </tbody> </table> <p>Note: For the detailed contents, please refer to CSR Reports.</p>	Unit: Tons			Items	2018	2019	Total greenhouse gas emissions	282,796	301,471	Total water consumption	2,286,986	2,184,654	Total waste	19,035	11,759	No deviations were found
Unit: Tons																			
Items	2018	2019																	
Total greenhouse gas emissions	282,796	301,471																	
Total water consumption	2,286,986	2,184,654																	
Total waste	19,035	11,759																	
4. Social issues																			
(1) Has the Company formulated relevant management policies and specific management plans in accordance with relevant laws and regulations and International Human Rights Conventions?	Yes		<p>The Company places great emphasis on equal opportunities and business ethics. It has policies and systems in place to ensure compliance with international conventions. The Company and all its subsidiaries throughout the world have established employment guidelines according to international human rights conventions and local labor regulations. All employment terms have been assured to conform with the laws of the local country or region. Out of respect to labor rights, the Company changes its policies and rules in line with the latest regulations, and announces them to the understanding of all its employees. For the purpose of maintaining harmonic employer-employee relations, a communication platform has been created to enable exchange of opinions and information between the Company and its employees.</p>	No deviations were found															

Assessment criteria	Actual governance			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
(2) Has the Company established and implemented reasonable employee welfare measures (including compensation, vacation, and other benefits) and properly reflected the operating performance or the results of employee compensation?	Yes		The Company has enacted the work rules including the regulations of wage, working hours, leave, pension, social insurance and occupational disaster compensation...etc. and has set up Committee of employees' welfare for benefit planning and execution. Pursuant to the Articles of Incorporation, when the Company makes profit in a year, no more than 2% of the Company's pre-tax profit (not including remuneration for employees and Directors) shall be appropriated to employees. The aforementioned bonus, adjustment in wages, and employee compensations are reviewed by the Remuneration Committee and resolved by the Board of Directors. The Company's remuneration policy is based on personal ability, contribution to the company, performance, and is considered to be a correlation between operating performance and the positive correlation.	No deviations were found
(3) Does the Company provide employees with a safe and healthy work environment? Are employees trained regularly on safety and health issues?	Yes		The Company is well-aware of how significantly "workplace safety and health" affects a company, its employees, and stakeholders. This was the reason why the Company has enhanced its environmental, safety, and quality policies and obtained ISO14001 and ISO45001 certification, which requires all departments to implement proper safety and health practices, as well as regular training on matters such as fire safety equipment, utility plans, waste disposal, emergency response procedures, etc. The Company organizes health and safety training for employees on a regular basis as a means to prevent occupational hazards and ensure workplace safety. In 2019, 2,246 employees had completed their training for a total of 4,623 hours.	No deviations were found
(4) Has the Company established an effective career development training program for its employees?	Yes		Annual training programs are tailored to suit the needs of different employees, based on the Company's business strategies, policy guidelines, and career roadmaps. The Company constantly aims to establish itself as a learning organization and coaching management.	No deviation was found
(5) Does the Company follow relevant laws and regulations and international standards for customer health and safety, customer privacy, marketing and labeling of products and services and formulate relevant policies and grievance procedures to protect the rights and interests of consumers?	Yes		The Company is an OEM/ODM. It manufactures TV sets, notebooks, cell phones and electronics for the world's top brands. All products are printed with customers' trademarks, names, and labeling that conform with relevant laws and international guidelines. However, the Company does not print its own logos or names on the products it produces. Until customers have officially launched their products, employees are not allowed to disclose product appearance, design, specifications, or technical information in any way. Compal is committed to protecting customers' information in every step along the way and is operated based on the policy and plans of Compal's "Information Security Committee." Compal aim for customers' health and safety. Maintaining customer health and safety is the most basic and important issue. All products produced by Compal have passed the IEC 60950-1	No deviations were found

Assessment criteria	Actual governance			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
			certification standard, and have never violated product safety and health regulations and voluntary regulations and the development of Halogen-free products and construction of a more robust production capacity are our promise and responsibility.	
(6) Does the Company have a supplier management policy that requires suppliers to follow relevant specifications and their implementation in environmental protection, occupational safety and health, or labor human rights issues?	Yes		Compal adopts the policy of signing procurement agreements with every new supplier it engages with. The purpose of such agreements are to prohibit any unfair, unjust or discriminative behaviors in the procurement process, and to reiterate that: all products supplied to Compal must conform to international, national, and regional environmental regulations. Suppliers will be held responsible for any violations against the agreement. Apart from procurement contracts, starting from 2009, all new suppliers collaborating with Compal have been required to sign a contract of compliance to abide by RBA's code of conduct and standards, with contents covering the five major aspects of RBA's code of conduct: Labor, Health and Safety, Environment, Ethic, Management along with an additional clause on the non-use of conflict minerals. The policy has been effective ever since. Each year, we select suppliers involved in transactions of substantial amounts with greater disruption risks as the target of audit. We adopt RBA's VAP for our audit process. We audited 24 suppliers in China in 2019.	No deviations were found
5. Does the Company prepare the Corporate Sustainability and Social Responsibility Report and other reports that disclose the Company's non-financial information in accordance with the international reporting standards or guidelines? Is the aforesaid report confirmed or guaranteed by a third-party verification unit?	Yes		The Company has been preparing annual CSR reports and disclosing them to stakeholders on its website since 2010. The CSR report was first certified by an external institution in 2012. The Company adopted Global Reporting Initiative's most updated guidelines (GRI Standards, published in 2016) to prepare its 2019 CSR report. The report was compiled based on issues concerning stakeholders and the Company's key objectives. To ensure the credibility of reported contents, the Company commissioned SGS to provide independent assurance based on the criteria specified in AA 1000 AS and GRI Standards. After their assurance, the report was certified to meet AA 1000 AS Standard Type 2, mid-level accountability and GRI Standards application core requirements. The Company was awarded Silver or Bronze Awards by Taiwan Institute for Sustainable Energy for its "Taiwan Corporate Sustainability Report Award" in 2014-2019 and a Platinum Award in 2019.	No deviations were found

■ The operation and implementation of Corporate Social Responsibility in 2019

Item	Results
Corporate Governance	<ol style="list-style-type: none"> <li>1. We were awarded the 5th Corporate Governance Evaluation top 6-20% in the Public traded company group, which was held by Taiwan Stock Exchange (“TWSE”).</li> <li>2. We were selected into the FTSE4GOOD Index for four consecutive years and in the FTSE4Good TIP Taiwan ESG Index for the second consecutive years.</li> <li>3. We were ranked 390th of Fortune Top 500, 1463<sup>th</sup> of Forbes Top 2000, 6<sup>th</sup> of Common Wealth Magazine’s Top 2000 Manufacturers and 62<sup>th</sup> of Commonwealth Magazine’s Top1000 in China, Taiwan and Hong Kong.</li> <li>4. The Compal CSR report in 2019 was certified by SGS Taiwan Ltd., by using the assurance standards of the AA1000 and GRI Standards core options. Meanwhile, the report won the Platinum Medal of 2019 Taiwan Corporate Sustainability Report Award of TCSA.</li> <li>5. We were ranked Taiwan TOP3 of Germany iF Product Design Award From 2015 ~ 2019 and 17th of iF Worldwide Design Award Gold in 2019.</li> </ol>
Supply Chain Management	<ol style="list-style-type: none"> <li>1. We implement the training and promotion of Corporate Social Responsibility (“CSR”) and the code of conduct of Responsible Business Alliance (“RBA”) for employees and suppliers. In 2019, we implemented the non-use of conflict minerals policy and completed a Survey (CMRT) of 988 suppliers' conflict minerals with a completion rate of 100%.</li> <li>2. To reinforce CSR audit and management on Tier 1 suppliers, we have audited 24 suppliers and tracked the finding correcting plans in 2019.</li> <li>3. We launched the project of supply chain management on-line platform in 2019, with an estimated construction in 2 years, and 80% completed by the end of 2019.</li> </ol>
Green Environment	<ol style="list-style-type: none"> <li>1. We participated in the Carbon Disclosure Project (“CDP”), finished the questionnaire of climate change and water safety. The 2019 climate change questionnaire achieved the management level.</li> <li>2. We constantly promote energy management. In 2019, Kunshan Plant 3, Pingzhen Plant and Chengdu Plant obtained ISO 50001 certification. Meanwhile, we applied the management model to other plants.</li> <li>3. To Promote waste reduction and recycling, Nanjing plant obtained UL2799 waste zero-landfill platinum certification.</li> <li>4. We participated in the "Waste 3C Recycling Activities" of customers. 265 Compal employees joined the event.</li> <li>5. To respond to the United Nations "SDGs 14 Life Below Water" sustainable development goals, we held a beach clean-up activity, a crab protection activity in Kenting and a “Caring for the Marine Ecology” with Nuan-nuan Elementary School at the National Museum of Marine Science &amp; Technology.</li> </ol>
Green Product	<ol style="list-style-type: none"> <li>1. In 2019, we produced 87 halogen-free notebooks, 10 halogen-free smart phones and 34 halogen-free wearable devices.</li> <li>2. Our products obtained the latest Energy Star certification, including 88.24% of NB (V7.1), 100% of the server (V3.0), and six LCDs (V8.0). 5 models of The LCD monitor passed CECP certification, and 3 models passed TCO8.0 certification.</li> </ol>
Social Welfare	<ol style="list-style-type: none"> <li>1. We continue participating in charities with the HCI foundation. In 2019, 730 employees donated more than NT\$ 3 million.</li> <li>2. We sponsored a children theater of W3 Troupe in Yunlin. Also, we held a charity painting exhibition and sale for autistic youth artists of Taiwan Curio.</li> <li>3. To promote digital mobile learning in schools in remote areas, we donated tablets, held a Taoyuan Maker Education Winter Camps and participated in Chiao Tung University's "Science and Technology Downward Plan" to help promote the information technology education for school to achieve SDGs-4 Quality Education of UN.</li> <li>4. We regularly hold volunteer service activities. In 2019, we had 9 volunteer service activities with 167 participants. We also held blood donation activities. (424 employees donated 641 units of blood)</li> </ol>
Employee Care	<ol style="list-style-type: none"> <li>1. We offer diverse care. We arrange health counseling services for employees every week. 948 employees used the service in 2019. There are various employee health</li> </ol>

Item	Results
	<p>promotion activities, including weight loss courses, health lectures and community activities to take care of employees' physical and mental health.</p> <p>2. We officially introduced the Employee Assistance Program (EAP) in 2019. EAP counseled a total of 52 cases about family issue, parenting issue, law issue and management issue. Meanwhile, we held 3 health lectures about emotion care.</p> <p>3. To improve fertility rates, we provide a NT\$ 66,000 maternity subsidy to employees for each newborn baby. 254 Compal babies were born in 2019.</p>
The programs of personnel training	<p>We organize a GOLF academic alliance with AUO and Wistron.</p> <p>In 2019, we successfully admitted 121 students to participate in a one-year internship. Also we had 193 students to register online courses and host 13 on-campus business internship sessions with a total of more than 1,000 students participating.</p>

#### ■ The targets and plans of Corporate Social Responsibility in 2020

NO.	Target	Plans
1	Focus on the product life cycle, enhance energy efficiency, reduce greenhouse gas emissions, and constantly strengthen response capabilities on extreme climate.	<p>(1)Use the temperature rise of 2 ° C as the benchmark for scenario analysis, identify risks related to climate change, improve the competitiveness of exhibits based on energy saving, and grasp green business opportunities.</p> <p>(2)Pay attention to energy consumption based on a product life cycle to strengthen or improve energy-saving from product design.</p> <p>(3)From the perspective of river basin water resources, in response to the change of natural water resources during the high and low seasons, implement water-saving measures on a quarterly basis.</p> <p>(4)In the case of constant changes in the plant area and production line, continue to promote Lean production, control the use of energy resources, create economic effects, and improve environmental efficiency and corporate competitiveness.</p>
2	Strengthen the supply chain management mechanism and complete CSR on-line platform of supply chain management	<p>(1)Complete CSR on-line platform of supply chain management by the end of 2020.</p> <p>(2)Complete the CSR data collection, analysis and tracking improvement by suppliers on the platform.</p>
3	Consistently implement the physical and mental health care in the workplace for employees and promote health and charity projects which link health care and public welfare participation.	<p>(1)We actively manage health promotion for employees who are in the moderate and high-risk group of cardiovascular diseases based on health examination results, and achievement rate is 80%.</p> <p>(2)Strengthen education and training on anti-violence in the workplace in order to protect employees' safety.</p> <p>(3)Integrate and promote the health projects with charity to achieve a win-win situation for employee health and public welfare participation.</p>
4	Focus on SDGs3 Good health & well-being, and SDGs4 Quality Education	<p>(1)Pay attention to good health and well-being of disadvantaged school kids. Also, consistently participate in charities with the HCI foundation to support life, educational quality and spiritual growth activities in rural areas.</p> <p>(2)Cooperate with the Rural Education Center of Fu Jen University on "Kangaroo Project" to enhance the quality of teaching and learning afterschool in rural areas</p> <p>(3)Continue implementing "Compal Reading Volunteer Program" to promote reading education in rural areas.</p> <p>(4)Hold beach clean-up activities every year, pay attention to the quality of environmental education and take action to protect the ocean.</p> <p>(5)Continue committing to "Action Digital Learning Program" to</p>

		enhance the quality of popular science education for school kids in rural areas.
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■ Climate-related risk and opportunity identification table

Type	Risk and Influence	Adaption and Opportunity
Transfer of Risk	· Strategy and Law	
	International trends and the environmental regulations in China have become stricter. Therefore, we are faced with fines or risks of plants closing down resulting from more environmental requests. There are also possibilities that the suppliers close down the plants or reduce the production due to environmental problems, which will lead to unstable supply and indirectly influence the efficiency of our assembly line.	1. Areas with stricter laws and regulations help us distinguish fine green suppliers and enable us to construct a complete green supply chain. 2. We voluntarily review our internal environmental disadvantages, undergoing improvement of personnel behavior and device updates to boost our green production competitiveness.
	The amendment draft of the “Renewable Energy Development Act” of Taiwan adds an article that electricity consumers who have the capacity contract higher than 800 kW must set up a renewable energy generation device or replace it with energy storage, purchase of renewable energy certificates, and payment of subsidies, which might lead to the increase of operation costs in the short term.	1. Accelerating the development of green electricity and improving the energy management. Escalating energy productivity and saving energy expenses to cut down costs. 2. The price fluctuation of the oil and electricity will influence the operation costs directly. Therefore, we effectively control the operation costs through the erection of renewable energy devices and the boost of energy management ability.
	· Technology	
	Products are faced with stricter instructions, regulations, and standards. New materials might influence reliability.	We have to handle regulations and standards from the globe and the market certainly to coordinate, research, develop, and trial run in advance. We also have to construct the development and the production capacity of green products to boost our competitiveness.
	· Market	
	Customers have gradually put emphasis on and chosen low-carbon and eco-friendly products.	We are equipped with the ability to mass produce low-carbon products, and we continue to develop new products to complete the ability of creating a green product market.
· Reputation		
If we do not coordinate with the environmental standards and regulations in advance, the client might transfer the order.	We actively engage in external advocacy to learn the international trends and bring in external guidance and the audit system, constructing complete risk assessment of climate change and the coordination strategy.	
Concrete Risks	· Acute	
	Climate change might lead to rainfall type change and the increase of frequency in rainstorms, droughts, and typhoons. These will bring about the block of road transportation, the increase of burden on AC devices, health problems and poor attendance of employees, and damage to plants and machines due to floods.	1. We monitor the rainstorm alarm system and implement an alert plan to elevate the plants located on lower land, reducing the risk of floods. 2. We established a healthcare department designated to provide fine healthcare counseling for the employees.
	· Chronic	
	1. We established a plan for water use and a drought operating team to effectively monitor and use water resources, reduce the risk of water use, and cut down the expense on water. 2. We promote the propaganda of knowledge on climate change and rescue exercises and enforce the medical resources preparation and epidemic prevention exercises to improve the health and safety awareness of employees.	

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

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

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

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

■ External initiatives and participation

As a significant member of the Earth, the Company actively participates in global and local environmental initiatives and actions. Since 2009, Compal has been participating in CDP's questionnaires on climate change, water, and supply chain carbon management. In addition, the Company takes part in the GHG Protocol developed by World Business Council for Sustainable Development ("WBCSD") and World Resources Institute ("WRI"), and the "Business Transformation Carbon Footprint Program" introduced by the Industrial Technology Research Institute ("ITRI") and Taiwan Electrical and Electronic Manufacturers' Association ("TEEMA"). The Company has been named a "Low-carbon pioneer," and is a current participant of DSJI and the Supply Chain GHG Task Force under the International Sustainability Index Promotion Alliance for Taiwanese Businesses, and took part in the Taipei Earth Day Corporate Environment Education Commitment campaign. In 2014, Compal was invited to the annual meeting of Taiwan's "Cradle to Cradle" platform. In 2015, Compal was selected as part of CDP's Climate Disclosure Leadership Index ("CDLI") for the first time. In 2019, Compal received an overall CDP Management score of B-.

■ Energy management system

Increasing productivity per unit of energy is the most fundamental solution to reducing energy consumption and greenhouse gas emission, the Company has detailed planning and implementation since 2017. The Company has completed the certification of the energy management system of PCP, KS3 and CD Plants in 2019, and has extended relevant experience to other plants.

#### ■ Supply chain carbon management

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

The Company requires all its suppliers to be certified for ISO9001 (quality management system) and ISO14001 (environmental management system), and follow EICC guidelines by signing a letter of commitment to the behavioral standards of the RBA Code of Conduct. Under this commitment, upstream suppliers are bound to comply with international, national, and local regulations with respect to all activities. In the second half of 2019, Compal launched its “Supply Chain GHG Management Program” and held seminars at various factories as a means to communicate with suppliers on how they are expected to contribute and assist in Compal's global environmental protection and quality management initiatives. Compal also took the opportunity to exchange and share experiences on CSR issues with suppliers.

#### ■ Corporate environmental education

The Company continued to incorporate environmental education and green experience into employees' training throughout 2019. Including ecological and cultural lectures such as low-carbon comfort food promotion in the local eating season, North Beach clean beach, Keelung River ecological cultural history tour, North Coast mountain conservation lecture and rehabilitation activities. The Company had provided full support from the top-down, while employees and their family members enthusiastically participated in a series of “experiential” environmental education. We rallied our employees to exercise our influence as consumers to select safe foods and sponsor quality rice fields and tea farms. The crops are later presented to clients as Chinese New Year gifts. By modifying demand, we hope to change supply and promote more sustainable agriculture, forestry, animal husbandry, and fishery. All new recruits are required to undergo 0.5 hours of online environmental training in their initial year. The course covers a variety of topics from green living, preservation of ecosystems, climate change, to green design. In the future, the Company will also make “green products” a mandatory course and introduce more advanced courses on green design issues. A core team will be assembled specifically for the purpose of improving green energy efficiency, and building up Compal's distinguished values in the ICT (Information and Communication Technologies) industry.

#### ■ Supporting social enterprises

In recent years, many social enterprises have emerged with goals to protect the environment and improve public interest. In support of their efforts, the Company encourages employees to purchase products and services offered by social enterprises, hoping that by redirecting purchasing power, we may be able to muster positive energy to solve society's problems. In 2019, Compal collaborated with Mennonite Hualien County Sheltered Workshop, I Can Sheltered Workshop, Hanner Family, Taiwan Mountain and Maritime Protection Society, and managed to raise several hundred thousand dollars of donations from employees.

#### ■ Community engagement

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

and recreation activities.

- Compal supports the “1st Neihu Technology Park Blood Donation Event” and a total of 209 employees donating 76,000 ml of blood.

#### ■ Social services

- Compal's employees have been running the “Compal Volunteer Club” since 2004. Members of this club visit disadvantaged children during weekends and guide them to reading good books. The goal of this program is to help them develop the habit of reading and the ability to think independently, and hence prepare them for the future. The volunteers have also been working with Hsu Chauing Social Welfare and Charity Foundation to provide extra-curriculum education for immigrant children. Since 2009, they have been visiting Jong Jen Elementary School, Wuhan Elementary School, Nan-Shi Primary School, Chung Ping Elementary School, Shuang Long Elementary School, Neihai Elementary School, Nan Sing Elementary School, Hsiang An Elementary School, Tien Hsin Elementary School, Hua Hsun Elementary School, Wu Cyuan Elementary School, San He Elementary School, Chung-Shing Elementary School, Sin-Jie Elementary School, Xin Lu Elementary School, Fu An Elementary School, Dacheng Elementary School, Long-Sing Primary School, San Keng Primary School, Shanghu Primary School, Yisheng Elementary School, Shi-Hai Primary School, Te-Long Elementary School, Sha Keng Elementary School, Da Po Elementary School and Haibin Elementary School in Taoyuan during public holidays to accompany children in their reading activities. By the end of 2019, the volunteers had assisted 2,668 immigrant children and children from disadvantaged families.
- Compal has been encouraging college volunteer clubs to join the Company's “reading volunteers” initiative and provide study aids to children from low-income families in the neighborhood. By sharing good reading materials and environmental awareness, the Company hopes to contribute to the learning progress of disadvantaged children.

#### ■ Social welfare

##### (1) Budget sponsorship

- Sponsoring of budgets for college volunteer clubs- In an attempt to encourage college students to participate in volunteer service, the Company has been contributing NT\$600,000 every year since 2004 to sponsor college clubs in promoting children's reading, after-school classes, and environmental education in locations that lack resources and for low-income households. A total of 21 college clubs applied for sponsorship and 355 volunteers participated in sponsored volunteer activities in 2019, for which the Company contributed a sum of NT\$600,000 that benefited 1,524 students.
- Sponsoring of W3 Troupe's charity performance - Compal donated NT\$700,000 and invited more than 1,000 disadvantaged children and their teachers to W3 Troupe's show - “Fantasy Valley I - Finding Lost Courage.” Through art therapy, we hope to give children the right influence they need to develop a positive mind, and encourage them to listen, see, and experience for themselves the wonders of life.
- In addition to charity involvement, the Company also provides strong support to academic and industrial organizations including: Taiwan Foundation For Rare Disorders, Taipei City Friends of the Police Association Neihu Office, Taiwan PoAi Care Animal Association, Taoyuan Enterprise Chamber, Taiwan Curio Association, Taiwan District of Kiwanis International, Management Institute in Taipei Foundation, National Taipei University, National Chiao Tung University, Kenting National Park

Headquarters, Spinal Cord Injury Foundation, Taoyuan County Volunteer Fire Fourth Brigade . A sum of NT\$8,556,205 was donated to the above mentioned entities in 2019.

(2) Donation of supplies

- 20 tablets, 40 NB were donated to support the digital learning Program in remote areas.

The Company donated 20 tablets to three digital centers located in Sansing Township Library of Yilan County, Yuli Township of Hualien Country, Hualien City Office of Hualien County. In addition, the Company donated 40 NBs to Xinzhuang elementary school in Taoyuan City, and assisted Township schools and communities to help promote digital mobile learning.

(3) Compal Charity Art Show “The Fantasyland of Stars”

This year marked the sixth time of the charity art show. From recruiting artworks from employees for charity sales to inviting vulnerable groups to give art performances and exhibit their works, Compal maintains respect for life diversity, takes care of the vulnerable, and contributes to society. Through ceaseless efforts to promote the charity art show with employees. Through face-to-face close encounters, the organizers of this exhibition hope that the public can understand more about the situation of autistic spectrum disorder (ASD) patients and let ASD patients to demonstrate their unique gifts and talent through finding and fulfilling their purpose of life and progressively fuse with society through their own strength. Apart from supporting “respect for life diversity” through real actions, limited edition products were sold at the show for charity to express Compal and employees’ care about corporate social responsibilities. All exhibits were on sale for charity. We donated NT\$130,848 to the Taiwan Curio.

■ Human rights

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

■ Safety and health

At a time when financial performance is as important as environmental protection, the Company considers “occupational safety and health” to be an important issue that no business shall neglect. Only by creating a safe work environment are employees able to unleash their full potential, which is a driving force behind the Company's progress. For this reason, the Company not only ensures that every operation is compliant with environmental, safety, and health rules, but also commits to eliminate or reduce safety and health risks to employees, suppliers, contractors and stakeholders that are caused by production procedures, facilities, and activities. At Compal, we see financial performance, environmental protection, and occupational safety and health as three co-existing and complementing factors of business administration. The Company created its official environmental safety and quality policies to guide employees toward

protection in the workplace and social responsibilities. Furthermore, these policies also provide employees and external stakeholders (such as suppliers, contractors, customers, environmental organizations, government agencies and community residents) with a better understanding of the Company's environmental safety efforts and its resolve to protect and minimize risks to the environment. Ultimately, we hope to direct the attention of our partnered vendors to environmental protection, safety and health, and work together towards accomplishing our goals.

(1) Environment safety policy:

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

(2) Environmental safety and health systems/measures:

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

(3) Execution

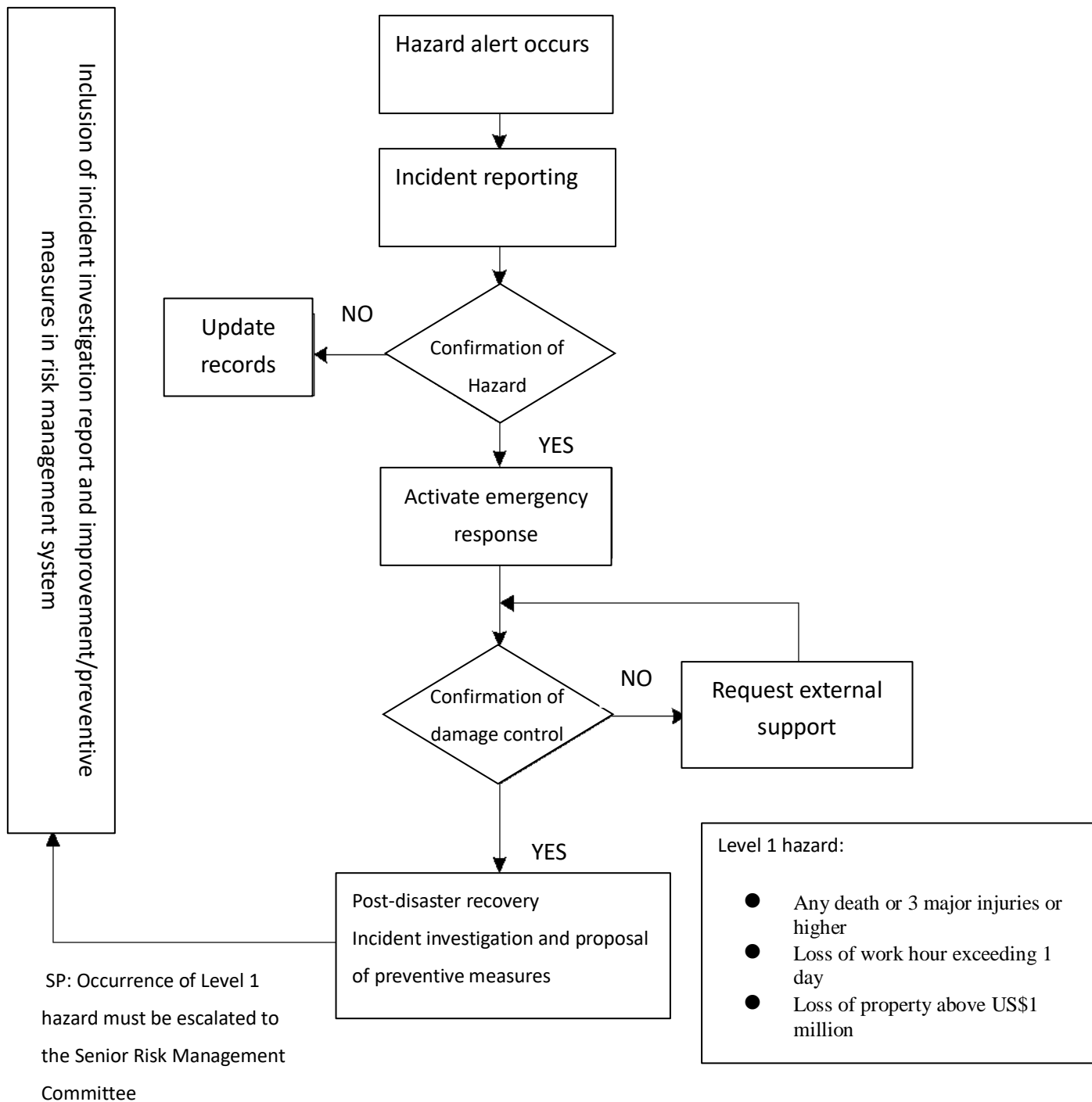
- Fire safety equipment (facility) plans and execution: Appropriateness and adequacy of fire safety equipment (facilities) are reviewed whenever there is a change to the layout of the business premises. Locations of fire safety equipment (facility) and evacuation routes are clearly labeled on each floor. The Company also engages professional and qualified fire safety inspectors to conduct annual fire safety inspections and reports according to law.
- Water/power plans and execution: The Company promotes proper awareness and implements appropriate control on all uses of water and power equipment for more effective conservation of energy and resources. The administrative department is responsible for the day-to-day inspection of power usage, power systems, and water equipment. All inspection findings are detailed in the "Safety

and Health Equipment Inspection Log” and any issues discovered are rectified immediately.

· Cleaning, monitoring, and control of industrial waste: Handled by the Factory Affairs Division of various factories and General Affairs Department of the headquarters. Waste generated from factories can be classified into the following categories:

- a. Hazardous waste: Sorted according to “Standards for Defining Hazardous Industrial Waste” stipulated by the Environmental Protection Administration (EPA), Executive Yuan, and collected by certified contractors for subsequent treatment.
- b. Industrial waste: Industrial waste other than hazardous industrial waste is collected and treated by certified contractors.

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



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

- . Implement customer-oriented performance management.
- . Create competitive advantages in products and services.



### 3.3.6 Ethical Corporate Management

Assessment criteria	Actual governance			Deviation and causes of deviation from Integrity Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
I. Establishment of integrity policies and solutions				
1. Does the Company have an ethical corporate management policy approved by the board of directors and clearly state the ethical corporate management policy and practice in the internal regulations and external documents, as well as the commitment of the board of directors and senior management to actively implement the corporate management policy?	Yes		<p>The Company has established the “Ethical Corporate Management Best Practice Principles” and “Procedures for Ethical Management and Guidelines for Conduct” and, in addition, clearly outlined the procedures for ethical management and guidelines to conduct in its HR policies, social responsibility policies, the integrity principles and code of conduct for directors, supervisors, managers, and the general code of conduct. The Company’s “Board of Directors Meeting Guidelines” contain a conflicting interest clause that requires directors to disassociate from all discussion and voting on any agenda that poses a conflict of interest between the Company and themselves or the entities they represent.</p> <p>The Board of Directors approved the policies that were based on integrity accordingly in 2019 as well. The Board of Directors and the management had issued "The statement of compliance with the Ethical Corporate Management Best Principles," committed themselves to business integrity.</p>	No deviations were found
2. Has the Company established an evaluation mechanism for the risk of unethical behavior, regularly analyzed and evaluated the business activities with high unethical behavior risk within the business scope and formulated a plan to prevent unethical behavior accordingly which at least	Yes		<p>When the Company internal audit prepared the next year audit plan, unethical behavior was included in the scope of risk assessment. The relevant audits are performed accordingly, and the “Procedures for Ethical Management and Guidelines for Conduct” was enacted to govern the of follows items:</p> <ul style="list-style-type: none"> <li>· Prohibition against offering and acceptance of improper gains</li> <li>· Prohibition against lobbying</li> <li>· Prohibition against illegal political donations</li> <li>· Prohibition against improper donations or sponsorships</li> <li>· Prohibition against inappropriate gifts, treatments and illegitimate benefits</li> <li>· Prohibition against unfair competition</li> <li>· Prohibition against leakage of commercial secrets and infringement of intellectual property rights</li> <li>· Prohibition against insider trading and rules of confidentiality</li> </ul> <p>Furthermore, the “Information Security Policy” has introduced measures to prevent violation of</p>	No deviations were found

Assessment criteria	Actual governance			Deviation and causes of deviation from Integrity Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
covers the preventive measures for the behaviors in paragraph 2, Article 7 of the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies”?			commercial secrets.	
3. Does the Company stipulate the operating procedures, behavior guidelines, and disciplinary and grievance systems in its unethical behavior prevention plan and implement them and regularly review and revise the plan?	Yes		<p>The Company has established the “Ethical Corporate Management Best Practice Principles” and “Procedures for Ethical Management and Guidelines for Conduct” (hereinafter, “Procedures and Behaviors”) as an incentive to insiders and outsiders to report unethical or unseemly conduct. Any insider who makes a false report or a malicious accusation shall be subject to disciplinary action and be removed from office if the circumstance has substance.</p> <p>This Company has appointed a contact person, and has established a hotline and mailbox that can be used either through the Intranet of the Company website or the official Company website. Any person involved in unethical conduct will be referred to an authorized department and processed according to the “Procedures for Ethical Management and Guidelines for Conduct.”</p> <p>The Company carries out regular reviews and revises for relevant measures every year. Also, we arrange related training on Ethical Corporate Management and announce the request to follow Ethical Corporate Management Best Practice Principles.</p>	No deviations were found
II. Integrity actions				
1. Does the company evaluate the integrity of all counterparties it has business relationships with? Are there any integrity clauses in the agreements it signs with business partners?	Yes		The Company requires all suppliers to sign the Letter of Undertaking for Compliance with the Responsible Business Alliance (“RBA”) Code of Conduct by Vendors, which binds them to local regulations on workers, environment, safety, health, management, and moral conduct, and prevents them against corruption and unethical behaviors.	No deviations were found
2. Has the Company set up a dedicated unit under the board of directors to	Yes		The Company has appointed its Human Resources, Administrative Management and Legal Affairs Office as the competent units in charge of the Company’s ethical matters. These units jointly set the guidelines and policies, which are monitored by the auditors and reports to the Board of Directors on	No deviations were found

Assessment criteria	Actual governance			Deviation and causes of deviation from Integrity Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
promote ethical corporate management and regularly (at least once a year) report to the board of directors its ethical corporate management policy and plan to prevent unethical behavior as well as its supervision of the implementation?			<p>a yearly basis. To prevent potential conflicts of interest, the Company has established the "Ethical Corporate Management Best Practice Principles" and "Procedures for Ethical Management and Guidelines for Conduct," In addition, the Company has also designed relevant course for its online e-Learning, including legal affairs related training on information security, personal information protection act, relevant company policies and employees' code of conduct so as to familiarize all employees with the aforementioned guidelines and thereby facilitate the promotion of honest management.</p> <p>Status of Operation and Implementation in 2019:  The Company requires suppliers to follow the RBA code of conduct, and sign the RBA Code of Conduct commitment or complete the RBA Code of Conduct questionnaire. A total of 1,180 suppliers with transaction records, 1,090 have signed the RBA Code of Conduct commitment or completed the RBA Code of Conduct questionnaire, and the signing completion rate is 92.37%. In addition, a total of 8,886 employees completed a total of 20,867 hours of integrity management related training, including:</p> <ul style="list-style-type: none"> <li>· Orientation training for new employees and group activities, covering topics such as: Company policies, corporate culture, human resource system, ethical corporate management best practice principles, trade secrets, information security, Personal Information Protection Act, and so forth.</li> <li>· Management for the prevention of insider trading (for senior managers), covering topics such as: What is insider trading, 5 W for insider trading, Criminal liability and civil liability for insider trading, the difference between "insider trading "and "non-insider trading," Case Study of Insider Trading.</li> <li>· Responsible Business Alliance</li> <li>· Introduction to intellectual property rights, understanding information security, and Personal Information Protection Act, and case studies.</li> </ul>	
3. Does the company have any policy that prevents conflict of interest, and channels that facilitate the report of conflicting interests?	Yes		The Company has established the "Ethical Corporate Management Best Practice Principles" and "Procedures for Ethical Management and Guidelines for Conduct" (hereinafter, "Procedures and Behaviors"). A Company director, officer or other stakeholder attending, or present at a board meeting, or a juristic representative whose presence infers a likelihood that company interests might be prejudiced may not participate in a discussion or vote on that proposal, shall recuse themselves from any discussion and voting, and may not exercise voting rights as a proxy on behalf of another director. The directors shall exercise discipline among themselves, and may not support each other in any inappropriate manner. If, in the course of conducting company business, an employee of this Corporation discovers that a potential conflict of interest exists involving themselves or the juristic	No deviations were found

Assessment criteria	Actual governance			Deviation and causes of deviation from Integrity Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
			<p>person that they represent, or that they or their spouse, parents, children, or a person with whom they have a relationship of interest is likely to obtain improper benefit, the matter shall be reported to their immediate supervisor and the responsible unit, and the supervisor shall provide the employee with the proper instructions.</p> <p>No employee of this Corporation may use company resources for commercial activities other than those of this Corporation, nor may his or her job performance be affected by involvement in commercial activities other than those of this Corporation.</p> <p>The Company's HR policy and employee code of conduct have introduced rules to identify, supervise, and manage conflicts of interest for business activities that are more highly prone to dishonest behaviors. There are channels in place for directors, supervisors, managers, stakeholders, and board meeting participants to state their conflicting interests with the Company.</p> <p>To prevent leakage of material nonpublic information, the Company has established "CO10 Insider Trading Prevention Management" as part of its internal control and demanded strict compliance from directors, supervisors, managers, employees, and any party that gains knowledge to the Company's material non-public information whether because of their identity, job responsibility, or controlling relationships.</p>	
4. Has the Company established an effective accounting system and internal control system for the implementation of ethical corporate management and has the internal audit unit, according to the assessment results of the risk of unethical behavior, drawn up relevant audit plans to check the status of unethical behavior prevention accordingly, or entrusted an independent auditor to carry out the	Yes		<p>The Company has set "Ethical Corporate Management Best Practice Principles" and focuses on creating an effective accounting system and internal control system to avoid high-risk or unethical business activities and the use of external or secret accounts. Self-evaluation is done on a regular basis to make sure the design and execution of the system is effective.</p> <p>When the Company internal audit prepared the next year audit plan, unethical behavior was included in the scope of risk assessment, and relevant audits are performed accordingly since 2019.</p>	No deviations were found

Assessment criteria	Actual governance			Deviation and causes of deviation from Integrity Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
audit?				
5. Does the company organize internal or external training on a regular basis to maintain business integrity?	Yes		The Company organizes training courses in accordance with "Regulations Governing the Establishment of Internal Control Systems by Public Companies" and the board-approved "Insider Trading Prevention Principles." Insider training prevention courses are organized for vice president-grade employees and above, while general employees are subjected to training on ethical behaviors on a yearly basis.	No deviations were found
III. Implementation of whistleblowing system				
1. Does the company provide incentives and means for employees to report malpractice? Does the company assign dedicated personnel to investigate the reported malpractice?	Yes		The Company has mailboxes in place to receive malpractice reports from within or outside the Company. Once a report has been sent to the mailbox, it will be referred to the appropriate department and personnel depending on the nature of the underlying issue to handle or conduct related checks.	No deviations were found
2. Has the Company established the standard operating procedures for the investigation of accused matters, follow-up measures after investigation, and the relevant confidentiality mechanism?	Yes		The Company has established procedures to report the matter for filing, assigning, verifying, etc., and requires the In-change person to take relevant actions depending on the results of the investigation. The case content and whistleblower information shall be processed in confidential.	No deviations were found
3. Does the company assure malpractice reporters that they will not be mistreated for making such reports?	Yes		The Company's relevant regulations and employee code of conduct are clearly regulated, requiring the In-change unit or person not to disclose the content of the case and the identity of the whistleblower, and to take necessary protective actions to ensure that the whistleblower is not treated inappropriately or retaliated.	No deviations were found
IV Enhanced information disclosure				

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

### 3.3.7 Corporate Governance Guidelines and Regulations

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

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

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

### 3.3.8 Other Important Information Regarding Corporate Governance

Please refer to the Company's website→ CSR

<https://www.compal.com/CSR/ZH/>

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

Please refer to the Company's website→ Stakeholder Communication

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

- Employee Relations
- Customer Relations
- Supplier Relations
- Investor Relations



### 3.3.9 Internal Control Systems

#### 1. Statement of the Internal Control System

Compal Electronics, Inc.  
Statement of the Internal Control System

Date: March 30, 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:

1. The Company is fully aware that establishing, operating, and maintaining an internal control system are the responsibility of its Board of Directors and management. The Company has established such a system aimed at providing reasonable assurance of the achievement of objectives in the effectiveness and efficiency of operations (including profits, performance, and safeguard of asset security), reliability, timeliness, transparency, and regulatory compliance of reporting, and compliance with applicable laws, regulations, and bylaws.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing the three goals mentioned above. Furthermore, the effectiveness of an internal control system may change along with changes in environment or circumstances. The internal control system of the Company contains self-monitoring mechanisms, however, and the Company takes corrective actions as soon as a deficiency is identified.
3. The Company judges the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (herein below, the "Regulations"). The internal control system judgment criteria adopted by the Regulations divide internal control into five elements based on the process of management control: 1. control environment 2. risk assessment 3. control activities 4. information and communications 5. monitoring activities. Each element further contains several items. Please refer to the Regulations for details.
4. The Company has assessed the design and operating effectiveness of its internal control system according to the aforesaid criteria.
5. Based on the findings of the assessment mentioned in the preceding paragraph, the Company believes that as of Dec 31, 2019 its internal control system (including its supervision and management of subsidiaries), encompassing internal controls for knowledge of the degree of achievement of operational effectiveness and efficiency objectives, reliability, timeliness, transparency, and regulatory compliance of reporting, and compliance with applicable laws, regulations, and bylaws, is effectively designed and operating, and reasonably assures the achievement of the above-stated objectives.
6. This Statement will become a major part of the content of the Company's Annual Report and Prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
7. This Statement has been passed by the Board of Directors Meeting of the Company held on March 30, 2020, where 0 of the 15 attending directors expressed dissenting opinions, and the remainder all affirmed the content of this Statement.

Compal Electronics, Inc.

Chairman: Sheng-Hsiung Hsu (Rock Hsu)  
President: Chung-Pin Wong (Martin Wong)

2. If an independent auditor is entrusted with reviewing the internal control system, the independent auditor's report:  
None.

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

### **3.3.11 Major Resolutions Made in Shareholders' Meeting and Board Meetings**

#### 1. Shareholders' meeting

■ Time: 9:00 am, June 21, 2019

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

■ Major Resolutions:

- (1) Ratified the Business Report and Financial Statements for 2018.
- (2) Ratified the Distribution of Earnings for 2018.
- (3) Approval cash distribution from capital surplus.
- (4) Approval of the amendment to the "Articles of Incorporation"
- (5) Approval of the amendment to the "Procedures for Acquisition or Disposal of Assets"
- (6) Approval of the amendment to the "Procedures for Financial Derivatives Transactions"
- (7) Approval of the amendment to the "Procedures for Endorsement and Guarantee"
- (8) Approval of the amendment to the "Procedures for Lending Funds to Other Parties"
- (9) Approval of the release of non-competition restrictions for Directors.

■ Post-meeting Execution:

- (1) The amendments to the Company's Articles of Incorporation were approved and registered on file by the Ministry of Economic Affairs on July 29, 2019.
- (2) The 2019 distribution of cash dividends and capital reserves are summarized as follows:
  - Cash Dividends: NTD 1 per share
  - Cash Distributed from Capital Reserve: NTD 0.2 per share
  - Ex-dividend Date: July 21, 2019.
  - Declaration Date: August 9, 2019.

## 2. Board meetings

Board of Directors Meeting	Major Resolutions
5 <sup>th</sup> Meeting (13 <sup>th</sup> Term) 2019.2.22	1. Approved of the Company obtaining credit facilities from financial institutions
6 <sup>th</sup> Meeting (13 <sup>th</sup> Term) 2019.3.22	<ol style="list-style-type: none"> <li>1. Approved the Internal Control System Statement for the year 2018</li> <li>2. Approved the proposal of the distribution of compensation to employees and directors for 2018</li> <li>3. Approved the 2018 audited Financial Statements and Consolidated Financial Statements</li> <li>4. Approved the Business Report for 2018</li> <li>5. Approved the Business Plan for 2019</li> <li>6. Approved the proposal for Distribution of Earnings for 2018</li> <li>7. Approved the proposal of cash distribution from Capital Surplus</li> <li>8. Approved the CPAs' independence and competence of performing the financial report audit.</li> <li>9. Approved the convention of the 2019 Annual General Shareholders' Meeting</li> <li>10. Approved the targets and plans of the 2019 Corporate Social Responsibility</li> <li>11. Approved the issuance of the Letter of Support by the Company to facilitate its subsidiaries in obtaining credit facilities from financial institutions</li> <li>12. Approved of the Company obtaining credit facilities from financial institutions</li> </ol>

Board of Directors Meeting	Major Resolutions
7 <sup>th</sup> Meeting (13 <sup>th</sup> Term) 2019.5.13	<ol style="list-style-type: none"> <li>1. Approved the amendment to the “Articles of Incorporation”</li> <li>2. Approved the amendment to the “Procedures for Acquisition or Disposal of Assets”</li> <li>3. Approved the amendment to the “Procedures for Financial Derivatives Transactions”</li> <li>4. Approved the amendment to the “Procedures for Endorsement and Guarantee”</li> <li>5. Approved the amendment to the “Procedures for Lending Funds to Other Parties”</li> <li>6. Approved the amendment to the “Corporate Governance Best-Practice Principles”</li> <li>7. Approved the amendment to the “Rules and Procedures for Board of Directors Meetings”</li> <li>8. Approved the release of non-competition restrictions for the managers</li> <li>9. Approved the release of non-competition restrictions for Directors</li> <li>10. Approved the establishment of Compal Electronics Kaohsiung Branch Office</li> <li>11. Approved the appointment of the Corporate Governance Officer</li> <li>12. Approved the first mid-year employees’ bonus of 2019</li> <li>13. Approved employees’ salary adjustment of 2019</li> <li>14. Approved the proposal for the appropriate percentage for the remuneration of employees and Directors of 2019</li> <li>15. Approved the loan to the 100% owned subsidiary Compal (Vietnam) Co., Ltd.</li> <li>16. Approved the loan to the 100% owned subsidiary Compalead Eletrônica do Brasil Indústria e Comércio Ltda.</li> <li>17. Approved the issuance of the Letter of Support by the Company to facilitate its subsidiary in obtaining credit facilities from financial institutions</li> <li>18. Approved of the Company obtaining credit facilities from financial institutions</li> </ol>
8 <sup>th</sup> Meeting (13 <sup>th</sup> Term) 2019.6.27	<ol style="list-style-type: none"> <li>1. Approved the relevant matters regarding the distribution of the year 2018 cash dividends and cash distribution from capital surplus to shareholders</li> <li>2. Approved the issuance of Letter of Support by the Company to facilitate its subsidiary in obtaining credit facilities from financial institutions</li> <li>3. Approved the Company to obtain credit facilities from financial institutions</li> </ol>
9 <sup>th</sup> Meeting (13 <sup>th</sup> Term) 2019.8.13	<ol style="list-style-type: none"> <li>1. Approved the Directors’ Remuneration of 2018</li> <li>2. Approved 2nd mid-year employees’ bonus of 2019</li> <li>3. Approved for a loan to Henghao Technology Co. Ltd.</li> <li>4. Approved for a loan to Unicom Global, Inc.</li> <li>5. Approved the Company to obtain credit facilities from financial institutions</li> </ol>
10 <sup>th</sup> Meeting (13 <sup>th</sup> Term) 2019.11.11	<ol style="list-style-type: none"> <li>1. Approved for senior level management change</li> <li>2. Approved the compensation of Employee bonuses in cash of year 2018</li> <li>3. Approved the proposal for 2019 year-end employees’ bonus</li> <li>4. Approved for approval of annual audit plan for year 2020</li> <li>5. Approved the amendment to the “Ethical Corporate Management Best Practice Principles” and related matters</li> <li>6. Approved the proposal of leasing the office (building) and car parking lots, with Shin Kong Life Insurance Co., Ltd.</li> <li>7. Approved the issuance of Letter of Support by the Company to facilitate its subsidiaries in obtaining credit facilities from financial institution</li> <li>8. Approved the Company to obtain credit facilities from financial institutions</li> </ol>
11 <sup>th</sup> Meeting (13 <sup>th</sup> Term) 2020.2.14	<ol style="list-style-type: none"> <li>1. Approved for the issuance of Letter of Support by the Company to facilitate its subsidiaries in obtaining credit facilities from financial institutions</li> <li>2. To authorize the Company to obtain credit facilities from financial institutions</li> </ol>

Board of Directors Meeting	Major Resolutions
12th Meeting (13th Term) 2020.3.30	<ol style="list-style-type: none"> <li>1. Approved for the Internal Control System Statement for the year 2019</li> <li>2. Approved for the proposal of the distribution of compensation to employees and directors for the year 2019</li> <li>3. Approved for 2019 Audited Consolidated Financial Statements and Parent Company Only Financial Statements</li> <li>4. Approved for the Business Report for the year 2019</li> <li>5. Approved for the Business Plan for the year 2020</li> <li>6. Approved for the proposal for Distribution of Earnings for the year 2019</li> <li>7. Approved for the proposal for cash dividends from Earnings for the year 2019</li> <li>8. Approved for the proposal of cash distribution from Capital Surplus</li> <li>9. Approved for the convention of 2020 Annual General Shareholders' Meeting</li> <li>10. Approved for the targets and plans of Corporate Social Responsibility for the year 2020</li> <li>11. Approved for the CPAs' independence and competence of performing financial report audit.</li> <li>12. Approved for the rove the enactment to the "Rules of Self-Evaluation of the Board of Directors and Functional Committees Performance"</li> <li>13. Approved for the enactment to the "Colleague Integrity Code"</li> <li>14. Approved for the Company to obtain credit facilities from financial institutions</li> </ol>
13 <sup>th</sup> Meeting (13 <sup>th</sup> Term) 2020.5.13	<ol style="list-style-type: none"> <li>1. Approved for senior level management change</li> <li>2. Approved for the amendment to the "Rules and Procedures for Board of Directors Meetings"</li> <li>3. Approved for the amendment to the "Audit Committee Charter"</li> <li>4. Approved for the amendment to the "Remuneration Committee Charter"</li> <li>5. Approved for the amendment to the "Corporate Governance Best-Practice Principles"</li> <li>6. Approved for the amendment to the "Corporate Social Responsibility Best Practice Principles"</li> <li>7. Approved for the release of non-competition restrictions for the managers</li> <li>8. Approved for the release of non-competition restrictions for Directors</li> <li>9. Approved for the first mid-year employees' bonus of the year 2020</li> <li>10. Approved for employees' salary adjustment of the year 2020</li> <li>11. Approved for e the proposal for the appropriate percentage for the remuneration of employees and Directors of the year 2020</li> <li>12. Approved for fund loan to 100% owned subsidiary Compalead Eletrônica do Brasil Indústria e Comércio Ltda.</li> <li>13. Approved for the issuance of Letter of Support by the Company to facilitate its subsidiary in obtaining credit facilities from financial institutions</li> <li>14. Approved for authorize the Company to obtain credit facilities from financial institutions</li> </ol>

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

**3.3.13 Resignation or Dismissal of the Company's Key Individuals, Including the Chairman, CEO, and Heads of Accounting, Finance, Internal Audit, Corporate Governance and R&D: None.**

### 3.4 Information Regarding the Company's Audit Fees and Independence

#### 3.4.1 Audit Fees

Accounting Firm	Name of CPA		Period Covered by CPA's Audit	Remarks
KPMG	Chien, Szu Chuan	Au, Yiu Kwan	2019.01.01~2019.12.31	-

Unit: NT\$ thousand

Fee Range		Fee Items	Audit Fee	Non-audit Fee	Total
1	Under NT\$ 2,000,000		-	-	-
2	NT\$2,000,000 ~ NT\$4,000,000		-	5,950	5,950
3	NT\$4,000,000 ~ NT\$6,000,000		-	-	-
4	NT\$6,000,000 ~ NT\$8,000,000		-	-	-
5	NT\$8,000,000 ~ NT\$10,000,000		-	-	-
6	Over NT\$100,000,000		10,420	-	10,420

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

Unit: NT\$ thousands

Firm	Name of CPA	Audit Fee	Non-Audit Fee					Period Covered by CPA's Audit	Remarks
			System Design	Company Registration	Human Resource	Others (Note)	Subtotal		
KPMG	Chien, Szu-Chuan	10,420	-	80	-	5,870	5,950	2019.01.01~2019.12.31	-
	Au, Yiu-Kwan								

Note: Other non-audit fees: Transfer pricing report of \$600,000, tax consultation of \$4,974,000, and others of \$296,000.

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

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

**3.5 Replacement of CPA: None.**

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

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

Unit: shares

Title	Name	2019		Up till April 21, 2020	
		Shares held Increase (Decrease)	Shares pledged Increase (Decrease)	Shares held Increase (Decrease)	Shares pledged Increase (Decrease)
Chairman	Sheng-Hsiung Hsu	0	0	0	0
Vice Chairman And CSO	Jui-Tsung Chen	0	0	0	0
Director	Binpal Investment Co., Ltd.	0	0	0	0
	Representative: Wen-Being Hsu	1,000,000	0	0	0
Director	Kinpo Electronics, Inc.	0	0	0	0
	Representative: Shyh-Yong Shen	0	0	0	0
Director	Charng-Chyi Ko	0	0	0	0
Director	Sheng-Chieh Hsu	(405,000)	0	0	0
Director	Yen-Chia Chou	0	0	0	0
Director and President	Chung-Pin Wong	0	0	0	0
Director	Chiung-Chi Hsu	0	0	0	0
Director And EVP	Ming-Chih Chang	0	0	0	0
Director	Anthony Peter Bonadero	0	0	0	0
Director And EVP	Sheng-Hua Peng	0	0	0	0
Independent Director	Min-Chih Hsuan	0	0	0	0
Independent Director	Duei Tsai	0	0	0	0
Independent Director	Duh-Kung Tsai	0	0	0	0
Executive Vice President	Chen Chang Hsu	0	0	0	0
Senior Vice President	Chun-Te Shen	0	0	0	0
Senior Vice President	Kuo-Chuan Chen	0	0	(162,000)	0
Senior Vice	Pei-Yuan Chen	0	0	0	0



President					
Senior Vice President	Chyou-Jui Wei	(120,000)	0	0	0
Senior Vice President	Ying Chang	0	0	0	0
Senior Vice President	Wen-Da Hsu	0	0	0	0
Senior Vice President	Wei-Chang Chen	0	0	0	0
Senior Vice President	Shi-Kuan Chen	0	0	0	0
Senior Vice President	Chi-Wai Wan	0	0	0	0
Senior Vice President	Min-Tung Weng	0	0	0	0
Senior Vice President	Lo-Chun Lee	0	0	0	0
Senior Vice President	Sheng-Hung Li	0	0	0	0
Vice President	Chih-Chuan Cheng	0	0	0	0
Senior Vice President	Bor-Heng Chen	0	0	0	0
Vice President	Ching-Hsiung Lu	(110,000)	0	0	0
Vice President	Po-Tang Wang	0	0	0	0
Vice President	Tzong -Ming Wang	(30,000)	0	0	0
Vice President	Fu-Chuan Chang	30,000	0	20,000	0
Vice President	Yung-Nan Chang	(54,000)	0	0	0
Vice President	Yong-Ho Su	0	0	0	0
Vice President	Jyh-Shyan Liang	(15,000)	0	0	0
Vice President	Chiao-Lie Huang	0	0	0	0
Vice President	Chung-Hsing Tan	(70,000)	0	0	0
Vice President	Yi-Yun Chang	0	0	0	0
Vice President	Hsin-Kung Mao	0	0	0	0
Vice President	Hsin-Hsiung Huang	0	0	0	0
Vice President	Shih-Hong Huang	0	0	0	0
Vice President	Yi-Chiang Chiu	8,000	0	(8,000)	0
Vice President	Jui-Chun Shyur	0	0	0	0
Vice President	Shyh-An Lee	0	0	0	0
Vice President	Ta-Chun Wang	0	0	0	0
Vice President	Jen-Liang Lin	0	0	0	0
General Counsel	Peng-Hong Chan	0	0	0	0
Vice President	Wei-Chia Wang	0	0	0	0
Accounting & Corporate Governance Officer	Cheng-Chiang Wang	0	0	0	0
Vice President	Cheng-Hui Su	0	0	0	0

Vice President	Tu-Chuan Tu	0	0	0	0
Vice President	Chang-Chieh Tien	0	0	0	0
Vice President	Hsiao-Wei Lo	0	0	20,000	0
Vice President	Guo-Dung Yu	0	0	0	0
Internal Audit Officer	Po-Wen Hsieh	0	0	0	0
Vice President	Po-Hsiung Chang	0	0	-	-
Vice President	Tsing-Fa Lee	0	0	-	-
Vice President	Fei-Long Chen	0	0	-	-

Note: Vice Presidents Hsiao-Wei Lo, Guo-Dung Yu were promoted and Vice Presidents Po-Hsiung Chang, Tsing-Fa Lee, and Fei-Long Chen resigned in 2019.

### 3.7.1 Shares Trading with Related Parties:

Name	Reason for transfer	Transaction date	Counterparty	Counterparty's relationship with the Company, Directors, Supervisors, Managers, and shareholders with more than 10% ownership interest	Shares	Transaction price
Ching-Hsiung Lu	Gift	2019/6/28	Shao-Hsuan Lu	Father and Daughter	110,000	20.15

### 3.7.2 Shares Pledged with Related Parties: None

### 3.8 Relationship among the Top Ten Shareholders

April 21, 2020

Unit: Shares

Name	Self Shares held		Shareholdings of spouse and minors		Total shares held in the names of others Shares held		Spouse, relative of second degree or closer, and relationships among top 10 shareholders	
	Shares	Shareholding Percentage	Shares	Shareholding Percentage	Shares	Shareholding Percentage	Name	Relationship
Silchester International Investors International Value Equity Trust	232,018,000	5.26%	-	-	0	0%	N/A	N/A
Kinpo Electronics Inc. Representative: Sheng-Hsiung Hsu	151,628,692 8,975,401	3.44% 0.20%	- 17,107,025	- 0.39%	0 0	0% 0%	N/A	N/A
Silchester International Investors International Value Equity Group Trust	116,881,000	2.65%	-	-	0	0%	N/A	N/A
Yuanta/P-shares Taiwan Dividend Plus ETF	104,411,487	2.37%	-	-	0	0%	N/A	N/A
New Labor Pension Fund	89,120,000	2.02%	-	-	0	0%	N/A	N/A
Labor Insurance Fund	79,747,331	1.81%	-	-	0	0%	N/A	N/A
Silchester International Investors International Value Equity Taxable Trust	78,322,000	1.78%	-	-	0	0%	N/A	N/A
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	74,595,652	1.69%	-	-	0	0%	N/A	N/A
Fubon Life Insurance Co., Ltd Representative: Ming-Hsing Tsai	64,200,991 0	1.46% 0%	- 0	- 0%	0 0	0% 0%	N/A N/A	N/A N/A
Vanguard Emerging Markets Stock Index Fund, A Series of Vanguard International Equity Index Funds	60,877,900	1.38%	-	-	0	0%	N/A	N/A

### 3.9 Ownership of Shares in Affiliated Enterprises

December 31, 2019

Unit: Shares; %

Investees (Note)	Invested by the Company		Held by directors, supervisors, managers, and directly/indirectly controlled entities		Aggregate investment	
	Shares	Shareholding percentage	Shares	Shareholding percentage	Shares	Shareholding percentage
Panpal Technology Corp.	500,000,000	100.00	-	-	500,000,000	100.00
Gempal Technology Corp.	90,000,000	100.00	-	-	90,000,000	100.00
Hong Ji Capital Co., Ltd.	100,000,000	100.00	-	-	100,000,000	100.00
Hong Jin Investment Co., Ltd.	29,500,000	100.00	-	-	29,500,000	100.00
HippoScreen Neurotech Corp.	42,000,000	70.00	-	-	42,000,000	70.00
SHENNONA CO.,Ltd.	600,000	100.00	-	-	600,000	100.00
Aco Smartcare Co.,Ltd.	100,000,000	52.04	-	-	100,000,000	52.04
Rayonnant Technology Co., Ltd.	29,500,000	100.00	-	-	29,500,000	100.00
RiPAL Optotronics Co., Ltd.	6,000,000	100.00	-	-	6,000,000	100.00
Unicom Global Inc.	10,000,000	100.00	-	-	10,000,000	100.00
Palcom International Corporation	10,000,000	100.00	-	-	10,000,000	100.00
Henghao Technology Co., Ltd.	20,014,952	100.00	-	-	20,014,952	100.00
Compal Broadband Networks Inc.,	29,060,176	43.45	13,672,854	20.44	42,733,030	63.89
Crownpo Technology Co., Ltd.	3,738,668	33.23	6,184,135	54.97	9,922,803	88.20
Kinpo Group Management Consultant Company	300,000	37.50	300,000	37.50	600,000	75.00
Mactech Co., Ltd.	21,756,192	52.88	274,954	0.67	22,031,146	53.55
General life Biotechnology Co., Ltd.	15,000,000	50.00	-	-	15,000,000	50.00
Lead-honor Optoelectronic Co., Ltd.	2,772,000	42.00	-	-	2,772,000	42.00
Infinno Technology Corporation	5,649,625	27.20	154,308	0.75	5,803,933	27.95
Accesstek Inc.	899,160	27.78	319,707	9.88	1,218,867	37.66
Allied Circuit Co., Ltd.	10,157,730	20.42	7,232,701	14.54	17,390,431	34.96
Arcadyan Technology Corp.	41,304,504	19.81	32,006,132	15.35	73,310,636	35.16
Maxima Ventures I, Inc.	126,000	22.55	3,000	0.54	129,000	23.09
Avalue Technology Inc.	15,240,070	21.40	682,000	0.97	15,706,070	22.37
Core Profit Holdings Ltd.	147,000,000	100.00	-	-	147,000,000	100.00
Flight Global Holding Inc.	89,755,495	100.00	-	-	89,755,495	100.00
Just International Ltd.	48,010,000	100.00	-	-	48,010,000	100.00
High Shine Industrial Corp.	42,700,000	53.58	37,000,000	46.42	79,700,000	100.00
Compal International Holding Co., Ltd.	53,001,000	100.00	-	-	53,001,000	100.00
Big Chance International Co., Ltd.	90,820,000	100.00	-	-	90,820,000	100.00
Compal Rayonnant Holdings Limited	12,500,000	100.00	-	-	12,500,000	100.00

Investees (Note)	Invested by the Company		Held by directors, supervisors, managers, and directly/indirectly controlled entities		Aggregate investment	
	Shares	Shareholding percentage	Shares	Shareholding percentage	Shares	Shareholding percentage
Auscom Engineering Inc.	3,000,000	100.00	-	-	3,000,000	100.00
Compal Europe (Poland) Sp. z o.o.	136,080	100.00	-	-	136,080	100.00
Bizcom Electronics, Inc.	100,000	100.00	-	-	100,000	100.00
Compal Electronics (Holding) Ltd.	1,000	100.00	-	-	1,000	100.00
Compalead Electronics B.V.	6,426,516	100.00	-	-	6,424,516	100.00
Etrade Management Co., Ltd.	46,900,000	65.23	25,000,000	34.77	71,900,000	100.00
Webtek Technology Co., Ltd.	100,000	100.00	-	-	100,000	100.00
Forever Young Technology Inc.	50,000	100.00	-	-	50,000	100.00
Lipo Holding Co., Ltd.	98,000	49.00	102,000	51.00	200,000	100.00
Ascendant Private Equity Investment Ltd.	31,253,125	34.72	41,754,275	46.39	73,007,400	81.11
UniCore BioMedical Co., Ltd.	20,000,000	100.00			20,000,000	100.00
Shennona Corporation	2,600,000	100.00			2,600,000	100.00

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

## IV. Capital Overview

### 4.1 Capital and Shares

#### 4.1.1 Source of Capital

May 13, 2020

Year	Month	Issuance Price	Authorized capital		Paid-up capital		Remarks		
			Shares	Amount (NTD)	Shares	Amount (NTD)	Source of capital	Paid in properties other than cash	Others
2018	3	10	6,000,000,000	60,000,000,000	4,419,191,625	44,191,916,250	Cancellation of Restricted Employee Shares of \$10,890,000	N/A	Change of capital approved by the Ministry of Economic Affairs on March 21, 2018
2018	5	10	6,000,000,000	60,000,000,000	4,407,146,625	44,071,466,250	Cancellation of Restricted Employee Shares of \$120,450,000	N/A	Change of capital approved by the Ministry of Economic Affairs on May 29, 2018

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

- Shelf registration system information: None

#### 4.1.2 Status of Shareholders

April 21, 2020

Analysis	Government Agencies	Financial Institutions	Other Institutions	Foreign Institutions & Natural Persons	Domestic Natural Persons	Treasury stocks	Total
Number of Shareholders	3	40	290	1,016	188,531	0	189,880
Shareholding (shares)	8	139,275,291	580,813,193	2,133,825,795	1,553,232,338	0	4,407,146,625
Percentage	0.00%	3.16%	13.18%	48.42%	35.24%	0.00%	100.00%

#### 4.1.3 Share Ownership Distribution

April 21, 2020

Range of Shareholding (Unit: Shares)	Number of Shareholders	Shareholding (Shares)	Percentage
1 ~ 999	44,039	8,559,129	0.19%
1,000 ~ 5,000	97,449	222,417,897	5.05%
5,001 ~ 10,000	23,923	180,761,010	4.10%
10,001 ~ 15,000	8,420	103,725,875	2.35%
15,001 ~ 20,000	4,735	86,370,813	1.96%
20,001 ~ 30,000	4,088	102,588,897	2.33%
30,001 ~ 40,000	1,838	65,209,237	1.48%
40,001 ~ 50,000	1,194	55,149,410	1.25%
50,001 ~ 100,000	2,094	150,141,809	3.41%
100,001 ~ 200,000	984	135,628,716	3.08%
200,001 ~ 400,000	445	122,624,594	2.78%
400,001 ~ 600,000	166	82,857,102	1.88%
600,001 ~ 800,000	94	65,963,617	1.50%
800,001 ~ 1,000,000	59	51,974,136	1.18%
1,000,001 and over	352	2,973,174,383	67.46%
Total	189,880	4,407,146,625	100.00%

#### 4.1.4 List of Major Shareholders

April 21, 2020

Shareholder's name	Shares	Shares held	Percentage (%)
Silchester International Investors International Value Equity Trust		232,018,000	5.26%
Kinpo Electronics Inc.		151,628,692	3.44%
Silchester International Investors International Value Equity Group Trust		116,881,000	2.65%
Yuanta/P-shares Taiwan Dividend Plus ETF		104,411,487	2.37%
New Labor Pension Fund		89,120,000	2.02%
Labor Insurance Fund		79,747,331	1.81%

Silchester International Investors International Value Equity Taxable Trust	78,322,000	1.78%
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	74,595,652	1.69%
Fubon Life Insurance Co., Ltd	64,200,991	1.46%
Vanguard Emerging Markets Stock Index Fund, A Series of Vanguard International Equity Index Funds	60,877,900	1.38%

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

Measurement		Year	2018	2019	Year-to-date March 31, 2020
Per-share market price	High		22.15	20.65	19.25
	Low		16.65	17.05	15.30
	Average		19.16	18.79	18.05
Per-share net worth (Note)	Before dividend		24.26	24.32	23.13
	After dividend		23.05	23.11	-
Earnings per share	Before adjustment	Weighted average outstanding shares	4,356,447,549	4,357,129,194	4,357,129,194
		Earnings per share	2.05	1.60	0.14
	After adjustment	Weighted average outstanding shares	4,356,447,549	4,357,129,194	-
		Earnings per share	2.05	1.60	-
Per-share dividend	Cash dividends		1.20	1.20	-
	Stock dividends	From earnings	-	-	-
		From capital reserves	-	-	-
	Cumulative unpaid dividends		-	-	-
Analysis of investment returns	P/E ratio		9.35	11.74	-
	Price to dividends ratio		15.97	15.66	-
	Cash dividend yield		6.26%	6.39%	-

Note: The 2019 distribution of earnings was resolved at the March 30, 2020 Board of Directors' Meeting and will be submitted to the 2020 shareholders' meeting for final approval.

#### 4.1.6 Dividend Policy and Implementation Status

##### (1) Dividend Policy

If there is any profit after closing of books in a given year, the Company shall first defray tax due, cover accumulated losses and set aside ten percent (10%) of it as legal reserve and then set aside or reverse a special reserve in accordance with laws and regulations. The balance of earnings available for distribution is composed of the remainder of the said profit and the unappropriated retained earnings of previous years. The board of directors may set aside a certain amount to cope with the business operation conditions, and shall prepare the proposal for distribution of the balance amount thereof after a resolution has been adopted and



then allocated in accordance with Second Paragraph of this Article or Article 29.

The Company authorizes the board of director to distribute all or part of the dividends and bonuses, capital surplus or legal reserve in cash to shareholders after a resolution has been adopted by a majority vote at a meeting of the board of directors attended by at least two-thirds of the total number of directors; and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting.

The lifecycle of the industry of the Company is in the growing stage. To meet the future capital needs and in consideration of capital budget, long-term financial planning and onshore and offshore competition condition, as well as the need of shareholders for cash flow, if there is any profit after close of books, the dividend and bonds to be distributed to shareholders should not be less than thirty percent (30%) of the after-tax profit of such year and the cash dividend allocated by the Company each year shall not be lower than ten percent (10%) of the total dividend (including cash and share dividend) for such year.

(2) The board of directors' resolution on dividend distribution

- The 2019 distribution of earnings of shareholders' dividends in the amount of NTD 4,407,146,625 was approved by the Board of Directors Meeting on March 30, 2020. The aforementioned amount is set to be distributed as an all cash dividend of NTD 1 per share and incurred capital surplus generated from the excess of the issuance price over the par value of the capital stock in the amount of NTD 881,429,325, or NTD 0.2 per share. The total cash distribution amounts to NTD 5,288,575,950.
- For the proposal for Dividend Distribution Plan and Cash Distribution from Capital Surplus, if the number of outstanding shares is changed, the distribution ratio for the cash dividend or the cash distribution from capital surplus must be adjusted accordingly. Chairman was granted full authority by the Board of Directors to deal with this matter.

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

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

Not Applicable (The Company did not disclose 2020 annual financial forecast)

#### **4.1.8 Employees' and Directors' Compensation**

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

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

The compensation to employees as mentioned above may be distributed in the form of stock or cash. Employees entitled to receive the said stock or cash may include the employees of the Company's subordinate companies who meet certain requirements.

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

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

- (3) 2019 employees compensation proposal passed by the board of directors
- Accrued employees compensation is NTD \$731,321,511 and directors compensation is NTD \$38,671,525.
  - If the estimated distribution amount differs from the amounts estimated in accrued expenses, the variance, reason, and resolution should be disclosed: No variance.
  - The proposed distribution of employee stock compensation, and the size of such an amount as a percentage of the sum of the after-tax net income stated in the individual financial reports for the current period and total employee compensation: Not applicable (no employee stock compensation).
- (4) Actual distribution of 2018 employee and directors compensation:
- The employee compensation is NTD \$930,857,503 and the directors compensation is NTD \$49,222,782.
  - The 2018 actual distribution of employee and directors compensation remained as proposed by the board of directors.

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

## 4.2 Bonds:

### 4.2.1 Oversea Corporate Bonds: None

### 4.2.2 Domestic Corporate Bonds: (Information for the subsidiary Arcadyan Technology Corp.)

#### 1. Corporate Bonds

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

on existing Shareholders	bonds are converted to common shares, Arcadyan 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 Arcadyan 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	
Year		2019	As of April 30, 2020 for the current year
Item			
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.

**4.2.3 Exchangeable Bonds:** None

**4.2.4 Blanket declaration of issued corporate bonds:** None

**4.4.5 Corporate bonds with warrants:** None

**4.3 Preferred shares:** None

#### 4.4 Global Depository Receipts

##### 1. Issuance

Details		Date of issue:	
		November 9, 1999	May 21, 2001
Issuance and trading location		Luxembourg	
Total sum issued		USD 122,160,000	USD 174,816,000
Issuance price per unit		USD 15.27	USD 6.07
Number of units issued		8,000,000 units	28,800,000 units
Source of represented securities		Participating shareholder(s): Kinpo Electronics, Inc.	1. Participating shareholder(s): 44,000,000 shares contributed by (1) Kinpo Electronics, Inc. (2) Panpal Technology Corporation (3) Gempal Technology Corporation 2. New cash issue of Compal shares: 1,000,000,000 shares
Quantity of represented securities		40,000,000 ordinary shares of Compal Electronics	144,000,000 ordinary shares of Compal Electronics
GDR holders' rights and obligations		1. Voting rights: According to the terms of the depository agreement and the laws of the Republic of China, the beneficiary certificate holder is entitled to the voting rights of shares represented under the beneficiary certificate. 2. Rights to dividend distribution, share subscription, and other rights: Unless otherwise specified in the agreement, the GDR carries identical rights as do ordinary shares	
Trustee		N/A	
Depository bank		The Bank of New York	The Bank of New York
Custodian		Mega International Commercial Bank	Mega International Commercial Bank
Unredeemed balance		3,991,275 units (May 13, 2020)	
Allocation of expenses incurred at issuance and over the duration		Borne by participating shareholder(s)	Allocated proportionally between the Company and participating shareholders
Key terms of the depository and custodian agreements		See descriptions below	
Per Unit Market Price	2019	High	USD \$ 3.32
		Low	USD \$ 2.77
		Average	USD \$ 3.04
	Year-to-date May 13, 2020	High	USD \$ 3.21
		Low	USD \$ 2.55
		Average	USD \$ 3.04

## 2. Key terms of the depository and custodian agreement

### (1) Key terms of the depository agreement

#### ■ Depository receipts

Each depository certificate represents 5 Compal ordinary shares.

#### ■ Transfer/settlement

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

#### ■ Deposit and redemption of Compal shares

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

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

#### ■ Distribution of dividends, gains, and rights

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

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

#### ■ Tax

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

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

## (2) Key terms of the custodian agreement

### ■ Placing securities for the issuance of global depository receipts

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

### ■ Notifying the depository institution for the issuance of depository receipts

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

### ■ Delivery of securities upon redemption of depository receipt

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

### ■ Confirmation of share quantity on baseline date

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

## **4.5 Employee Warrants: None**

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

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

## **4.8 Financing Plans and Implementation:**

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

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

## V. Operational Highlights

### 5.1 Business Activities

#### 5.1.1 Business Scope

##### (1) Main areas of business operations

The development, design, manufacture, and sales of Notebooks, Ultra slim notebooks, 2 in-1 Notebooks, AIO, 5G Module & Products, Tablets, Smartphones, Smart Wearable Devices, Smart Hearable Devices, Smart Display Products, AR/VR Smart Devices, Smart Home Devices, IoT Vertical Solutions, Smart Medical and Healthcare, Auto electronics, and Servers.

##### (2) 2019 Revenue distribution

Unit: NTD thousands

Major Divisions	(%) of Total Sales
5C electronics	99.7%
Other products	0.3%
Total	100%

##### (3) New product development

###### ■ Notebooks

In 2019, Compal adopted the most efficient R&D methods for the launch of their latest notebook PC hardware, which included laptops with Intel 9<sup>th</sup> and 10<sup>th</sup> generation processors and the AMD new Ryzen platform. Compal has special expertise in system integration, R&D, and manufacturing to assist clients in the development and mass-production of new products with the latest specifications in a relatively short time. The Compal price-competitive, slim, and stylish notebooks were launched at a time when the market favored more affordable and portable devices. They received mostly positive responses from consumers. The purchase signal in the high-end gaming laptop market has been relatively stable, making the gaming laptop market new ground for brand name companies to vie for growth. The injection of more money into this aspect of the notebook market has intensified competition in the global gaming notebook market. After years of operation as an ODM of gaming laptops for our brand partners, Compal has accumulated profound experience in their design and development. Together with our clients, we shall secure our share in the gaming laptop market. Compal has also been improving its ability to design customized models for customers in different countries and markets. Significant resources have been devoted to the development of commercial notebooks. Compal invests a significant amount into R&D resources to create a win-win situation with our customers.



## ■ Ultra slim Notebooks

Innovative technology and extensive R&D capabilities have allowed Compal to maintain a leading position in the industry. Compal produces an ultra-thin Notebook, which uses the latest generation processor from Intel and AMD. Not only is it slim and light but it has most excellent performance and allows users to really be productive. Compal will introduce more Ultra slim notebooks in 2020. In addition to compatibility with the Intel design specifications, like “Project Athena,” for their latest generation products, we will also be introducing slimmer products at a lower price to meet market demand. They will feature the stylish and elegant body that is typical of Compal products, yet offer computing power that can rival a high-performance PC. Compal will also continue to develop newer and more competitive technologies that consumers around the world will get to enjoy, but will also give our clients faster access to these markets. In addition, gaming notebooks, which usually cannot have a slim design will start to phase in nVIDIA Max-Q technology to achieve both high-performance and an Ultra slim design.

## ■ 2-in-1 Notebooks

The 2-in-1 Notebook is a novel product that borrows the concept of “Transformers” – in addition to having a standard laptop keyboard for diverse functional operations, the product also features Tablet PC touch versatility. The touch-sensing display module coupled with the latest Microsoft Windows 10 OS attracts both the consumer base for standard laptops as well as that for tablet PCs. We have utilized our rich R&D experience to present several innovative concepts that incorporate exclusive technology as well as materials. The fan-less design of the 2-in-1 Notebook with its different designs and form factors, has allowed the Company to create new market demand and earn unanimous praise from clients and consumers alike. 5G will become a hot topic for 2-in-1 notebooks which focus on mobility.

## ■ All-in-one (AIO)

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

## ■ 5G Module & Products

5G communication and 5G applications are global development trends. The three major use scenarios provided by 5G communication are mobile broadband service (eMBB), multi-machine type communication (mMTC), ultra-high reliability and ultra-low-latency communication (URLCC). In coming years, 5G communication will be widely deployed in various industries and various domain applications.

Compal adheres to its long-term technical advantages in the communication field, provides 5G communications solutions, the 5G universal integrated module complies with 3GPP Release R15 specification, is backward compatible with 4G LTE / 3G WCDMA, supports high-speed LTE Cat20, and supports both 5G NSA & SA networking modes. Modules with multi-band support include WCDMA/ TDD-LTE/ FDD-LTE, 5G FR1 (Sub-6GHz) & 5G FR2 millimeter waves etc. Modules also built with GPS / GNSS global positioning system, eSim and other functions, are all needed features of coming 5G IOT (Internet of Things) applications & devices.

Based on the long-term experience in consumer electronics design, research & development, and product

manufacturing, Compal also provides all kinds of reference designs of 5G terminal products, collaborates with existing customers and partners, to provide 5G products such as 5G Mifi, 5G routers, 5G CPE, 5G notebook, 5G AR/VR, 5G drone, 5G robots... etc. These 5G Products will be widely used in various industries such as entertainment, culture, tourism, finance, health, transportation, education, industry, agriculture, government, and power utilities, etc.

#### ■ Tablets

Compal has been deeply cultivating tablet and e-book products used by industrial, commercial, and consumers for a long time, and has a rich mass production record, with high performance, technical design experience, and reliable production quality. In recent years, global tablet product shipments have slowed down. Compal focuses on breakthroughs in technologies, focusing on special applications in a rugged commercial market, and the benefits of extended products have gradually emerged.

#### ■ Smartphones

Compal targets variant groups of smartphone users and general consumers, and the pioneers of technology continue to strengthen technical design and operation efficiency to develop core communication technologies. Since 2019, we have invested in the design of 5G smartphone models and promoted 5G models to maintain our leadership in the industry. In the future, we will develop mid-end 5G smartphone models, equipped with under-screen fingerprint recognition, under-screen camera technology, hundred-million-pixel camera, narrower bezel design, and high-speed fast charging technology to meet market demands and customer expectations. At the same time, it has also continued to dig deep into the design of rugged mobile phones, improved the anti-scratch, anti-panel crack, drop resistance, and waterproof and dustproof designs for rugged outdoor usage. The stylish appearance reverses the traditional & monotonous shape of rugged phones and can meet the military standard requirements, also bringing a new & fashion ID look to rugged smartphones.

#### ■ Smart Wearable Devices

Compal began to ship wearable devices starting in 2016. Based on the design engineering capabilities and manufacturing experience with smart devices, we have made great progress in terms of the shipping quantities for Google Wear OS-based smart watches. In addition to the development of more compact and energy efficient smart watches, we are also devoted to expanding our wearable product lines to satisfy various requirements from our customers.

#### ■ Smart Hearable Devices

The trend to remove audio jack on smartphones is one key driver to the fast-booming Smart hearable market. Convenience of usage and affordable price also stimulate the market demand. Based on our rich experiences in wireless and acoustic technology, Compal aggressively joins into the smart hearable market. In addition to the consumer Bluetooth headset and TWS earbuds, we also have deep cooperation with hearing experts to develop hearable and acoustics related products with AI technology.

#### ■ Smart Display Products

Smart display products equipped with intelligent voice assistants are already a trend. We continue to deepen and strengthen the development of related technologies for smart TVs and smart video products such as, integrating far-field microphones, ultra-high-resolution 8K display solutions, Mini and Micro LED backlight solution, the introduction of artificial intelligence (AI) image processing and sound processing technologies, to improve the

product's interactive convenience in use, visual and auditory immersive experience, to create and meet users' expectation in the new generation of smart display products.

#### ■ AR/VR Smart Devices

Worldwide leading technical companies have invested in the development of VR (virtual reality) and AR (augmented reality) for many years. In recent years, with the leap forward of semiconductor process technology, breakthroughs in optical display technology and the development of AI, AR, & VR are expected to be part of the next generation personal computing platform.

A Compal base in product manufacture, mobility design, and communication capabilities, applied to AR/VR devices and cooperated deeply with Qualcomm. In the future, for vertical customers, Compal will combine hardware, software solutions, and 5G communication into a standard 5G AR/VR solution to meet customer needs.

#### ■ Smart Home Devices

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

#### ■ IoT Vertical Solutions

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

#### ■ Smart Medical and Healthcare

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

#### ■ Auto electronics (AE)

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

adopted by several major car manufacturers around the world.

- Servers

The Cloud application market is growing, and a significant portion of data storage and computing analytics have shifted to cloud servers in the back end. To meet the demand from both Enterprises and Data Centers, Compal has mastered the R&D of High-density computing power and precision performance management and has the capacity to design and manufacture servers with high C/P value.

## 5.1.2 Industry Overview

### 1. Current and future industry prospects

- Notebooks

The growth of the notebook market over recent years has been driven by corporate equipment renewals and educational purchases. However, the shipment is limited by Intel CPU shortage issues. According to IDC, notebook shipments amounted to 170 million units worldwide in 2019, up 4% from 2018. Commercial replacement demand will be a little bit cooling down because of Windows 7 EOS in January 2020. Moreover, COVID-19 will impact the global economy, and the notebook shipment will be declined in 2020. As the PC industry matures, brand manufacturers are shifting focus towards higher priced and more featured products, such as Ultra slim Notebooks, 2-in-1s, gaming notebooks and creator PCs in search of more market opportunities, revenue and profit. This transformation requires more precise market segmentation, product positioning and innovative design. Compal, with its extensive industrial experience, fine craftsmanship and proprietary patents, can coordinate with suppliers and customers in creating market demand by developing innovative products that progress with time.

- Ultra slim Notebooks

Slimness and lightweight continue to be two dominant design trends in the PC market today. As solid-state drives (SSD) become popular, Ultra slim Notebooks no longer present a luxury that only high-end consumers can afford but are gradually becoming accessible to mainstream consumers as more affordable models become available. According to IDC, the shipment of ultra slim notebooks (<21mm thick) in 2019 was close to 83.5 million units worldwide, representing an annual growth rate of 23%. Ultra slim notebooks are expected to account for 49% of the total notebook shipment worldwide by 2020 and will officially become the mainstream variant. However, Compal will continue exploring new lightweight materials, power-saving solutions, and cooling technologies to help our clients provide the most competitive products and earn market recognition.

- 2-in-1 Notebooks

Owing to effort across the entire supply chain, the cost and selling price of 2-in-1s have dropped considerably, which has made them more available and acceptable by a wider group of consumers. There are two types of 2-in-1: flip-screen and detachable. Flip-screen notebooks can be physically converted for use under different scenarios, such as video sharing, multi-user sharing and tablet mode. In recent years, manufacturers have introduced notebooks with flip screens that are both lightweight and thin, making them even more appealing. Detachable notebooks are characterized by smaller screen size. This is a feature that appeals to both tablet and notebook users. The smaller form factor combined with a detachable keyboard can better satisfy users who have higher

need for portability. According to IDC, the shipment of 2-in-1 devices totaled about 52.6 million units worldwide in 2019, and manufacturers are expected to introduce more diverse products with 5G/ AI in 2020. This has the potential to increase shipment by nearly 29% to more than 68 million units. These 2-in-1 Notebooks will inject new vitality into the notebook PC market.

#### ■ All-in-one (AIO)

The AIO market is currently dominated by HP, Lenovo, Dell and Apple. Those top brands account for more than 85% of market share today. The AIO market is currently divided between two extremes. One end of the spectrum is characterized by the use of entry-level CPUs such as Intel Celeron and Pentium. Their main purpose being to replace desktop PCs as learning machines for children. On the other end of the spectrum there lies the mid-range and high-priced products. Their main advertised features include multimedia playback, a high-end desktop or notebook CPU, an advanced video processor, and a large touch screen panel. These high-end specifications combined with aesthetic design have revolutionized the PC market and these products are starting to replace desktops. According to IDC, the 3-year decline of AIOs has ended and shipments should remain stable with 11.7 million units in 2020. In terms of design trend, the market should expect touch-based applications, graphical user interfaces or e-sport grade AIOs in the future. The potential for AIOs to replace desktop PCs in broader scenarios should further stimulate product growth.

#### ■ 5G Module & Products

According to the GSA, by March 2020, there are 63 operators officially providing 5G network communication products & services in more than 35 countries worldwide. Cisco Annual Internet Report states that by 2023, about 70% of the world's population (5.7 billion) will have mobile network communication, at least 10% of which is provided by 5G communication. There are more than 250 5G consumer products available in the global market. Include 16 product categories such as mobile phones, tablet, network sharing devices (CPE/MiFi), router, dongle, notebook, TVs, robots, vending machine etc. Many products have adopted Compal 5G solutions already. Compal will continue to expand partners in different 5G domains to develop more 5G application services and consumer products.

#### ■ Tablet

The continuous growth of smartphones with large displays has weakened the demand for tablets. The global tablet market continued to decline in the year 2019. The overall annual recession rate was about 1.5%, and global tablet shipments totaled 144 million units. The cost-effectiveness of the product is the key factor of consumers. The demand for voice tablets is relatively stable. There will be 5G tablets coming to market soon and Compal also continues to pay attention to and respond to these changes in the market and provides consumers with competitive and diverse types of tablet products.

#### ■ Smartphone

According to IDC, the global smartphone sales volume in 2019 was about 137.1 million units, with a decline YOY rate of 2.25%. The overall decline in sales is due to the lower shipment growth in the China market. Observe that consumers are waiting for the upcoming 5G network deployment and the launch of 5G smartphones into the market. Compal aggressively invests in the development of new technologies for 5G smartphones, and provides built-in AI (artificial intelligence) enhancement, virtual personal voice assistants, and a more intuitive user interface. In addition, it will also bring a more attractive new generation of smartphone products.

## ■ Smart Wearable Devices

According to IDC, smartwatch shipment increased steadily by 23% YoY in 2019. This dynamic growth is being led by strong sales of the Apple watch. Other major players also launched new generation 4G LTE smart watches in the second half of 2019. Providing technology support and manufacturing services timely, Compal is also planning to release an original designed LTE watch this year. To build our core value for customers, Compal not only consults our upstream partners, but also provides diversified designs and solutions to meet various needs of the end users.

## ■ Smart Hearable Devices

According to the market research data, TWS earbuds shipment surpassed 100 million units in 2019, revealing double to triple growth compared to the shipment in 2018. Apple AirPods have dominated and driven the whole market since its launch in 2017. Stimulated by the popularity of Apple AirPods, smartphone and traditional earphone vendors are also eager to develop TWS earbuds products. Global tech giants such as Amazon, Microsoft, and Google have also joined in order to spread AI voice assistants through mobile devices.

In addition to music streaming and smart assistants, TWS earbuds also have new features like hearing protection. According to the World Health Organization (WHO), about 460 million people worldwide have hearing loss problems, and about 1 billion people have potential risk of hearing loss due to loudspeakers and long-term listening to entertainment headphones. Compal develops smart hearable products and co-works with professional research centers to bring customers a great sound and music experience.

## ■ Smart Display Products

According to statistics from the IHS Markit, the overall annual growth rate of global LCD TV industry shipments in 2019 was only 0.7%, and the total number of global shipments was about 222 million units, of which the UHD specification ratio was nearly 60% together with the proportion of Smart TVs also exceeded 80% in the fourth quarter. Looking forward to 2020, we will actively develop smart TV and smart video-related products with ultra-high picture quality, immersive audio quality and built-in voice assistants, and continue to cultivate strategic partnerships to maintain a good business and keep flexibility to respond to market dynamics.

## ■ AR/VR Smart Devices

In response to the use of new forms of media and information technology, humans can accelerate the efficiency of processing, solving problems in work, life, and entertainment. Through VR experience, learning, training, and AR (augmenting reality) to solve problems in a timely manner. Therefore, AR/VR applications have gradually become the main force for the development of technology giants in various fields, especially Microsoft, Facebook, and Google. The application of AR/VR head-mounted display devices has achieved breakthrough development in vertical markets such as smart factories, smart healthcare, and remote collaboration. Personal gaming and 3D holographic streaming media have also been produced in entertainment. In the future, AR/VR will further deepen computer vision, AI (artificial intelligence), and IoT applications, and become the new personal computing platform.

## ■ Smart Home Devices

Mobile devices have become an inseparable part of daily life. As wireless technology matures, an “Always Connected” environment is starting to take shape to cater for our work, living, and leisure needs. Smart Home applications have become a mainstream development topic for technology giants such as Amazon and Google.

Smart voice assistants and AI embedded smart devices have been a breakthrough for progress in Smart Home applications. More and more players are joining this market. In the future, there will be more applications based on voice interaction, image recognition and interaction, as well as security. The implementation of AI technology will provide users with a more convenient and intuitive experience.

#### ■ IoT Vertical Solutions

Industries have maintained high interest in IoT over the last few years. We hope to resolve the inherent problems in collaboration with ICT businesses. In this sector, we have engaged in cross-sector alliances with leaders of other industries to develop automated guided vehicles (AGVs) to enhance plant production efficiency and smart cameras equipped with artificial intelligence (AI) for use on brand-new retail solutions or smart cold-chain transportation to resolve the long-time pain point of businesses. To Compal Electronics, this is a favorable opportunity to enter the IoT market.

#### ■ Smart Medical and Healthcare

Increasing shortages of medical staff over recent years has imposed a heavy burden on medical personnel. The result is that medical institutions are desperately searching for more efficient ways to manage personnel and resources. In the United States, hospitals have responded to this crisis with the full implementation of digital charts and modern hospital management systems. Compal is actively introducing promising solutions from abroad to help Taiwanese medical institutions provide better service for patients.

Furthermore, the aging population and shifting focus of medical technology towards convenience have resulted in a change in healthcare practice from always being hospital-based to some home-based and personalized solutions. In light of this, Compal has invested significant resources in the development of integrated products that make it possible for many healthcare services to be carried out at home or at other fixed locations.

Compal also develops smart sports solutions and smart assistive tools, and is collaborating with professional athlete training centers, both local and abroad, in the development of exclusive high-end products for professional athletes.

#### ■ Auto electronics (AE)

In recent years, governments all over the world have been tightening the exhaust emissions standard and safety standards of vehicles and have set a timeframe for implementation. Therefore, electrification, connectivity, and ADAS/AD have become the three main trends in automotive development.

To keep up with these trends, traditional suppliers have made disruptive innovation and changes. IT companies (e.g. Google), startups (e.g. AI and sensor startups), and service platforms (e.g. Uber) enter the automotive industry, while automakers also adjust its business structure and purchasing model under the influence of new technology implementation. In response to such an industrial change, we passed the certification of ISO 26262 Road vehicles — Functional safety system (the first automotive electronics manufacturer in Taiwan to acquire the ISO 26262 certificate) and engaged in the R&D of ADAS-related technologies in 2017, hoping to cultivate new product and market business opportunities under the existing EV business.

#### ■ Servers

Server shipments have grown progressively at about 2.8% per year mainly due to increased demand for cloud services. According to IDC, shipment of x86 servers totaled 11.2 million units in 2019. This is expected to rise to nearly 11.4 million units in 2020. X86 servers accounted for 95% of total server shipments. Rack mounted servers

represent a higher market share because they are both energy efficient and expandable.

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

### ■ Notebooks

The notebook industry is now mature and Taiwanese manufacturers have developed comprehensive partnerships with upstream, mid-stream, and downstream suppliers. This fully-fledged supply system gives manufacturers the advantage of being able to quickly and flexibly adjust to market changes. It also enables Compal to keep up to date with the latest technology and pricing of key components such as CPUs, chipsets, LCD panels, hard disk drives (HDD), and solid-state drives (SSD). However, we still suffer the tariff issue between the US and China and trade disputes between Japan and Korea, as it has caused difficulty in global production and logistics since 2018. Compal and other Taiwanese ODMs/OEMs possess distinctive know-how on system integration, from design to manufacturing, as well as operational management. Taiwan now accounts for more than 80% of the world's notebook ODM/OEM production. The downstream customers including brand manufacturers such as Dell, Lenovo, HP, Acer, Asus, and Apple all have strong marketing strategies and comprehensive sales support systems to ensure success.

### ■ Ultra slim Notebooks

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

### ■ 2-in-1 Notebooks

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

### ■ All-in-one (AIO)

The supply chain and manufacturers of AIOs are generally identical to those of conventional notebooks. The upstream supply structure is similar to that for general PCs, with the addition of suppliers of large touch screen panels. HP, Lenovo, and Dell focus not only on commercial users but also home multimedia users. Apple's emphasis is on professional applications and usage.

### ■ 5G Module & Products

Compal 5G module and the reference device design has combined upstream and downstream and dozens of



well-known customers and operators to establish a complete 5G product ecosystem, providing flexible and diversified 5G related products to fulfill various 5G domains services & requirements.

#### ■ Tablet

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

#### ■ Smartphone

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

#### ■ Smart Wearable Devices

Compal works closely with suppliers for chipsets, sensors, wearable displays, and touchscreen modules to secure parts for wearable devices. In addition to coordinating with upstream suppliers and developing new technologies for new customers, Compal also reaches out to suppliers with advanced technologies. From the technical collaboration between Compal and Tech partners, Compal can quickly adjust the supply chain and product development strategies to accommodate the fast-changing market.

#### ■ Smart Hearable Devices

Compal has plenty of resources for smart hearable platforms and related components based on our past development experiences in smart devices. We have built strict standards for acoustic, reliability, and regulation tests so that we can guarantee to our customers that Compal can deliver reliable and high-quality products.

#### ■ Smart Display Products

Affected by the uncertainties of the China-US tariff dispute, the supply chain began to develop outside China to diversify risks. We continue to integrate resources across regions from upstream to downstream, deploy production base resources, control and manage operating costs, and provide flexible order fulfillment to meet customer's demands.

#### ■ AR/VR Smart Devices

For AR/VR application, Compal provides a complete set of software and hardware solutions, combined with 5G communication to provide high-performance application solutions. Compal has also built up a strong partnership with Qualcomm to provide the standard device reference design, creating a highly cost-effective solution for customers, which can further seize consumer market applications and take leadership in future personal computing platforms.

#### ■ Smart Home Devices

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

#### ■ IoT Vertical Solution

As product positioning and requirements vary in different regions, countries, customers, and applications,

fulfilling the specific specifications and stringent environmental requirements in product design is the main difference between vertical specific industry and ordinary consumer computers. In addition, we began to develop integrated system services and products, such as computer-vision AI applications, in collaboration with suppliers with respect to the customer's application requirements.

- Smart Medical and Healthcare

- (1) Management system:

- Digital charts and smart ward solutions

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

- Point of care solutions

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

- (2) Instruments, equipment, and accessories:

- Smart sports

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

- Smart assistance devices and healthcare-related products

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

- Innovative medical devices

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

### (3) Medical AI

- Cardiovascular disease prediction

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

#### ■ Auto electronics (AE)

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

#### ■ Servers

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

### 3. Product trends and competition

#### ■ Notebooks

- The Notebook has matured to a point where brand manufacturers are shifting focus towards higher priced and more fully featured products, such as ultra slim notebooks, 2-in-1s, and gaming notebooks in a search for greater market opportunities, revenue, and profit.
- More user scenarios for notebooks, for example, gaming notebooks for eSports and creator PCs for content creation.
- The Intel 10<sup>th</sup> generation CPUs were the mainstream processors used in 2019.
- AMD started to gain CPU market share in 2018 2H because of Intel's CPU shortage issue. In 2020, AMD will launch the new 7nm CPU.

- The increasing popularity of mobile devices and online applications have called for more robust and diverse security functions, from fingerprints, to facial and voice recognition. These are all intended to enhance information flow and convenience without compromising security.
- Ultra slim Notebooks
  - Light weight, slimness, and high-quality design will become the main decision factors for consumers.
  - The new CPUs will provide consumers with adequate power for multi-tasking and the handling of day-to-day computing tasks.
  - Long-lasting batteries will free users from the need for frequent recharging when traveling.
  - Metallic casing material allows thinner, lighter, and higher value products.
- 2-in-1 Notebooks
  - Consumers nowadays expect more from 2-in-1s than light weight and portability. Multi-tasking processors, long-lasting batteries and the capacitive stylus have become the new mainstream features.
  - 5G will bring more modern usage for 2-in-1 notebooks.
- All-in-one (AIO)
  - High-end home entertainment AIOs and new flat, portable AIOs present new opportunities.
  - There is room for improvement in touch-based applications and graphical user interfaces.
  - The product exterior can be designed to match interior decoration and furniture.
  - Portable products can be designed with screens that can move in several directions.

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

#### ■ 5G Module & Products

5G communication and applications have expected explosive growth in the coming 5 years. 5G terminal & consumer products will come out with different product categories such as network devices (CPE / Mifi), notebook computers, routers, televisions, and robots... etc.

5G requirements come from various industries. Compal provides the leading communication technology, product manufacturing and technical know-how. Our integrated 5G module solutions provide complete technical support and development tools to help our customers develop their 5G products & services.

#### ■ Tablet

- Extend R&D technology to 5G communications.
- Focus on higher cost/performance ratio and better quality design.
- Explore collaborative opportunities with content providers or telecommunications operators.
- Explore opportunities in education, for kids, industrial, and medical applications.
- Develop tablets for the Smart Home and IoT and use them as control centers or as multi-functional platforms.

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

#### ■ Smartphone

4G Smartphones are the mainstream products in the smartphone market. In 2020, the communication technology enters into the next generation: 5G communications. In addition to mobile broadband service (eMBB), multi-machine type communication (mMTC), ultra-high reliability and ultra-low-latency communication (URLCC), these features will increase consumer demand for entertainment, application, and services.

- Integrates multi-core architecture and strengthens 4G&5G carrier aggregation mobile broadband communication to provide faster transmission speed & data throughput.
- Support AI image processing & applications, drive video streaming services to meet the needs of consumers in daily work and life entertainment.
- Higher screen ratio, high picture quality, narrower border touch products.
- Integrating under-screen fingerprint recognition technology and under-screen camera technology to create full screen experience for consumers.
- Continuously improve the functions required for rugged mobile phones, scratch-resistant, crack-resistant, drop-resistant, waterproof, dustproof, etc.

#### ■ Smart Wearable Devices

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

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

#### ■ Smart Hearable Devices

Evolving due to keen competition, smart hearable devices will not only serve for music streaming, but also include more advanced features such as active noise cancellation, smart assistant, bio-detection, etc. Besides the functionality enhancements, the design will also aim to improve user experiences like water resistance, ergonomics for comfortable wearing, and applications with AI technologies to make it smarter.

Compal has been professional in both hardware and software development for a long time. We have also co-worked with hearing experts for more professional acoustic products development to create product differentiation and make us more competitive in the market.

#### ■ Smart Display Products

We team up with strategic partners to develop high-end models, integrating far-field microphones, ultra-high-resolution 8K display solutions, Mini and Micro LED backlight solutions, and introducing technologies such as artificial intelligence image processing and artificial intelligence sound processing, continue to accumulate the latest technology and experience, make use of the essence of innovation, and integrate research and development resources across fields, combining applications in mobile phones, wearables and home networking products to create an industrial ecological chain, improve user experience, stay on top of the industry's technology, and maintain long-term competitiveness.

## ■ AR/VR Smart Devices

- AR head-mounted displays and spatial sensing modules have been adopted by vertical application customers and entered the European and American markets.
- AR/VR Qualcomm Platform (XR Platform) completed the development stage and entered mass production in 2020.

## ■ Smart Home Devices

- The voice input and interaction provided, and AI enhanced applications of the smart speaker and smart camera are trends of the future Smart Home devices. Compal will create more intuitive and convenient Smart Home products.
- Software services are integrated with cloud computing, and data analysis and user behavior learning will be the key competitiveness of Smart Home products.

## ■ IoT Vertical Solution

Given the high entry barriers, not many investors have engaged in the vertical specific industry over time. The rise of IoT has also attracted increasing competitors. As an ICT leader, therefore, we will implement some new technologies, such as AI and the design capacity of energy-efficient devices, to increase our competitive strengths.

## ■ Smart Medical and Healthcare

### (1) Management system:

- Digital charts and smart ward solutions

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

- Point of care solutions

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

### (2) Instruments, equipment, and accessories:

- Smart sports

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

- Medical equipment and healthcare-related products

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

- Innovative medical devices

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

- Auto electronics (AE)

Telematics and in-vehicle-infotainment.

- Servers

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

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

### 5.1.3 Research and Development

#### 1. Research and Development Expenses over the past year:

Unit: NTD thousands; %

Year	R&D expenses	Operating revenue	R&D expenses as a percentage of operating revenue
2019	14,156,793	980,442,346	1.5
2020 first quarter	3,181,272	182,047,046	1.8

#### 2. New products developed

##### ■ Notebooks

- High-end products: These are high-performance professional models combined with an ultra-high definition display and a powerful GPU that targets users who seek ultimate performance such as gamers or creators.
- Mainstream products: 15.6-inch and 14-inch products with slim bezel design that are powered by the latest CPU from Intel or AMD, are distinguished by integrated or discrete GPU models.
- Business products: Business notebooks designed specifically for corporate users. These products feature enhanced structural design and security, and are offered to large corporations, SME, and the education sector. Security mechanisms such as fingerprint, facial or voice recognition are incorporated to satisfy the user's need for security and data confidentiality.
- Special products: Compal has directed resources into developing notebooks of extreme slimness and will lead the industry in technological innovation in this area. Dual screen and foldable notebooks will be a hot new topic.

##### ■ Ultra slim Notebooks

- Compal has successfully mass-produced and launched many Ultra slim Notebooks, and its designs have been recognized by several international awards.
- Performance will not be sacrificed.
- Not only thinner but also lighter are key requirements for good user experience.
- New ultra slim notebook will feature thin frame displays for a more fashionable and cleaner appearance; the display quality will also be improved.

##### ■ 2-in-1 Notebooks

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

##### ■ All-in-one (AIO)

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



#### ■ 5G Module & Products

- 5G M.2 / LGA module will be mass-produced in 2020.
- 5G M.2 / LGA module obtained product certification, including GCF, CE, CCC, TELEC, FCC, and PTCRB...etc.
- 5G products obtain interoperability test and certification from major worldwide 5G operators.
- 5G indoor/ outdoor CPE, and MiFi will be in development and MP in 2020. To extend 5G module to various types of devices.

#### ■ Tablet

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

#### ■ Smartphone

- Compal has successfully developed and mass-produced smartphones with 3CA (carrier aggregation) technology that work on 4G LTE (TDD-LTE/FDD-LTE).
- Mass-produced various smartphones equipped with 21: 9 aspect ratio FHD + large full-screen smartphones.
- Mass-produced the world's first thinnest rugged mobile phone, with a stylish appearance, and military-grade requirements, bringing a new ID look to rugged smartphones.
- Successfully developed a 5G smartphone, which is planned to be shipped in 2020.

#### ■ Smart Wearable Devices

- More than 40 models launched in 2019.
- Compal supports a variety of product types, such as luxurious material and design, wireless charging, offline map, high accuracy GPS, and high-level water resistant for sports watches. Customized product design and more power efficient to support 3C and fashion brand requests.
- A new generation of lighter, smaller, narrow border, multi-purpose smart watches with diversified designs will be introduced soon.
- LTE smart watches and other wearable devices have also been scheduled for mass production.

#### ■ Smart Hearable Devices

- Bluetooth headset with smart assistant is developed and in mass production.
- Long-term investing in high-end AI technology to develop Bluetooth headset with more intelligent noise cancellation features.

#### ■ Smart Display Products

Compal has successfully developed up to 65-inch UHD TV with Dolby Vision HDR, DTS Virtual X and built-in smart assistant models for the North American market.

#### ■ AR/VR Smart Devices

- In the industrial markets, Compal has developed VR/ AR all-in-one and spatial sensing integrated optical modules, which have been adopted by customers to integrate in enterprise-specific systems.
- Deeply cooperating with Qualcomm to develop the next generation 5G+AR/VR device reference design, Compal will be the leader in 5G+AR/VR device & ecosystem.

#### ■ Smart Home Devices

- Compal has successfully launched several smart display & smart speaker products for the Worldwide Smart Home market.

- Compal has successfully developed several smart camera devices that will be launched soon.
- IoT Vertical Solution
- The development of computer-vision AI products was completed, and shipping to foreign customers has begun.
  - Mass production of the shield-type and uplift-type AVGs has begun. Apart from implementing all Compal plants, we have started cooperation with system integrators to promote products to the industry.
- Smart Medical and Healthcare
- Digital charts and a smart ward solution  
Compal is promoting business opportunities in this respect. Several hospitals have begun adopting and exploring our smart ward solution this year.
  - Point of care solutions  
More than 10 point-of-care centers in Taiwan have begun trials and official use of this solution. In addition to this, several prominent nursing centers in China have also shown interest and commenced collaborating in the use of this solution.
  - Smart sports  
Smart sports solutions have been introduced at several places in Taiwan and promotion in the Taiwan and China market is ongoing. A case has also been built up in Kaohsiung.
  - Innovative medical devices  
Many innovative medical device cases have been executed and plans for the achievement of FDA/ NMPA/CE certification have been established. Launch is expected by the end of 2019 and 2020.
- Auto Electronics (AE)
- Compal has mass-produced various systems and modularized several products that it has designed and developed.
- Servers
- General Purpose Rack-mounted Servers  
According to the Intel product roadmap, the launch of 1U and 2U general purpose rack-mounted servers is undemanding and the factory can quickly fulfill customer requirements by a simple BOM Option change.
  - Edge Computing Servers  
The system has been designed for 5G telecommunication facilities in collaboration with China telecom service providers. This system provides tremendous and responsive acceleration for all aspects of edge computing.
  - High Capacity Storage Servers  
The 4U server includes 36 3.5inch hard drives and dual Intel Xeon processors, to provide cloud service providers with massive computing performance and huge capacity to fulfill any user scenario.

## 5.1.4 Long-term and Short-term Development

### (1) Short-term Development

- We will adapt to market changes, follow current trends, strengthen new design concepts, maintain the focus on product difference, and launch ahead of our competitors.
- We will enhance operational efficiency, to further increase our product competitiveness and push the sales growth rate higher than the market average.
- We will improve logistics management and flexibility to shorten delivery time.
- We will elaborate different market strategies for different product markets. Mainstream products will be bundled with new technology and modular features to boost the added value and diversity of products. For featured products, we will adopt a prospective standpoint in our design concept for new products to become the focal point of the product market. User functionality should be taken into consideration as well as competitive pricing for lower priced products.
- Production bases will be diversified to spread the risk of single production, reduce the cost of manufacturing and improve product competitiveness. Globalized production can reduce the political and economic impacts in the region.
- We will pay closer attention to market trends and evolution in smart devices and develop product concepts suitable for OEM customers and the market. We will help customers create differentiated products of feasible design.
- Product development times will be further shortened to optimize supply chain management, maintain persistent high quality, and provide customers with more competitive products.
- More effort will be made to maintain existing customer relations. Apart from maintaining a high degree of customer satisfaction, we will work towards increasing the volume of product cooperation. We will also seek other opportunities for cooperation with new customers to achieve a growth rate that is better than the market average for smart device products.
- We will improve product profitability to achieve the maximum utilization of capacity and enhance overall operational efficiency and profitability.
- We will tap our accumulated communications industry R&D energy resources to quickly and efficiently cut into the high growth 5G networking market.
- Several different industry alliance strategies will be used for the rapid development of a diversified product line that will strengthen customer relationships in the shortest possible time.

### (2) Long-term Development

- A spirit of innovation will strengthen value-added Company products and improve long-term core competitiveness.
- Cooperation with our customers will be improved to allow better product planning, development and manufacture as well as comprehensive after-sales service.
- Horizontal and vertical integration of all parts and products of the Group's affiliates will be strengthened strategically and aligned with customer needs, to give them more convenient and complete services.
- Optimization of the quality of sophisticated products will be enhanced by new development and cost structures

and strategic alliances with main parts providers to give customers better and more competitive products and services.

- Closer horizontal and vertical integration will be made with affiliates in the Group to create and improve the loyalty of long-term customers.
- Our ability to innovate will be further cultivated, aimed at more accurate prediction of market trends, before the clients do, and provide them with products and services and high value-added solutions to improve long-term core competitiveness.
- The Company has established a service-oriented business model and new revenue sources through careful long-term upstream and downstream integration and cooperation.
- We are strengthening the breadth of learning of our team in preparation for future new business and product development through cross-industry alliances.
- We are cultivating the ability to control key technology, strategize high-end product lines, and gain cooperation opportunities with big manufacturers around the world.
- In addition, we will continue to strengthen our core R&D technology & communication capability and capacity for integrated services for smart devices.

## 5.2 Market and Sales Overview

### 5.2.1 Market Analysis

#### 1. 2019 Sales (Service) by Regions

Area	Percentage
Americas	42.1%
Europe	28.6%
Asia (Including Taiwan)	26.8%
Other Area	2.5%
Total	100.0%

#### 2. Market Share

##### ■ Notebook

According to IDC statistics, the total number of notebook PCs sold around the world in 2019 came to approximately 170 million units. In terms of total shipping quantity, Compal's notebook PCs have approximately 25% of the global market share and the Company remains a world leading manufacturer of this product. As the market for notebook PCs is entering the era of vertical integration, Compal will continue to improve upon its technological capabilities, broaden the scope of its influence, and expand the market scale while challenging the limits and striving for continual improvement to maintain our lead over the competition.

##### ■ Smartphones & 5G Products

The Smartphone market has become quite saturated. However, Compal will continue to ship smartphone products with customers and regional carriers. Expand investment in 5G smartphone technology, provide customized solutions, product reference designs, and flexible ODM / JDM / EMS and services. Compal continues to catch market trends and develop new applications to meet market needs.

##### ■ Smart Wearable Devices

Compal is the biggest ODM supplier for more than 50 models of Google Wear OS Smartwatch. The smartwatch market is expected to maintain its high growth for the next three years. Compal will endeavor to win more world-wide brand customers while studying market demand and adjusting the direction of product development to meet market trends.

##### ■ Smart Hearable Devices

Compal already shipped several models of smart hearable products, including Bluetooth headsets and TWS earbuds. Because smart hearable products requires high accuracy and miniature manufacturing, Compal is also devoting to optimize the product design and improve manufacturing process to enhance production efficiency.

##### ■ Smart Display Products

Developed mass-produced ultra-high-resolution smart TVs and successfully gained 7% of the North American smart TV market. Understanding the market needs in advance to adjust the product development direction is crucial to successfully winning the existing customer cooperation plan. In the future, we will continue to maintain

the momentum of shipments, and actively expand new product lines to maintain stable growth.

#### ■ AR/VR Smart Devices

Successfully developed the AR/VR all-in-one model, which was adopted by several industrial information system integration companies in Taiwan as an exemplary solution. AR/VR modules are also adopted by some China companies, for health, manufacturers used to develop and integrate into various applications. So far, high-end AR/VR devices are dominated by vertical market applications. In the future, in accordance with the AR/VR market trend and the 5G communication deployment, Compal will invest more resources to develop both commercial and consumer products.

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

#### ■ Notebooks

According to IDC statistics, the global shipping quantity for notebook PCs in 2019 grew by 4%. Looking towards 2020, Commercial replacement demand will be a little bit cooling down because of Windows 7 EOS in January 2020. Moreover, COVID-19 will impact the global economy, and the notebook shipment will decline in 2020.

#### ■ Ultra slim Notebooks

The Ultrabook PC has been well-received and is not limited to the premium market. More and more mid-line and entry-level models have also shifted towards more compact design. IDC statistics show the global shipping quantity for Ultra slim laptops (no thicker than 21mm) in 2019 was approximately 83.6 million units. An annual growth rate of 23% is expected for 2020 with a total shipping quantity exceeding 84.6 million units.

#### ■ 2-in-1 Notebooks

Much effort and hard work from the industrial chain, has resulted in the costs and prices for 2-in-1 Notebooks to become substantially lower as consumers have gradually become more receptive and familiar with the product. IDC statistics show the global shipping quantity for 2-in-1 Notebooks in 2019 was approximately 52.6 million units. It is expected by that 2020, different manufacturers will offer more diversified products and new features such as 5G/ AI. It will contribute to an annual growth rate of close to 29%, with a global shipping quantity exceeding 68 million units. 2-in-1 Notebooks will inject new vitality into the notebook PC market.

#### ■ All-in-one (AIO)

IDC statistics show the global shipping quantity for AIO PCs in 2019 was 12.2 million units and the number is expected to remain about the same at 11.7 million units in 2020. Compal will continue to cultivate the market.

#### ■ 5G Module & Products

Cisco internet report points out that in the next 3 years, 70% of the world's population (5.7 billion people) will have mobile networks, and at least 10.6% (600 million people) of mobile networks will be enabled by 5G networks. 5G products will have rapid growth, and it's estimated more than 2 billion 5G devices of various types (average 2 to 3.6 connected devices per person) will be purchased. Compal will develop 5G products with customers and various 5G domain partners.

#### ■ Tablet

Forecasts predict a continued decline in terms of shipping quantity for tablets in 2020. However, Compal still

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

#### ■ Smartphone

According to IDC's, the impact of the COVID-19 epidemic in 2020 will impact the short-term global outlook. It is estimated that the global smartphone market will recover in the second half of 2020 and the world will return to strong replacement demand from the third quarter 2020. Compal invests in high cost-effectiveness 5G Smartphone models with existing customers, also expands to new customers, to ensure stable sales momentum.

#### ■ Smart Wearable Devices

IDC predicts that smart watches will continue high growth until 2022 with CAGR 23% and shipping volume of 115 million units. To be well-prepared for the potential momentum, Compal is developing more advanced features such as sensors for activity detection, 4G LTE for always connection, Voice control and AI integration. Compal will continue to accumulate the relevant technologies to extend its reach into more diversified wearable device product lines.

#### ■ Smart Hearable Devices

According to research from IDC, the global hearable market will remain strong until 2023, driven by different marketing strategies: independent product or accessory of smartphone and smartwatch. More vendors join into the market and it becomes more competitive. To create more value, Compal is focusing on new technologies for longer battery life, better sound quality, more efficient connection, and smarter user interaction.

#### ■ Smart Display Products

According to IHS estimates, the global LCD TV in 2020 was affected by the COVID-19 epidemic and is expected to decline by more than 10%. However, the market's development of high-end LCD TV products will continue to focus on such as artificial intelligence image processing and artificial intelligence sound processing, 8K ultra-high resolution, built-in voice assistant, Mini and Micro LED backlight solutions, large size, high dynamic range (HDR) and wide color gamut (WCG), makes TV pictures closer to natural scenes when rendered, and provides consumers with true-to-life audiovisual enjoyment.

#### ■ AR/VR Smart Devices

According to IDC estimation, the annual average growth rate (CGAR) of AR/VR will exceed 80%, the global AR/VR device shipments have strong growth power. Compal actively taps into both commercial and consumer markets.

#### ■ Smart Home Devices

According to Strategy Analytics, Smart Home sales will continue to grow with 11% CGAR and more than 15% worldwide households will have one or more Smart Home devices. Compal will actively establish its presence in the Smart Home market.

#### ■ IoT Vertical Solution

According to the Gartner forecast, in 2020, over one billion devices will use vertical solutions for smart

manufacturing, smart transportation, and smart retail, suggesting that the market demand is escalating.

## ■ Smart Medical and Healthcare

### (1) Management Systems:

- Electronic Medical Records (EMR) and Smart Ward Solutions: According to estimates by FMI, the global market for Electronic Medical Records (EMR) and management systems is expected to grow from USD 11.4 billion in 2015 to USD19.7 billion by 2025, with an annual growth rate of 5.6%.
- Point of Care Solutions: A report published by Markets and Markets, shows that factors such as the aging populations and digital medical services, will cause the global market for patient and point of care solution related management systems to reach USD 16 billion by 2020 with an annual growth rate of 19.7%.

### (2) Instruments, Equipment, and Accessories:

- Smart sports products: Estimates of Market Reports Hub show that the value of smart sports goods will increase to US\$15 billion in 2021, with professional athletes, professional teams, amateur athletes, and highly self-demanding trainers as the major consumer groups.
- Medical devices and healthcare-related products: Estimates of Research and Markets show that the scale of the global medical device market will expand from US\$370 billion in 2018 to over US\$400 billion in 2023, with an annual growth of 4.5%.
- Innovative medical devices: The sales of innovative medical devices, such as the continuous blood sugar monitoring system, reached US\$1.8 billion in 2018 and will hit US\$2.5 billion in 2026, with a CAGR of 33%.
- Severe cardiovascular diseases monitoring AI: Estimates of Global Markets Insights show that the scale of the global medical AI market will reach US\$13 billion in 2025, with a CAGR of 40%.

## ■ Auto electronics (AE)

IHS estimated average global light vehicle production will stay stable at 90 million units annually, with 1.5% CAGR from 2019 to 2022.

## ■ Server

IDC statistics show that the demand for x86 servers was 112 million sets in 2019 and will reach 114 million sets in 2020. The server demand will continue to rise in the next few years as boosted by the cloud computing demand, which is the major source of x86 server demand accounting for nearly 99% of the shipping volume. As the frame-type server has a higher market share, we have actively engaged in the server market.

## 4. Competitive advantage:

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

### ■ Notebooks

The Company has been manufacturing notebooks since 1989 and is one of the most experienced notebook manufacturers in Taiwan. Products designed by the Company have won many Editor's Choice awards from



renowned magazines worldwide as well as awards from the Taiwan External Trade Development Council.

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

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

#### ■ Ultra slim Notebooks

Compal continues to stay ahead of its competitors in terms of technology advancement and R&D and strives to bring innovation to its designs. The Company expects to maintain this advantage in 2020 and will actively assist customers in the development of more competitive Ultra slim Notebooks.

#### ■ 2-in-1 Notebooks

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

#### ■ All-in-one (AIO)

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

#### ■ 5G Module & Products

Compal has long-term communication technology development and has involved itself in the evolution of global communications standards (2/3/4/5G). With complete technical capabilities and manufacturing advantages, Compal can provide customers and partners with the most competitive and flexible solutions.

- One-stop capability & services from communication and whole machine design and manufacturing
- Obtained carrier Interoperability test (IOT) and certification
- Obtained product certifications, including GCF, CE, CCC, TELEC, FCC, and PTCRB ... etc.

#### ■ Tablet

Compal remains somewhat optimistic about the future of the tablet market. We will continue to introduce differentiated and competitively priced products to consumers. The Company will also explore the possibility of introducing products that support 4G/LTE/5G CA (Carrier Aggregation), using the experience and knowledge accumulated in smartphone manufacture, to meet rising demand.

#### ■ Smartphone

Compal has accumulated many years of experience in smartphones. The ability to develop software and hardware and incorporate research outcomes and technologies into products has earned us the recognition of

customers all over the world. Furthermore, the advantage of producing at a scaled economy provides exceptional bargaining power with respect to the pricing and timing of material supply. This allows much more flexibility and control over raw material purchases.

- Development of 5G communication technology and keeping pace with emerging technologies.
- The introduction of AI, the virtual personal assistant and a more intuitive user interface.
- The enhanced application of biometric technologies.
- Consolidate the research and development of 5G system and RF antenna design.
- Integrating upstream and downstream supply chains, providing ODM / JDM / EMS flexible product design solutions.

#### ■ Smart Wearable Devices

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

#### ■ Smart Hearable Devices

Compal has years of experience in acoustic, wireless communication, mechanical structure design for smart mobile devices. We have experienced engineering teams, systematic development processes, and complete test processes and facilities. We can also provide supply chain management service and excellent cost and quality control. All these can be beneficial to our brand customers or distributors.

#### ■ Smart Display Products

- Continue to develop artificial intelligence in the improvement of picture and sound quality and the application of voice assistants, integrate cross-domain product research, and development resources to expand the industrial ecological chain.
- Continue to cultivate strategic partnerships between customers and suppliers, and actively adjust the allocation of resources between production bases and supply chains, further improving our competitive advantage in order to create a win-win business and strive for market share.

#### ■ AR/VR Smart Devices

Compal continues tight cooperation with Qualcomm, in the R&D and design capabilities of the existing product line, linked to 5G communications capabilities and develop cloud software platforms, to provide customers full software and hardware solutions, and also provide customized services to fulfill market & user requirements.

#### ■ Smart Home Devices

Compal will leverage its hardware design, software, and firmware capabilities in consumer devices and communication fields, and invest in the development of a cloud computing software/ platform. To provide the complete Smart Home solutions and bring customers more integrated solutions and customizable applications to meet customer & market users' expectations.

## ■ IoT Vertical Solution

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

## ■ Smart medical and healthcare

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

## ■ Auto electronics (AE)

In response to the three main trends of automotive development (electrification, connectivity, and ADAS/AD), we will continue to integrate key technologies and demonstrate the characteristics and features of the IT industry based on our foundation in related industries to engage in synchronous development with customers, provide various cost-effective, and 0 ppm IVI systems and ICT solutions, and combine it with new product technologies developed progressively to strive for new product, customer, and market business opportunities.

## ■ Servers

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

## **5. Future opportunities, threats, and responsive strategies**

### ■ Opportunities

- New product concepts such as the 2-in-1, Ultra slim Notebook, and e-sports will continue stimulating market demand.
- Renewal demands for corporate notebooks remain consistent following new products introduced by Intel and Microsoft.
- Innovation from world leading brands puts the Company in a position to dictate new products and markets.
- Expansion of software development, aesthetic design and man-machine interface talent has greatly improved the ergonomics of products manufactured by Compal, which adds both value and appeal to customers.
- Compal's strong R&D, manufacturing and operational management experience has earned the trust of world-renowned brands.
- Compal has rigorous processes in place to monitor cost from initial R&D to manufacturing and is therefore able to maintain a competitive edge with our products.
- A rational pricing strategy supported by an alliance with parts suppliers helps secure market growth.
- Connectivity not only brings convenience, but also adds value and competitiveness to the products offered.
- Compal actively forms alliances with participants in different industries. This helps the Company to increase product and customer diversity.

- Compal remains active in developing innovative technologies and exploring new product concepts. The Company works alongside customers in developing new product lines, and in so doing secures access to new products and technologies.
- The growing scale of 4G LTE infrastructures in emerging markets provides users with the incentive to renew mobile devices and supports the growth of smartphone demand.
- Demand for entry-level tablets and tablets with voice features continue to rise. The Company offers some of the most competitive products in the industry to meet this demand.
- Compal has the technical capabilities to make smartphones and tablets in ways that support new IoT applications such as smart speakers, smart voice assistance, etc. as well as the ability to explore new opportunities across different industries.
- Driven by growing demand for wearable devices, Compal continues to mass-produce products and develop new proposals and innovations with major customers, continuing to maintain the Company's position as the leading producer of wearable devices.
- Compal is aggressively investing in 5G development and puts much innovative energy into 5G and product development to provide the 5G applications requested by their customers.
- The US trade war is expected to enhance Compal's design opportunities and slow down the price competition among China manufacturers.
- Integrate 5G communication capabilities with partners inside and outside the Compal group to develop various 5G domain & industrial applications.
- Integrate holographic 3D streaming media, 5G communication technology, artificial intelligence (AI) to build the next generation AR / VR.
- Actively apply for audio and voice analysis patents to enhance global patent deployment.
- Enhance artificial intelligence technology as the foundation of the next generation of smart devices.

#### ■ Threats

- CPU shortage and weak consumer demand continued to affect the shipment of notebooks in the first half of 2020.
- New Chinese manufacturers have joined the race with competitively priced mid-range and high-end notebooks. This has intensified price competition in this product category.
- The industry now competes in terms of vertical integration as opposed to specialization, which involves more costly investment, higher market complexity and more challenging business management. Faced with the rise of the Chinese supply chain, Taiwanese notebook manufacturers need to coordinate operations to be able to match the integrated design, development and assembly capacity from China.
- The Notebook is a highly matured product and requires more diverse, value-adding, and innovative features for differentiation from other market participants.
- Products with Internet connectivity tend to involve many different communication protocols at the same time, this poses a challenge in product development and can make products unacceptable to some consumers.
- Too many competitors in the IoT market can give rise to inconsistent quality and make competition in the industry more difficult.
- Ongoing price competition among smartphones has a significant impact on large-brand customers.
- Overall demand for tablets has declined, which adds to the competitive pressure.

- Wearable devices are still in the early stages of development and require sustained periods of expansion to reach an economy of scale.
- Due to the outbreak of COVID-19 pneumonia, the consumer market demand was lower than expected.
- 5G will be used in various domains, while many industries are in the infrastructure construction and POC stage. Many 5G innovative new business models are still under development, and large scale applications still take time.

#### ■ Strategies

- Accelerating the manufacturing recovery to reduce the impact from COVID-19.
- The Company will adopt strategies that focus primarily on innovation, product added value, and service.
- Quality and production efficiency will be improved to reduce manufacturing costs.
- The use of land and human resources in emerging countries throughout the world will be optimized to reduce the cost of production and basic R&D.
- We will enhance product design review and develop a comprehensive database of documents to improve design efficiency and quality while reducing costs.
- New customers and new product lines will be explored in emerging markets.
- Launch ultra slim notebooks integrating high performance and portability in response to the machine renewal demand in the commercial market to seize the commercial market together with customers.
- The gaming market has grown in diversity with new technologies constantly being introduced to entice consumers into replacing old products. Compal is in the position to offer gaming notebooks at various price levels to meet consumer demand.
- Offer complete solutions and form alliances across industries to quickly tap into market demand while retaining the flexibility to satisfy customer needs.
- Progressively nurture innovative talent within the organization, enhance the development capacity for high-end medical equipment and engage world-renowned medical equipment suppliers in strategic, long-term, and mutually beneficial cooperation.
- Continue to strengthen working relationships with platform operators by providing hardware and software solutions.
- Continuous to extend 5G communication capabilities to various 5G domains and types of product, build up leadership in 5G, and provide complete total solutions.
- Provide complete AR/VR solutions and collaborate with various domain partners, to create market penetration, and increase customer satisfaction.
- Continuously develop high-end acoustic technologies for smart hearable products, and collaborate with audio professors and Taiwan Top acoustic research centers.
- Cultivate internal R&D talents of AI (artificial intelligence) technologies, hold artificial intelligence seminars, and training courses.

## 5.2.2 Major Products and Their Main Uses

### 1. Main product applications

## ■ Notebooks

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

## ■ Ultra slim Notebooks

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

## ■ 2-in-1 Notebooks

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

## ■ All-in-one (AIO)

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

## ■ Smart Home Devices

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

## ■ Tablets

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

## ■ Smart Display Products

Graphics displays with audio output.

## ■ Smartphones and Modules

Personal communication and internet access.

## ■ IoT Vertical Solutions

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

## ■ Smart Medicine and Healthcare

Penetration into households and point-of-care areas using technology, including that of the IoT, and gradual integration with our own peripheral software products allows the provision of comprehensive solutions. These can give convenient and instant smart health care that will enhance dependence on the products as well as engender user brand loyalty.

## ■ Auto electronics (AE)

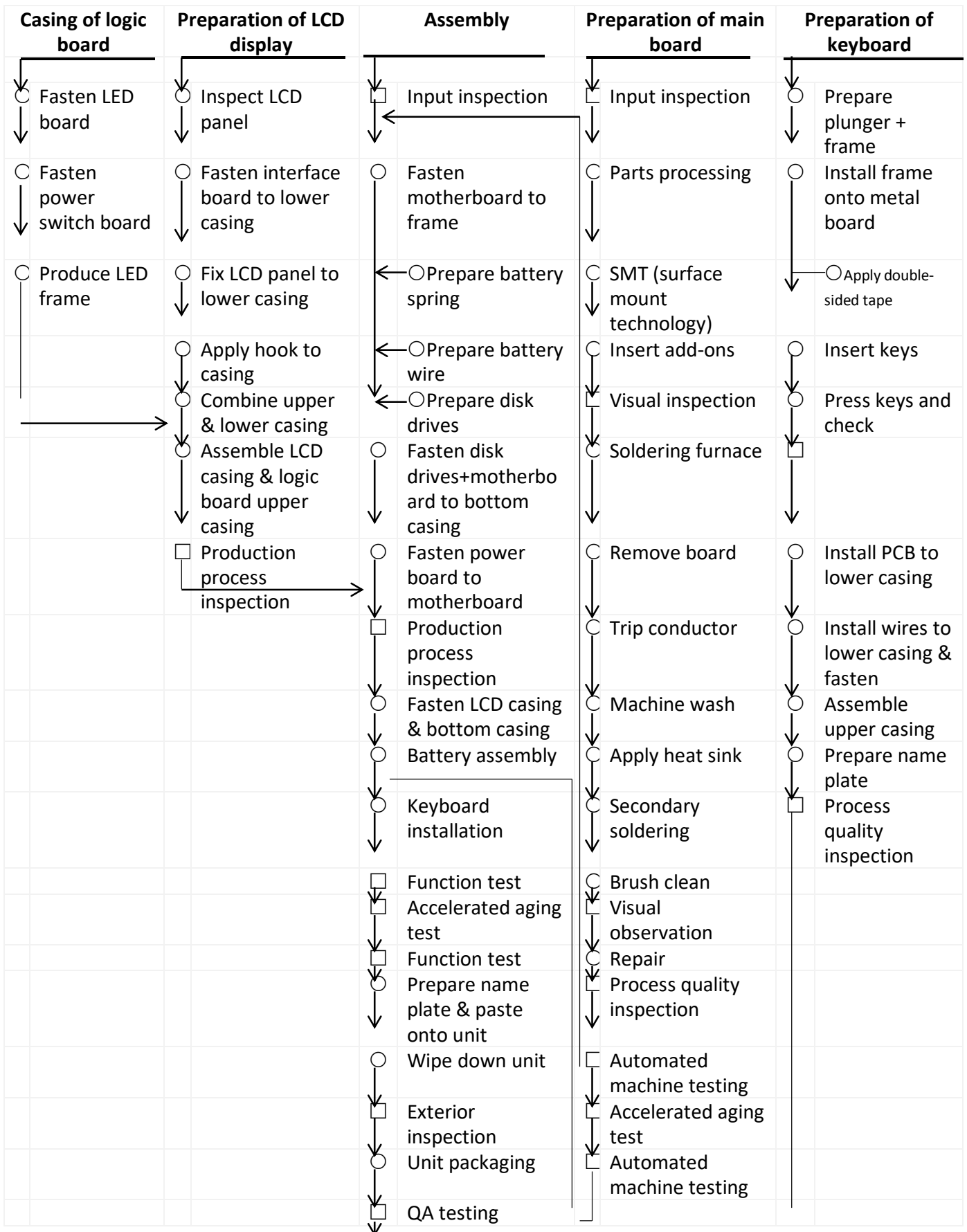
- In-Vehicle Infotainment system
- Vehicle communication (3G/4G) system.
- Voice controlled natural sound navigation.
- Android Auto/Carplay connection. Smartphone Connection.

- Smartphone Auto connection
- Accident alarm.
- Integrated peripheral safety warning systems such as wireless tire pressure and collision avoidance radar.

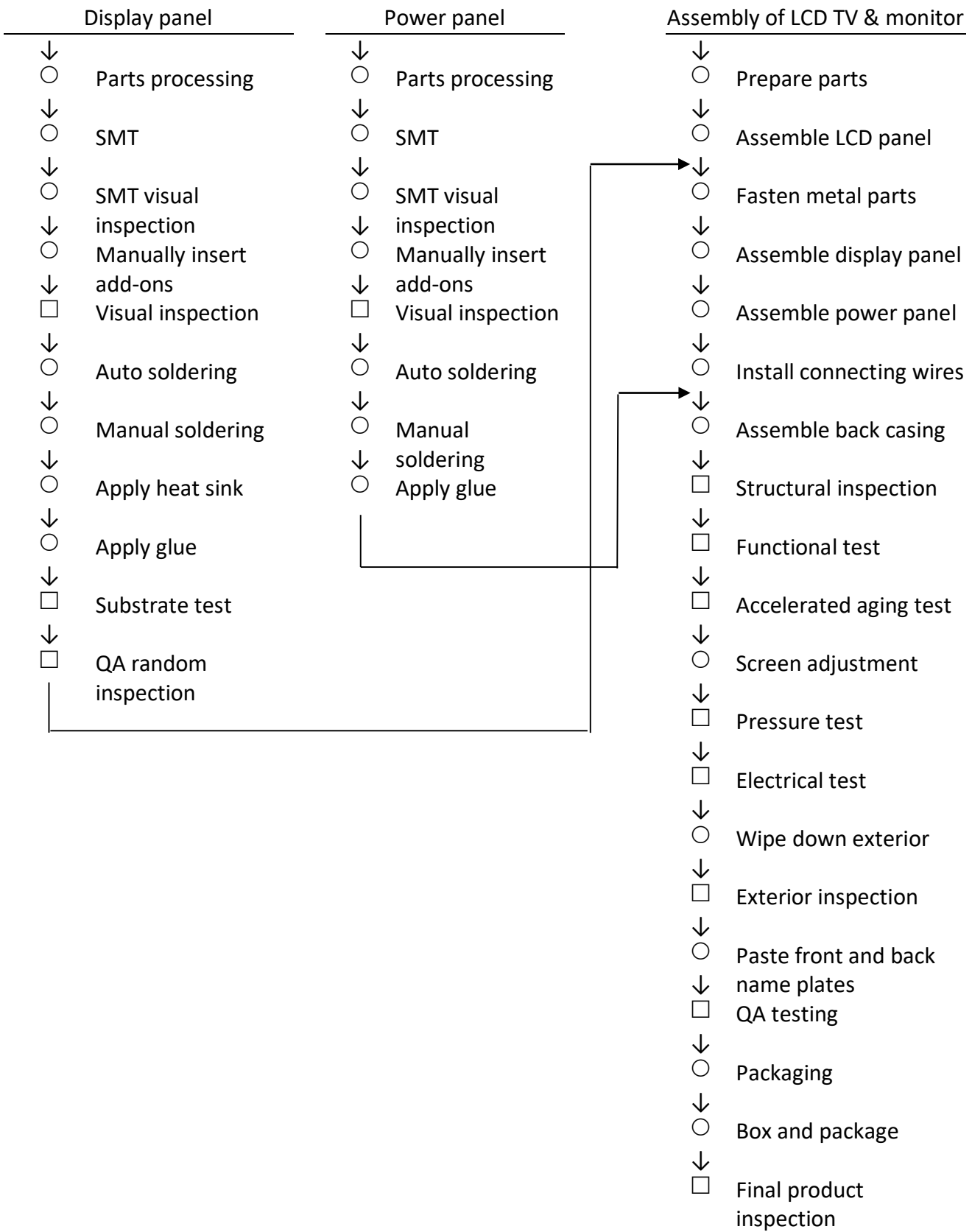
#### ■ Servers

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

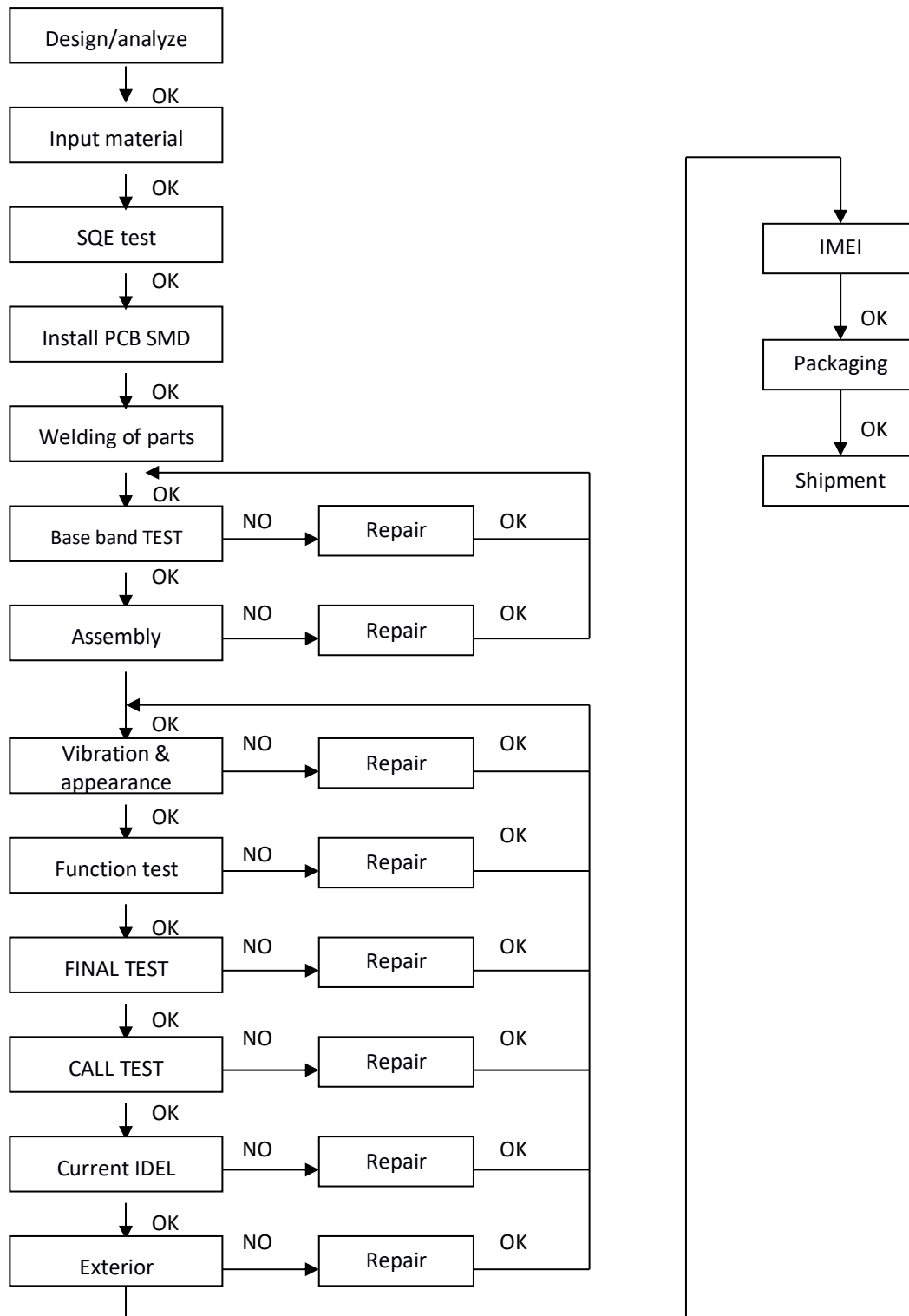
## 2. Production processes of main products







Smartphones and tablet PCs



### 5.2.3 Supply Status of Main Materials

- CPU/Chipset

- Notebooks

To solve the shortage situation, Intel invested 1 billion US dollars in 2018 to increase production capacity and began mass production in 2019Q3. Because of the trade war between China and the USA, most brands have prepared the material in advance and that makes too much demand for the market. Also, Intel's 10 Nano yield rate did not improve that much and there is some problem with 14 Nano yield that makes less production in the second half of 2019. Plus, the demand for server and cloud drive has increased so that makes CPU out of stocks in the first half of 2020. Intel estimates that the shortage will not be relieved until the second quarter of 2020.

The shortage of Intel in 2019Q4 continues to increase, making the proportion of AMD models continue to increase. Most companies have started to use AMD CPU in their consumer model, the attach rate comes to 16.7%. But the proportion of consumer models decreases slightly in 2020 Q1 because AMD CPUs are usually equipped in standard models and the proportion falls sharply in this quarter. In this situation, AMD's consumer model rises a little but the whole percentage decreases to 16.2%.

In terms of Intel's new products, 14-nanometer high-end products will launch an eight-core 14-nanometer Comet Lake H in the second quarter of 2020, and the mid-range product Rocket Lake will be launched at the end of the fourth quarter of 2020 and will be used to Continue 14nm Nano Comet Lake. As for 10-nanometer, the eight-core Tiger Lake H for high-end products is expected to be launched in the first quarter of 2011 but the memory only supports DDR4. The mid-range product Tiger Lake UP3 will be launched in the third quarter of 2020. It will support LPDDR5. Low-end CPUs for low-power Chromebooks and small notebook computers are expected to be launched in the fourth quarter of 2020 with Jasper Lake at 10 nm.

Overall, even though Intel's shipping strategy in 2020 has 14-nm Comet Lake CPUs supporting brand customer shipments, the main shipment will focus on 10-nanometer Ice Lake CPU and Tiger Lake CPU which will be launched in the third quarter of 2020. In 2021, Intel will only launch 10 nanometer Alder Lake and no 14-nanometer product will be released.

- Smartphones and Modules

The end of 2019 with 5G Network global market, 61 operators around the world have provided 5G service, and more Devices have been released. Most 5G markets are still in the niche and early stage of development, the major factor is that many operators are still observing the business working model from 5G Network. Investment costs and infrastructure construction will take time, 5G is an important technology. Beyond faster speeds, 5G offers low latency, increased capacity, and higher data rates. Once realized, 5G will be a massive improvement from 4G and will signify a new chapter of next-gen connectivity.

Although 5G communication technology and application can optimize the current 4G communication quality and expand the scope of application, there are still limitations. In order to achieve high-speed transmission rates, 5G needs to have a larger bandwidth than 4G. Therefore, 5G is mainly based on Sub-6GHz and mmWave.

The 5G smartphones need to support more frequencies and multi-modes compared to 4G, and need to solve the inherent limitation of high-frequency wireless communication in the mmWave. There would be a number of RFFE modules and antennas needed to be increased accordingly, as well as the design and integration of RF

components. Therefore, SoC, baseband chips, complete RF front-end (RFFE) will support sub-6GHz to millimeter wave (mmWave) antennas and other end-to-end product portfolio applications.

## ■ Memory

### ● DRAM

When it comes to using DRAM, mobile stands for 41%, followed by server 28%, consumer 12%, PC 14% and graphics 5%. The trade war between China and the USA caused uncertainty in tariffs and import and export trade and there were no breakthroughs in 3C products. As a result, consumer expectations for replacement are weak, and market demand may be postponed, causing an oversupply of DRAM in the market and DRAM prices falling to the bottom. After the factories have begun to reduce production, DRAM's inventory has reached a healthy level, and the price downward tendency has ended at the end of 2019.

It is estimated that the average server capacity GB / sys in 2020 will grow from 303.17GB to 396.33GB, and the annual shipment growth will be about 10%; the average smartphone capacity GB / sys will grow from 3.82GB to 4.49GB, and the annual shipment decline will be about 2.4 %. The average PC loading capacity has grown from 7.5GB to 8.2GB, and the number of PC shipments has declined by about 7.1% annually.

In terms of DRAM process, the top three suppliers Samsung, SK Hynix, and Micron have moved their mainstream products from 1xnm to 1ynm. Samsung and SK Hynix have also entered the 12nm generation. DDR5 is expected to be launched in 2020Q3, and the frequency can reach 6400Mbps. However, since INTEL NB CPU equipped with DDR5 was mass-produced in 2021Q3, DDR5 for servers will be launched this year.

The mobile market will have new generation designs such as 5G, multi-lens, foldable phones or tablets in 2020. As the functions become more powerful, the demand for LPDDR on each device increases. The mobile phone with 12GB memory appeared in 2019, and the mobile phone with 16GB memory will make a debut in the first quarter of 2020, this increases the demand for LPDDR. As for new products, Samsung first used the world's first 12GB LPDDR5 as a mobile DRAM, which is expected to be equipped with 5G functions and high-end smartphones that implement AI applications. The situation is unclear for the mobile device, increasing memory capacity has become one of the major growth drivers to suppliers. Since the second half of 2019, DRAM prices have begun to stabilize due to product reduction and inventory closeout. It is expected that DRAM prices will continue to rise in 2020.

As for Graphic Memory, since Nvidia launched the N18 refresh version in 2020Q2, NB and graphics cards have launched new models simultaneously, making the demand for Q2-Q3 to rise, and this brings about graphic memory being out of stock and the price getting higher and higher.

The three major manufacturers observed that consumer products were affected by the Coronavirus, and the buying popularity gradually declined. Suppliers began to adjust their production, making mobile and PC switch to servers. The server market benefited from the launch of INTEL Cascade Lake, AMD Rome new platforms and the demand from Microsoft and Amazon upturned. In 2020, new bids for Q1 China Data Center were launched one after another, and the overall demand was strong, resulting in the current market shortage and price increase. If the three major manufacturers continue to switch to the server, it is estimated that the supply may exceed the demand in the second half of 2020. Also, if the inventory of North American and Chinese data center customers reaches a certain level, they will quickly stop purchasing and the price for memory may collapse.

Looking forward to 2020, the global economic recession caused by COVID-19 will reduce the demand for the

DRAM market. Hand-held devices, personal computers, consumer electronics, etc., have all been impacted by the sales aspect. Although the server market continues to develop in 5G / AI / IoT, and COVID-19 unexpectedly brought about the demand for data centers, it is estimated that the overall DRAM shipments in 2020 will still decline compared to 2019. As for the extent of the recession, it will depend on the control of the Coronavirus.

#### ■ NAND flash

For the past three quarters of 2019, due to the weak demand for servers and the low replacement rate of mobile phones, the price of NAND Flash dropped sharply. Nevertheless, in 2018Q4 KIOXIA (Toshiba memory name change to KIOXIA since 2019/10/1) caused a power outage issue, and purchase demand increased in the peak season, which caused prices to rise in 2019 Q4. The price of SATA-SSD rose about 4-7% and PCIe-SSD rose about 6-9%. As for the SSD, the attach rate was 77% in 2018, and will expect to increase to 80-85% in 2020. The capacity in the PC market is still dominated by 256GB, with 512GB replacing 128GB as the second-largest mainstream capacity. Because of the continued rise in 2020, the current 512GB attach rate has been revised to become the mainstream capacity in 2021.

In terms of the process to each manufacturer, Samsung / Hynix / Micron will focus on 96-layer 3D TLC products this year. In the future, due to increased capacity, the three manufacturers will all introduce 128-layer 3D TLC in 2020, 112-layer 3D TLC will be launched in Q3 of 2020. As for the 3D QLC process, there are few suppliers actively promoting it, only Samsung and Micron have 3D QLC SSD products on the market, and Hynix will introduce QLC products this year. In the future, whether manufacturers will follow up on 3D QLC or INTEL 144-layer QLC can be accepted by customers is two big issues in 2020.

According to the impact of the Coronavirus this year, long-distance work and home economics have brought the demand for servers to a peak. 5G smartphones and new game consoles XBOX-X / PS5 are about to be launched, and it has taken the majority of NAND FLASH Capacity. Due to the impact of the epidemic, all major suppliers have expressed reservation to capacity expansion, making the SSD market even scarcer. It is expected that the price of NAND FLASH will continue to rise this year, but it may converge as the epidemic gets worse.

As for eMMC, since 5G smartphones are an important topic this year, the demand for transmission speed has exceeded the load of eMMC. The UFS with better performance than eMMC is expected to greatly increase the attach rate this year and make more shipments of 256GB / 512GB products.

#### ■ HDD

The attach rate for HDD has been reduced year by year because of the improvement of cloud storage and the weight of notebooks has become lighter than before. Most notebooks have equipped SSD and that makes the attach rate of HDD down to 20% in 2020.

The usage rate of 1TB was the highest in 2019. In 2020, the usage rate of 500G may become 40%, 1TB about 58%, and 2TB around 2%. As for price in 2020, 500G may not change, 1TB may decrease 0.7% and 2TB may decrease 2.4%.

As for new technology, WD is developing MAMR technology to make the capacity to 18TB and 20TB, which is the new product named "Ultrastar" series; Seagate came up with HAMR technology as a response which can also make the capacity to 20TB. The new product gives the Company another option to store their inactive information.

HDD is still having a price advantage when compared to SSD and because the price of SSD rises, it can slow down the trend of HDD being replaced by SSD.

#### ■ ODD

ODD's functions have been replaced by other technology like external hard drives, USD, and cloud storage. This reason makes fewer models which are still using ODD. The attach rate may decrease to 12% in 2020.

There will be no new models in 2020, so most notebooks may still equip DVD-RW. Due to the high price and fully developed technology of social media, Blu-ray drives may only be specially equipped in some models. Inactive information storage may be a big issue soon. Panasonic and Sony have cooperated to develop AD drives for information centers to store these messages, so it may be a trend in further future.

#### ■ Batteries

Looking back on 2019, the shipment of cylindrical battery cells increased by 6% compared with 2018. The growth of shipments mainly came from automotive batteries (EV, E-Motorcycle), which grew by 5% and E-Motorcycle 23%. Besides, in the shipment of Polymer batteries, the growth came from 17% of NB and 69% of wearable devices, but there was no growth in the mobile phone market, making the overall shipment increase only 20% in 2019. It is estimated that due to the impact of the coronavirus in 2020, the overall mobile phone battery shipment will decline by 9%. Although the NB part has increased the demand for remote work and teaching due to the epidemic, the overall European and American consumer markets have turned weak. It is estimated that NB battery shipments will decline by about 10% in the first half of 2020.

Although the overall global car sales fell by about 4.7% in 2019, the number of electric vehicle sales is still growing at the rate of 20%. Major automakers are still investing resources in the development of electric vehicles. Cylindrical's demand for automotive batteries (EV, E-Motorcycle) still showed no signs of weakening in 2020. Many battery manufacturers have shifted their production to Cylindrical's capacity to automotive batteries. To view from other angles of notebook market supply, because Japanese manufacturers (Panasonic) and Korean factories (LGC, SDI), which mainly produce Cylindrical have quit the market, only a few old organic models and selectively order, making Chinese manufacturers to enter the market. The Polymer segment topped the list with 13.4% growth in ATL shipments, followed by CosMX at the rate of 12.8%. While at the Polymer suppliers with larger NB shipments, SDI and LGC grew 9% and 3% respectively, while BYD decreased 11%.

It is estimated that in 2020, the benefit of lithium-ion batteries and the demand for servers will continue to increase. As for backup power for cloud data centers, lithium-ion batteries will gradually replace traditional lead-acid batteries in the future. Although lead-acid batteries are still the bulk of current backup batteries in data centers, lithium-ion batteries have the advantage of long service life, faster speed of charging and smaller size, it may replace lead-acid batteries in the future. In 2019, lithium-ion batteries stand for 12% of the backup batteries in the data center, and it is estimated that it will rise to 16% in 2020.

#### ■ LCD panels and Touch control modules

Factors such as Brexit, Japan's weak economy, US-China trade war, and China's economic slowdown in 2019 contributed to the slowdown in the global economy. The growth rate of the global economy in 2018-2019 slowed from 3.2% to 2.8%.

Due to the condition of mentioned above, affecting the growth of demand is not as expected, the prosperity of the panel industry continues to decline, further makes global output value still unable to resist recession, however due to the rapid growth of China's panel production capacity, drive the panel component industry boom to a steady trend, According to statistics, the output value of global LCD panel components in 2019 is about 42.8 billion US dollars, no big difference compared with 2018, the annual growth rate declined by 0.09% .

For touch modules, in 2019 the dependence rate on NB will increase by 15%, accounting for about 20% of all NBs. According to statistics, touch panels used in smartphones in the first half of 2020 are the most versatile application products, accounting for about 85% of the total shipments. The second is the use of tablet and notebook computers, accounting for about 9%; automotive applications are 1.5%; others are about 4.5% (industrial equipment / automatic cash registers, etc.). In 2020 many brands will try dual-screen design, it is expected that the proportion of NB will still improve, and the market's acceptance of dual-screen design will be the growth of the main factor for touch in NB.

For OLED panels, Korean manufacturers look forward to their excellent display quality, and have been investing in product development for a long time. As the demand for mobile phones gradually increases, further which affects their output value, the China manufacturers also believe OLED flexible characteristics and better display quality with development potential. They were gradually mass-produced, according to statistics, the annual growth rate of the annual output value of 2019 was about 20%. The growth strength is obviously better than other products, and it has also become one of the main growth items of the panel component industry. The growth rate in 2020 is expected to be 15%. The main application market is still in the field of mobile phones, because the current OLED technology is not as good as the LCD in terms of cost and service life, and the yield rate has not yet stabilized for production. In the future, the product life extension and improved yield rate will be the main key of market share.

Evaluation of industry development in 2020, technology has entered the 5G era, is expected to drive the gradual growth of related demand, various new market developments will emerge, including smart transportation, large medical industries, wearable devices, robots, etc. All are to drive the growth of the demand for human-machine interfaces, and the demand for panel / touch modules is expected to maintain a stable growth trend. In addition to the expansion of production capacity, the development of new products and the introduction of differentiated technologies to improve competitiveness, the most important thing for the manufacturer to do is actively invest in new niche markets or new business models to expand profitability.

Looking forward to 2020, under the influence of the epidemic, facing the shrinking of products and weak demand, it can be predicted that the global economy will remain at a low level, which will further impact the products demand. Therefore, the annual growth rate of panel and touch module production capacity will slow down, and the global economic situation will still not be improved. After the outbreak of the epidemic, it is estimated that the recession rate in the first half of the year will be about 10-12%. In the second half of the year, the new market analysis will depend on the epidemic situation control state.

## 5.2.4 Major Suppliers and Clients

### (1) Major Suppliers in the Last Two Years

Unit: NTD thousand

Party	2018				2019				2020 first quarter			
	Name	Amount	As a percentage to 2018 net purchases (%)	Relationship with the issuer	Name	Amount	As a percentage to 2019 net purchases (%)	Relationship with the issuer	Name	Amount	As a percentage to 2020 first quarter net purchases (%)	Relationship with the issuer
1	Company E	328,103,409	35.77	N/A	Company E	301,780,015	32.82	N/A	Company E	67,063,738	35.53	N/A
2	Company B	113,241,981	12.35	N/A	Company B	89,789,108	9.77	N/A	Company B	15,711,786	8.33	N/A
	Others	475,877,885	51.88		Others	527,842,635	57.41		Others	105,966,807	56.14	
	Net Purchase	917,223,275	100.00		Net Purchase	919,411,758	100.00		Net Purchase	188,742,331	100.00	

### (2) Major Clients in the Last Two Years

Unit: NTD thousand

Party	2018				2019				2020 first quarter			
	Name	Amount	As a percentage to 2018 net sales (%)	Relationship with the issuer	Name	Amount	As a percentage to 2019 net sales (%)	Relationship with the issuer	Name	Amount	As a percentage to 2020 first quarter net sales (%)	Relationship with the issuer
1	Company a	128,790,649	13.31	N/A	Company a	96,591,070	9.85	N/A	Company a	15,692,413	8.62	N/A
2	Company d	414,474,616	42.83	N/A	Company d	390,210,303	39.80	N/A	Company d	83,841,867	46.06	N/A
3	Company e	66,783,151	6.90	N/A	Company e	105,890,275	10.80	N/A	Company e	15,202,473	8.35	N/A
4	Company f	187,925,666	19.42	N/A	Company f	212,262,458	21.65	N/A	Company f	42,406,589	23.29	N/A
	Others	169,732,329	17.54		Others	175,488,240	17.90		Others	24,903,704	13.68	
	Net sales	967,706,411	100.00		Net sales	980,442,346	100.00		Net sales	182,047,046	100.00	



### 5.2.5 Production in the Last Two Years

Unit: thousand devices; NTD thousands

Year Production volume/ value	2018			2019		
	Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
Main products						
5C electronics	122,631	106,027	934,122,749	136,388	115,443	942,905,972

### 5.2.6 Shipments and Sales in the Last Two Years

Unit: devices; NTD thousands

Year Sales volume	2018				2019			
	Domestic sales		Export sales		Domestic sales		Export sales	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Main products								
5C electronics	398	1,818,019	102,797	965,888,392	266	1,134,242	117,245	979,308,104

### 5.3 Human Resources

Year		December 31, 2018	December 31, 2019	March 31, 2020
Number of employees		82,374	81,743	95,765
Average age		27.69	28.84	29.54
Average years of service		2.06	2.08	1.82
Academic qualifications	Doctoral Degree	0.05%	0.05%	0.04%
	Master's degree	3.64%	3.81%	3.26%
	University	18.83%	19.33%	16.88%
	High school / Below/ others	77.48%	76.81%	79.82%

## 5.4 Environmental Protection Expenditure

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

The Company is an information electronic product assembly plant, a non-high energy consumption, high water consumption and high pollution industry. In order to protect the environment, it fulfills its social responsibilities, saves energy and reduces carbon, and reduces the impact of global warming. The Taiwan and Mainland China plants together incurred expenses of NT\$766,350(excluding regular maintenance and green R&D) in 2019. We are keeping the promises we made as an earth citizen and hope to make substantial contributions to the protection of the global environment. We will continue our commitment to efforts in this respect. In 2019 and as of the date of report published, Compal had no violation of environmental laws, and will keep abreast of relevant regulatory updates and respond immediately to reduce the risk of violations.

(2) Compliance with EU RoHS directives:

All Compal products are 100% compliant with EU RoHS Directives. There have been no cases of returns for non-compliance. Compal requires suppliers to adjust the revised exclusion clause, and the relevant specifications for the use of plasticizers DEHP, BBP, DBP and DIBP, which came into effect in 2019, and have been effective since July 2, 2018.

To manufacture environmentally friendly green products and meet the requirements of both international environmental laws and client demand, the Company has implemented “Management Standards for the Control of Environment-Related Substances in Parts and Materials” that covers all hazardous substances currently prohibited by law and banned by customers. We have implemented efficient and effective methods of inspection for hazardous substances using recognized component classification and risk control to establish a plant monitoring mechanism for oversight and verification.

(3) Responsive strategies and possible expenses:

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

## 5.5 Labor Relations

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

■ Employee welfare:

In addition to all their statutory labor rights and to help employees find a balance between work and personal life, both physical and mental, and to improve their vitality in the workplace, the Company has established an Employee Benefits Committee, a Life Committee, and other groups responsible for promoting worker welfare. The employee health benefits and activities include a fitness center, a medical facility, periodic health checks,

recreational team competitions, family activities, travel, the arts, and leisure and all kinds. Group Life Insurance is covered by the Company that includes accident, medical, and cancer. Employee dependents may also join the scheme at a discounted rate, but at their own expense. We also have benefits such as scholarships for employees and their children.

The Company actively supports the government in resolving the low birth rate crisis and childcare policy in Taiwan. Since 2011, we have provided generous maternity grants for employees and their spouses and children. By the end of 2019, the Company had provided NT\$167.44 million in maternity allowances and bonuses. There were 30 counts of employees who took parenting leave, with the right to return, in 2019.

■ Education and training:

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

In 2019, a total of 891 training sessions (both internal and external) were organized; these courses delivered 179,984 hours of training and 50,948 persons enrolled. The total training expenses were NT\$23,532 thousand. The training courses included:

- Orientation: New hire seminars and corporate culture experience camps were organized to help new hires better understand Company culture, the current status of the industry, and Company strategy and vision.
- Language training: Basic to advanced English and Japanese courses that train employees to respond to customers and gives them a global vision through workspace situational training.
- Managerial skills Training: To establish a comprehensive blueprint of development level, strengthen core competency at all levels in such aspects as teamwork, problem analysis, innovative thinking... and soon, to conduct planning for Company talent training at various stages.
- Professional training: Categorized new professional knowledge lectures, courses, and experience heritage job training to enhance employee expertise and technology and to enhance Company core competitiveness through systematic management.
- E-learning: Offers related courses in new hire requisites, IT, 6 sigma, language, management, CSR, and occupational safety. The Company uses Internet learning and resource sharing to offer real-time learning. The effect is maximized with a complete learning and training mechanism that utilizes a comprehensive knowledge management system.

■ Retirement system

To arrange retirement for employees, the Company has issued regulations of labor retirement, which stipulate the conditions and standards for retirement, application, as well as operation of labor Pension Preparation Fund based on law. The supervisory committee of workers' retirement preparation fund has also been established. According to the Regulations for the Allocation and Management for the Pension Preparation Fund, we contribute and deposit labor pension preparation funds into the dedicated account of the Bank of Taiwan per month to protect employees' rights. Adopted the Labor Pension Act in the meanwhile, we have contributed 6% pension into personal account for befitted employees. Also, for those who volunteered to contribute pension, voluntary withholding rate is deducted from the employees' monthly wage to the individual retirement account of the Labor Insurance Bureau since 1st July in 2005.

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

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

## (2) Personnel management

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

## (3) Work environment

- Buildings are subjected to annual fire safety inspections and reports.
- Buildings, plants and equipment are inspected daily and maintained on a regular basis.
- The Company hires regular cleaning services to ensure the cleanliness of its work environment.

## (4) Employee safety

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

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

- The Company did not suffer any losses due to employment dispute in the recent year. However, the Company was found to have violated the Labor Standards Act because of the results of the labor inspection. (i) the Company was issued a fine for NT\$900,000 following a labor inspection result dated April 8, 2019 due to overtime applications not being timely processed (Labor Standards Act Article 24); working hours exceeding the permitted limit (Labor Standards Act Article 32) and the attendance records were not be registered the attendance of workers on a daily basis to the minute (Labor Standards Act Article 30). (ii) the Company was issued a fine for NT\$600,000 following a labor inspection result dated July 25, 2019 due to working hours exceeding the permitted limit (Labor Standards Act Article 32) and (iii) the Company was issued a fine for NT\$100,000 following a labor inspection result dated Aug 20, 2019 due to working hours exceeding the permitted limit (Labor Standards Act Article 32). The Company has reviewed the working hour management

process and strengthened communication to employees to better manage overtime application.

- Responsive strategies and possible expenses: none.

## 5.6 Important Contracts

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

## VI. Financial Information

### 6.1 Five-Year Financial Summary

#### Consolidated Condensed Balance Sheet – Based on IFRS

Unit: NT\$ thousands

Analysis		Financial Summary for The Last Five Years (Note 1)					As of March 31, 2020
		2015	2016	2017	2018	2019	
Current assets		277,783,476	300,469,007	321,782,654	362,745,250	343,154,813	316,194,904
Property, plant, and equipment		24,308,631	20,952,677	18,179,367	20,418,228	19,972,347	19,934,781
Intangible assets		1,194,193	1,291,281	1,284,660	1,516,253	1,553,342	1,624,402
Other assets		24,639,275	24,303,146	22,109,740	15,115,092	17,967,917	17,183,570
Total assets		327,925,575	347,016,111	363,356,421	399,794,823	382,648,419	354,937,657
Current liabilities	Prior to distribution	202,757,075	209,232,199	231,955,732	274,207,898	255,820,033	233,467,179
	After distribution	208,009,032	214,478,756	237,184,287	279,436,453	(Note 2)	-
Non-current assets		15,570,384	25,500,097	22,752,717	12,425,077	12,069,042	12,279,244
Total liabilities	Prior to distribution	218,327,459	234,732,296	254,708,449	286,632,975	267,889,075	245,746,423
	After distribution	223,579,416	239,978,853	259,937,004	291,861,530	(Note 2)	-
Equity attributable to parent company shareholders		103,775,795	105,804,389	101,895,584	105,723,646	105,972,633	100,796,178
Ordinary shares		44,711,266	44,241,606	44,191,916	44,071,466	44,071,466	44,071,466
Capital reserves		12,838,638	11,779,274	10,938,773	9,932,434	9,159,259	8,338,999
Retained earnings	Prior to distribution	51,877,511	55,289,409	56,557,146	60,060,381	57,726,604	53,924,166
	After distribution	47,450,840	50,867,256	52,149,999	55,653,234	(Note 2)	-
Other equity interests		(3,926,881)	(4,624,653)	(8,911,004)	(7,459,388)	(4,103,449)	(4,657,206)
Treasury stock		(1,724,739)	(881,247)	(881,247)	(881,247)	(881,247)	(881,247)
Non-controlling interests		5,822,321	6,479,426	6,752,388	7,438,202	8,786,711	8,395,056
Total equity	Prior to distribution	109,598,116	112,283,815	108,647,972	113,161,848	114,759,344	109,191,234
	After distribution	104,346,159	107,037,258	103,419,417	107,933,293	(Note 2)	-

Note: 1. The financial information is audited and certified by the CPA every year. The financial information as of March 31, 2020, is reviewed by the CPA.

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

■ Consolidated Condensed Statement of Comprehensive Income – Based on IFRS

Unit: NT\$ thousands

Analysis \ Year	Financial Summary for The Last Five Years (Note 1)					As of March 31, 2020
	2015	2016	2017	2018	2019	
Net sales revenue	847,305,698	766,810,035	887,656,959	967,706,411	980,442,346	182,047,046
Gross profit	33,378,357	32,836,970	31,964,569	30,567,091	33,908,828	5,945,911
Net operating income	11,312,452	11,063,645	9,208,429	9,261,746	10,586,368	905,849
Non-operating income and expense	479,641	749,700	(1,094,152)	2,527,839	(578,492)	182,811
Net income before tax	11,792,093	11,813,345	8,114,277	11,789,585	10,007,876	1,088,660
Net income from continuing operations	9,007,147	8,968,006	6,158,037	9,589,301	7,895,719	771,302
Net loss from discounting operations	-	-	-	-	-	-
Net income (loss)	9,007,147	8,968,006	6,158,037	9,589,301	7,895,719	771,302
Income (Loss) from Other comprehensive income (loss) (net after tax)	(101,970)	(1,265,546)	(4,604,412)	387,887	(1,534,980)	(494,144)
Comprehensive income	8,905,177	7,702,460	1,553,625	9,977,188	6,360,739	277,158
Net income attributes to shareholders of the Parent	8,684,610	8,130,890	5,749,525	8,913,365	6,955,899	605,011
Net income attributes to non-controlling interests	322,537	837,116	408,512	675,936	939,820	166,291
Comprehensive income attributed to owners of parent	8,552,926	6,916,562	1,189,818	9,278,187	5,456,508	51,428
Comprehensive income attributed to non-controlling interests	352,251	785,898	363,807	699,001	904,231	225,730
Earnings per share (unit: dollar)	2.01	1.88	1.32	2.05	1.60	0.14

Note: 1. The financial information is audited and certified by the CPA every year. The financial information as of March 31, 2020 is reviewed by the CPA.

2. The 2019 annual financial statement for the current year has not yet been approved at a shareholders' meeting.

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

Unit: NT\$ thousands

Analysis	Year	Financial Summary for The Last Five Years (Note 1)					As of March 31, 2020
		2015	2016	2017	2018	2019	
Current assets		207,496,808	237,412,415	240,677,588	265,372,906	245,522,829	N/A
Property, plant, and equipment		2,181,737	2,132,114	2,092,272	2,128,181	2,620,638	
Intangible assets		378,454	268,316	146,813	378,745	438,334	
Other assets		86,182,040	88,808,075	85,179,393	87,932,981	89,201,687	
Total assets		296,239,039	328,620,920	328,096,066	355,812,813	337,783,488	
Current liabilities	Prior to distribution	177,664,877	197,566,162	203,492,102	237,882,742	220,871,943	
	After distribution	182,976,882	202,872,746	208,780,678	243,171,318	(Note 2)	
Non-current assets		14,798,367	25,250,369	22,708,380	12,206,425	10,938,912	
Total liabilities	Prior to distribution	192,463,244	222,816,531	226,200,482	250,089,167	231,810,855	
	After distribution	197,775,249	228,123,115	231,489,058	255,377,743	(Note 2)	
Ordinary shares		44,711,266	44,241,606	44,191,916	44,071,466	44,071,466	
Capital reserves		12,838,638	11,779,274	10,938,773	9,932,434	9,159,259	
Retained earnings	Prior to distribution	51,877,511	55,289,409	56,557,146	60,060,381	57,726,604	
	After distribution	47,450,840	50,867,256	52,149,999	55,653,234	(Note 2)	
Other equity interests		(3,926,881)	(4,624,653)	(8,911,004)	(7,459,388)	(4,103,449)	
Treasury stock		(1,724,739)	(881,247)	(881,247)	(881,247)	(881,247)	
Total equity	Prior to distribution	103,775,795	105,804,389	101,895,584	105,723,646	105,972,633	
	After distribution	98,523,838	100,557,832	96,667,029	100,495,091	(Note 2)	

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

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



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

Unit: NT\$ thousands

Analysis \ Year	Financial Summary for The Last Five Years (Note 1)					As of March 31, 2020
	2015	2016	2017	2018	2019	
Net sales revenue	802,994,930	725,653,095	841,309,602	911,050,122	916,280,028	N/A
Gross profit	22,737,590	21,281,171	21,544,440	21,880,841	24,849,149	
Net operating income	7,305,278	5,972,854	5,170,549	6,936,706	8,536,952	
Non-operating income and expense	2,857,612	3,398,892	1,508,171	3,021,610	(713,273)	
Net income before tax	10,162,890	9,371,746	6,678,720	9,958,316	7,823,679	
Net income from continuing operations	8,684,610	8,130,890	5,749,525	8,913,365	6,955,899	
Net loss from discounting operations	-	-	-	-	-	
Net income (loss)	8,684,610	8,130,890	5,749,525	8,913,365	6,955,899	
Income (loss) from other comprehensive income (net after tax)	(131,684)	(1,214,328)	(4,559,707)	364,822	(1,499,391)	
Comprehensive income	8,552,926	6,916,562	1,189,818	9,278,187	5,456,508	
Earnings per share(unit: dollar)	2.01	1.88	1.32	2.05	1.60	

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

2. The 2019 financial statement has not yet approved by the shareholders' meeting.

**Auditors' Opinions**

Year	Accounting Firm	CPA	Audit Opinion
2015	KPMG	Kuo, Kuan Ying; Lo, Jui Lan	Modified unqualified opinion (Note)
2016	KPMG	Kuo, Kuan Ying; Au, Yiu Kwan	Unqualified opinion
2017	KPMG	Kuo, Kuan Ying; Au, Yiu Kwan	Unqualified opinion
2018	KPMG	Chien, Szu Chuan; Au, Yiu Kwan	Unqualified opinion
2019	KPMG	Chien, Szu Chuan; Au, Yiu Kwan	Unqualified opinion

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

## 6.2 Five-Year Financial Analysis

### Consolidated Financial Analysis – Based on IFRS

Analysis	Year	Financial Analysis for the Last Five Years					As of
		2015	2016	2017	2018	2019	March 31, 2020
Capital Structure (%)	Debt ratio	66.58	67.64	70.09	71.70	70.01	69.23
	Long term fund to property, plants, and equipment ratio	514.91	657.59	722.80	615.07	635.02	609.33
Liquidity analysis	Current ratio (%)	137.00	143.60	138.72	132.29	134.14	135.43
	Quick ratio (%)	113.71	120.22	108.19	103.06	102.94	96.96
	Interest coverage	14.11	13.47	7.25	5.47	4.67	3.84
Operating Performance Analysis	Accounts receivable turnover (times)	4.93	4.50	5.03	5.08	4.96	4.20
	Average collection turnover	74.03	81.11	72.56	71.85	73.58	86.90
	Inventory turnover (times)	14.31	15.51	14.55	12.61	12.01	8.46
	Accounts payable turnover (times)	5.42	5.68	6.30	6.33	6.34	4.91
	Average inventory turnover days	25.50	23.53	25.08	28.95	30.39	43.14
	Property, plant and equipment turnover (times)	34.74	33.88	45.36	50.14	48.55	36.49
	Total assets turnover(times)	2.40	2.27	2.49	2.54	2.51	1.97
Profitability Analysis	Return on total assets (%)	2.74	2.87	2.01	3.08	2.57	0.28
	Return on equity (%)	8.35	8.08	5.57	8.65	6.93	0.68
	Operating income to paid-in capital ratio (%)	26.37	26.70	18.36	26.75	22.71	2.47
	Net margin (%)	1.06	1.16	0.69	0.99	0.81	0.42
	Earnings per share (dollar)	2.01	1.88	1.32	2.05	1.60	0.14
Cash flow	Cash flow ratio (%)	4.70	0.61	(Note1)	(Note1)	8.18	-
	Cash flow adequacy ratio (%)	(Note2)	42.42	48.05	44.84	37.92	-
	Cash reinvestment ratio (%)	1.95	(Note1)	(Note1)	(Not1)	9.89	-
Leverage	Operating leverage	1.58	1.57	1.63	1.60	1.61	-
	Financial leverage	1.09	1.09	1.16	1.40	1.35	-

Note: 1. The ratio is negative.

2. Not applicable as financial information, for more than five years, in accordance with IFRS has not yet been disclosed.
3. The financial ratio has changed by up to 20% in the past two years:
  - Earnings per share: Mainly due to the decrease in profit compared to the earlier period.
  - Cash flow ratio: Mainly due to net cash inflow in operating activities.
  - Cash reinvestment ratio: Mainly due to net cash inflow in operating activities.
4. The financial information is audited and certified by the CPA every year. The financial information as of March 31, 2020, is reviewed by the CPA.
5. The 2019 financial statement has not yet been approved at a shareholders' meeting

## ■ Formula

### 1. Financial Structure

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

### 2. Solvency

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

### 3. Operating Efficiency

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

### 4. Profitability

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

### 5. Cash Flow

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

### 6. Leverage

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

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

Analysis		Year	Financial Analysis for the Last Five Years					As of
			2015	2016	2017	2018	2019	March 31, 2020
Capital Structure (%)	Debt ratio		64.97	67.80	68.94	70.29	68.63	N/A
	Long term fund to property, plants, and equipment ratio		5,434.85	6,146.71	5,955.44	5,541.36	4,461.19	
Liquidity analysis	Current ratio (%)		116.79	120.17	118.27	111.56	111.16	
	Quick ratio (%)		102.28	105.89	96.92	89.79	88.45	
	Interest coverage		17.81	14.03	7.85	6.14	4.97	
Operating Performance Analysis	Accounts receivable turnover (times)		5.03	4.61	5.06	5.08	4.97	
	Average collection turnover		72.57	79.14	72.13	71.80	73.46	
	Inventory turnover (times)		23.34	26.42	23.11	18.82	17.55	
	Accounts payable turnover (times)		5.16	5.16	5.65	5.95	5.86	
	Average inventory turnover days		15.64	13.81	15.79	19.39	20.79	
	property, plants, and equipment turnover (times)		364.02	336.43	398.31	431.73	385.90	
	Total assets turnover(times)		2.51	2.32	2.56	2.66	2.64	
Profitability Analysis	Return on total assets (%)		2.87	2.79	2.00	3.06	2.46	
	Return on equity (%)		8.47	7.76	5.54	8.59	6.57	
	Operating income to paid-in capital ratio (%)		22.73	21.18	15.11	22.60	17.75	
	Net margin (%)		1.08	1.12	0.68	0.98	0.76	
	Earnings per share (dollar)		2.01	1.88	1.32	2.05	1.60	
Cash flow	Cash flow ratio (%)		(Note1)	3.15	(Note1)	(Note1)	6.80	
	Cash flow adequacy ratio (%)		(Note2)	38.20	11.48	5.45	(Note1)	
	Cash reinvestment ratio (%)		(Note1)	0.68	(Note1)	(Note1)	8.29	
Leverage	Operating leverage		2.41	2.74	2.86	2.59	2.43	
	Financial leverage		1.09	1.14	1.23	1.39	1.30	

Note: 1.The ratio is negative.

2. Not applicable as the financial information, for more than five years, in accordance with IFRS has not yet been disclosed.

3. The financial ratio has changed by up to 20% in the past two years:

- Return on Equity: Mainly due to the decrease in net income IFRS compared to the earlier period.
- Operating Income to Paid-in Capital Ratio: Mainly due to the decrease in income before tax compared to the earlier period.
- Net Margin: Mainly due to the decrease in net income compared to the earlier period.
- Earnings Per Share: Mainly due to the decrease in net income compared to the earlier period.
- Cash flow ratio: Mainly due to the increase in net cash inflow from operating activities compared to the earlier period.
- Cash flow adequacy ratio: Mainly due to the decrease in net cash inflow from operating activities for the last five years compared to the earlier period.
- Cash reinvestment ratio: Mainly due to the increase in net cash inflow from operating activities compared to the earlier period.

4. The financial information is audited and certified by the CPA every year.

5. The 2019 financial statement has not yet been approved at a shareholders' meeting.

## ■ Formula

### 1. Financial Structure

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

### 2. Solvency

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

### 3. Operating Efficiency

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

### 4. Profitability

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

### 5. Cash Flow

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

### 6. Leverage

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

### 6.3 Audit Committee's Report for the Most Recent Year

#### **Audit Committee's Review Report**

The Company's 2019 financial statements have been approved by the Audit Committee and by the Board of Directors. Szu-Chuan Chien and Yiu-Kwan Au, certified public accountants of KPMG, have completed the audit of the financial statements and issued an audit report relating thereto. In addition, the Board of Directors has prepared and submitted to us the Company's 2018 business report and proposal for distribution of earnings. We, the Audit Committee members, have duly examined and determined such business report and proposal for distribution of earnings to be in line with the requirements under the Company Law and relevant laws and regulations. According to Article 14-4 of the Securities and Exchange Act and Article 219 of Company Law, we hereby submit this report.

Compal Electronics, Inc.

Chairman of the Audit Committee:

March 30, 2020

#### **6.4 Consolidated Financial Statements and Independent Auditors' Report**

Please refer to Attachment I.

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

Please refer to Attachment II.

#### **6.6 Status of Financial Difficulties for the Company and its Subsidiaries**

Incidence of financial difficulties for the Company and subsidiaries between the period of 2019 to the publication date of this annual report: None.

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

### 7.1 Analysis of Financial Status

Unit: NT\$ thousands

Analysis \ Year	2019	2018	Difference	
			Amount	%
Current Assets	343,154,813	362,745,250	(19,590,437)	-5.40
Investments accounted for using equity method	7,319,086	7,364,485	(45,399)	-0.62
Property, plant and equipment	19,972,347	20,418,228	(445,881)	-2.18
Other Assets	12,202,173	9,266,860	2,935,313	31.68
<b>Total Assets</b>	<b>382,648,419</b>	<b>399,794,823</b>	<b>(17,146,404)</b>	<b>-4.29</b>
Current Liabilities	255,820,033	274,207,898	(18,387,865)	-6.71
Other Liabilities	12,069,042	12,425,077	(356,035)	-2.87
<b>Total Liabilities</b>	<b>267,889,075</b>	<b>286,632,975</b>	<b>(18,743,900)</b>	<b>-6.54</b>
Ordinary Share	44,071,466	44,071,466	-	-
Capital surplus	9,159,259	9,932,434	(773,175)	-7.78
Retained Earnings	57,726,604	60,060,381	(2,333,777)	-3.89
Other Equity Interests	(4,103,449)	(7,459,388)	3,355,939	-44.99
Treasury stock	(881,247)	(881,247)	-	-
Non-controlling Equity	8,786,711	7,438,202	1,348,509	18.13
<b>Total Equity</b>	<b>114,759,344</b>	<b>113,161,848</b>	<b>1,597,496</b>	<b>1.41</b>
Note: Analysis of variations exceeding 20% and amounting to more than NTD10 million: <ul style="list-style-type: none"> <li>● Increase in other assets: Mainly due to increase in the Right-of-use assets</li> <li>● Decrease in losses in other equity interests: Mainly due to the decrease in unrealized losses on financial assets measured at fair value through other comprehensive income.</li> </ul>				

- **Effect of changes on the company's financial position and Future response actions::**

Judging from the aforementioned causes, the effect from changes on the Company's financial position in the last two years are normal outcomes from standard operating activities.



## 7.2 Analysis of Financial Performance

Unit: NT\$ thousands

Analysis \ Year	2019	2018	Difference	
			Amount	%
Net Sales	980,442,346	967,706,411	12,735,935	1.32
Cost of Sales	946,533,518	937,139,320	9,394,198	1.00
Gross Profit	33,908,828	30,567,091	3,341,737	10.93
Operating Expenses	23,322,460	21,305,345	2,017,115	9.47
Operating Income	10,586,368	9,261,746	1,324,622	14.30
Non-operating Income and Expenses	(578,492)	2,527,839	(3,106,331)	-122.88
Profit Before Tax	10,007,876	11,789,585	(1,781,709)	-15.11
Less: Income Tax Expense	2,112,157	2,200,284	(88,127)	-4.01
Net Profit (loss)	7,895,719	9,589,301	(1,693,582)	-17.66
Other Comprehensive Income (after tax)	(1,534,980)	387,887	(1,922,867)	-495.73
Total Comprehensive Income	6,360,739	9,977,188	(3,616,449)	-36.25

Note: Analysis of variations exceeding 20%:

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

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

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

Due to the global consumer demand and economic slowdown caused by the COVID-19 epidemic, several market research institutions estimate that the market outlook for both computing products and smart devices will be challenging and may face the single-digit to double-digit annual shipment declines in year 2020. While Compal is in the global technology product supply chain, it will be inevitably affected by the industry fluctuations. However, besides the negative impact of the epidemic, it also brought about changes in people's lifestyles. More online work, learning, entertainment and trading activities also brought many new opportunities, such as the increasing demand in commercial and educational devices, cloud servers, and stable and faster networks. Compal will capture those new opportunities via related technologies and products development and be prepared for the Company's long-term sustainable growth. The related market analysis please refer to page 115 ~ 119 for "Industry Overview—current and future industry prospects".

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

In light of the growth in operation and future investments, the Company has established relevant financial strategies.

## 7.3 Analysis of Cash Flow

### 7.3.1 Cash Flow Analysis for the Current Year

Unit: NT\$ thousands

Cash and Cash Equivalents, Beginning of Year (1)	Net Cash Flow from Operating Activities (2)	Other Cash Inflow (Outflow) (3)	Cash Surplus (Deficit) (1)+(2)+(3)	Financing of Cash Deficit	
				Investment Plans	Financing Plans
70,296,545	20,921,069	(24,658,217)	66,559,397	-	-

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

2. Analysis of the change of 2019 cash flows:

- Net cash inflow in operating activities: Mainly due to profit making and increase of net changes of assets and liabilities from operating activities.
- Net cash outflow in investing activities: Mainly due to the purchase of property, plants, and equipment, right-of-use assets and the disposal of financial assets at fair values through profit or loss as well as financial assets at fair values through other comprehensive income.
- Net outflow of financing activities: Mainly due to the repay loan and distribution of cash dividend.

3. Financing of cash deficits and liquidity analysis: There is no cash deficits situation.

### 7.3.2 Cash Flow Analysis for the Coming Year

The Company takes the prudent planning and aims to maintain the stable cash liquidity, as the cash balance in the beginning of the year plus the net cash inflows from operating activities are adequate in meeting the Company's investing and financing needs.

## 7.4 Major Capital Expenditures

### 7.4.1 Major Capital Expenditures and Sources of Capital

Unit: NT\$ thousands

Project	Actual or Planned Source of Capital	Actual or Planned Date of Completion	Total Capital	Actual or Expected Capital Expenditure 2019
Property, plant and equipment	Cash flow generated from operations and loans	2019	5,850,532	5,850,532

### 7.4.2 Expected Benefits

The Company's major capital expenditure is invested to meet the needs of business growth and capacity expansion. Meanwhile to increase the automation equipment to enhance the production efficiency and achieve the goal of smart manufacturing, in which to build the Company's long-term competitiveness.

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

### (1) Investment policy

1. Competition in the industry has accelerated and Compal is in full thrust integration mode. “Enlightened Living and Computing with a Green Connection” is the Compal vision. Our long-term investment strategies are to focus on products that relate to our core business, to provide the best quality in computing, communications, consumer, cloud and connection, to provide full solutions in cost and technology, and to put emphasis on our partner’s compliance with labor regulations, and the avoidance of human trafficking and slavery. We also want to strengthen the core resources, through vertical integration, diversification, and strategic investments or acquisitions as well as integration and horizontal competition.
2. Improve post investment performance, strengthen the integration of Group resources and strategic partnerships with investment businesses, facilitate the cooperation between the Company and invested business, and require their full compliance with labor regulations and those against human trafficking and slavery. Connect related customers to an information network, and form strategic alliances with other industries. Sustain the performance of operating output in social, economic, and environmental aspects using a high standard of specification. This includes increasing the efficiency and productivity, improving the rights of the workers, proper economic development, and environmentally friendly production in a clean operating base. The Company fully supports investment companies with good performance to plan for IPO to accelerate the realization of good returns on investments.

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

The 2019 consolidated profits from investment using the equity method came to approximately NTD 198 million, coming mainly from the performance of Compal Precision Module Co., Ltd., ALLIED CIRCUIT CO., LTD, and Avalue Technology Incorporation.

### (3) 2019 investment plans

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

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

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

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

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

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

## 7.6 Analysis of Risk Management

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

Unit: NTD thousand; %

Items	2019
Net interest revenue and expense	(1,060,761)
Net gain and loss on foreign exchange (including valuation of financial instruments)	(273,264)
Net revenues	980,442,346
Pre-tax income (Note)	10,007,876
Net interest revenue/expense to net revenues	(0.108%)
Net interest revenue/expense to pre-tax income	(10.600%)
Net foreign exchange gain/loss to net revenues	(0.028%)
Net foreign exchange gain/loss to pre-tax income	(2.730%)

#### 1. Interest rate changes:

According to the U.S. Fed meeting statement, the coronavirus outbreak weighed on economic activity in the near term and will pose risks to the economic outlook. In light of these developments, the Committee decided to lower the target range for the federal funds rate to 0 to 0.25%. The Committee expected to maintain this target range until it is confident that the economy has weathered recent events and is on track to achieve its maximum employment and price stability goals. With regards to the interest rate for NTD, in light of the coronavirus pandemic, to help support business continuity and to caution against the adverse implications of massive cross-border capital flows for financial stability, the Central Bank decided to reduce the discount rate by 0.25%. As of the end of 2019, the Company's cash balance came to approximately NTD 66.559 billion. The long and short-term bank loans came to about NTD 86.700 billion, with net interest income and expenses for the year at NTD (1,060,761) thousand. The amount accounted for (0.108%) and (10.600%) of the Company's net sales and income before tax, respectively. The Company will continue to monitor the change of interest rate closely and respond in a timely manner.

#### 2. Exchange rate changes:

The Company is export-oriented. And as such, the change and movement of exchange rate have a considerable impact on annual profit and loss. To minimize the impact on the Company's operating profit/loss, the Company mainly utilizes hedging such as forward foreign exchange contracts and swaps to minimize the risks of exchange rate movements. The full year net exchange gains and losses, including the valuation of financial instruments, came to NTD (273,264) thousand, accounting for (0.028%) and (2.730%) of net revenue and net profit before tax, respectively. We

will take all necessary actions based on the fluctuation of the exchange rate in the future.

### 3. Inflation:

In terms of the inflation outlook, considering the adverse impact on domestic consumption demand caused by the spread of the coronavirus, combined with plunging international oil and raw material prices, the Central Bank trimmed the forecasts of the CPI and core CPI annual growth rates for 2020 to 0.59% and 0.55%, respectively. We will continue to watch for potential impact on prices.

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

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

#### **7.6.3 Future Research & Development Projects and Corresponding Budget**

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

In general, the Company usually has less than a one year product development cycle and aims to shorten the R&D cycle year after year. The IT industry is highly competitive, and the timing of product development is of vital importance. The rapid growth of sales has made the quality, experience, and capacity of R&D a decisive factor that will become the key as to whether the Company can achieve its business target and whether the existing customers continue their cooperation with the Company. The 2020 R&D expenses are expected to be NT\$ 14.6 billion.

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

The Company’s management team is paying close attention to any policies or regulations that may impact the Company’s operation. In 2019, the Company made all the necessary responses to significant changes in international

and domestic policies and regulations, without a significant impact on Company operation.

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

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

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

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

For many years, Compal has placed amongst the Top 500, Top 2000 businesses, and Top 2000 manufacturers in Taiwan by Fortune, Forbes Magazine, and CommonWealth Magazine respectively. In 2019, the Company placed within the top 6%-20% in the TWSE-listed Companies in the 5th round of "Corporate Governance Evaluation" and the distinction of the Award in the "Taiwan Corporate Sustainability Award" organized by the Taiwan Institute of Sustainable Energy. These prestigious awards once again reaffirmed the Company's corporate image. There was no company crisis in 2019 nor was there any significant event that affected the Company image in any way.

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

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

development of existing businesses and also move ahead of the curve in other areas which have high growth momentum.

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

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

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

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

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

#### **7.6.12 Litigation or Non-litigation Matters**

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

#### **7.6.13 Other Major Risks**

##### **■ Information Security**

In order to maintain the competitive advantage and precious intellectual property of the Company, the business division of Compal Electronics, Inc. followed the "Compal Information Security Management System" to establish information management processes and protection specifications in accordance with the government information security related laws and regulations to ensure the interests of the Company, customers and employees, and maintain the competitiveness of the Company. With the implementation of the Plan-Do-Check-Act (PDCA) management cycle, we continued to improve our information security system and comply with customer contracts properly to ensure the information security of the customers. Compal Electronics, Inc. had no proven complaints regarding intrusions to customer privacy or the loss of customer data in 2019. In response to external changes and the evolving of attack techniques, we continuously focus and invest in new information security knowledge and technologies for the effective advanced protection and detection of new information security threats to reduce operational risks.

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

The scope of certification includes the information headquarters, research and development for portable computer products, research and development for all-in-one computer products, research and development for vehicle electronics, and research and development for server products. In April and October of 2019, we also passed external audit reviews and obtained certifications as valid proof based on the review results, ensuring the effective operations of the information security management systems. After the integration of the smart device business group information security system, the Company has further enforced information security policies, as well as executing the risk assessment of the information assets duly, and maintaining the confidentiality, integrity and availability of important information assets.

In order to fulfill our commitment to “sustainable operations and customer satisfaction,” the Company has assembled an “Information Committee” to serve as the highest governing body of information security within the Company meeting semi-annually for management reviews, the Committee is responsible for coordinating issues concerning information security projects, policies, goals, and resources, and ensuring participation from all employees for the protection of information security.

- ✓ The six major information security goals are measured monthly to monitor the control measures of information security management.
- ✓ Business Continuity Planning (“BCP”) recovery exercises are executed regularly to ensure the validity of the BCP plan and that it meets the system recovery goals.
- ✓ Internal and external audits are executed regularly every six months to ensure that the management system is followed and improved continuously.
- ✓ Risk assessment is executed regularly every six months. Risk evaluation is performed through asset values and business processes, and risk processing measures are performed for the high-level risks evaluated.
- ✓ To boost employees’ awareness of information security, our employees are required to receive social engineering exercises and a briefing on information security and training.

Year	2018	2019
Information security training completion rate	93.28 %	95.57 %

■ **Others**

International conglomerates face many risks such as regulatory compliance, business competition, localization, and globalization. It is the responsibility of each Company employee to turn such challenges into future opportunity. Ex ante risk identification, weekly risk assessment and prevention, and post-crisis management, have all been added to the Company target management cycle (PDCA), key performance indicators (KPI), and control system for internal use. Such processes allow the dedicated units responsible for these specific risks to establish rigorous and rapid means for response and a problem-solving culture. By working through regular and intermittent reviews and combining education, training and a performance risk appraisal system, they can cope with significantly different kinds of risk management based on local conditions. The Company did not face any significant risk in 2019.



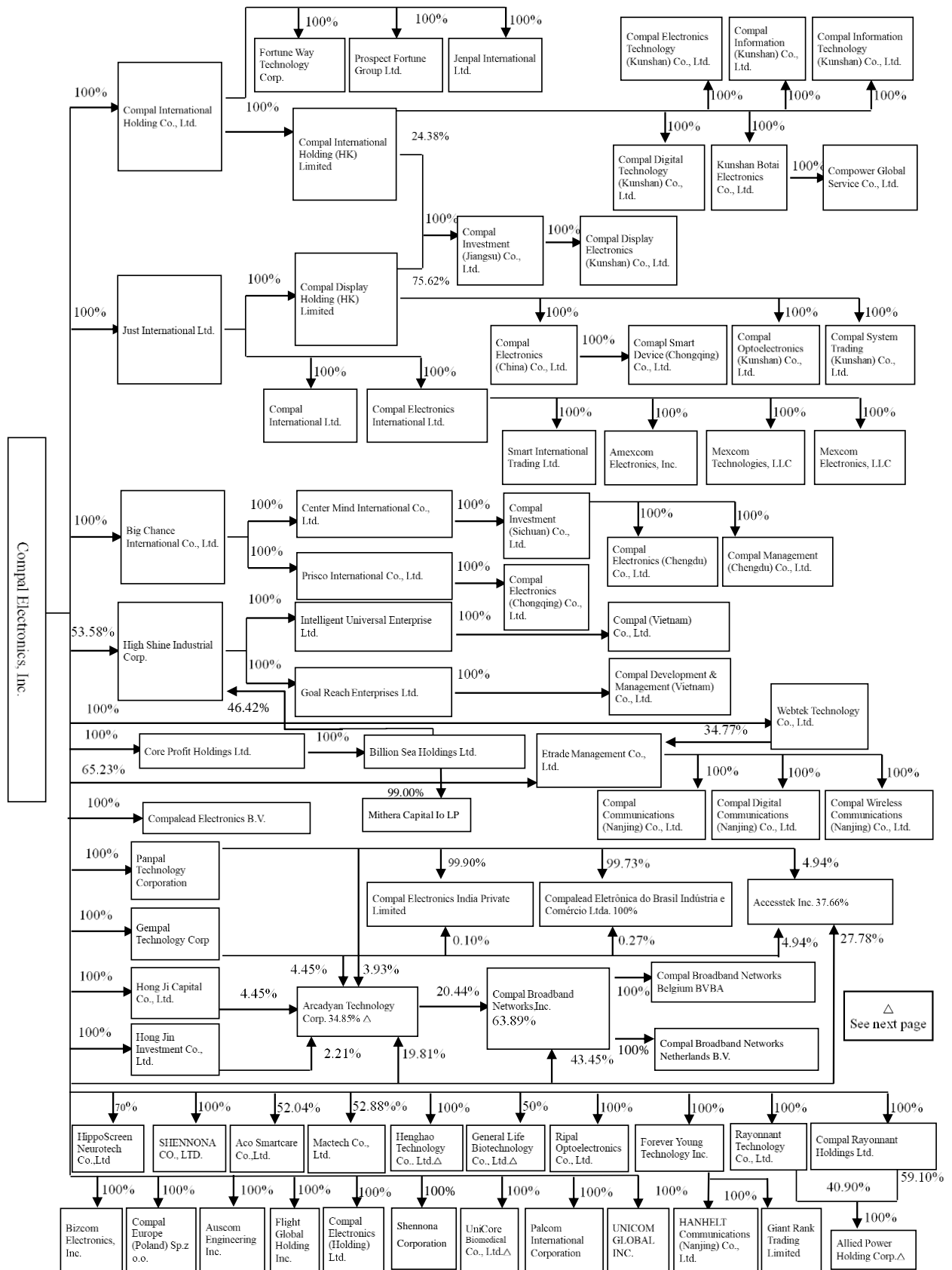
**7.7 Other material issues: None.**

# VIII. Special Disclosure

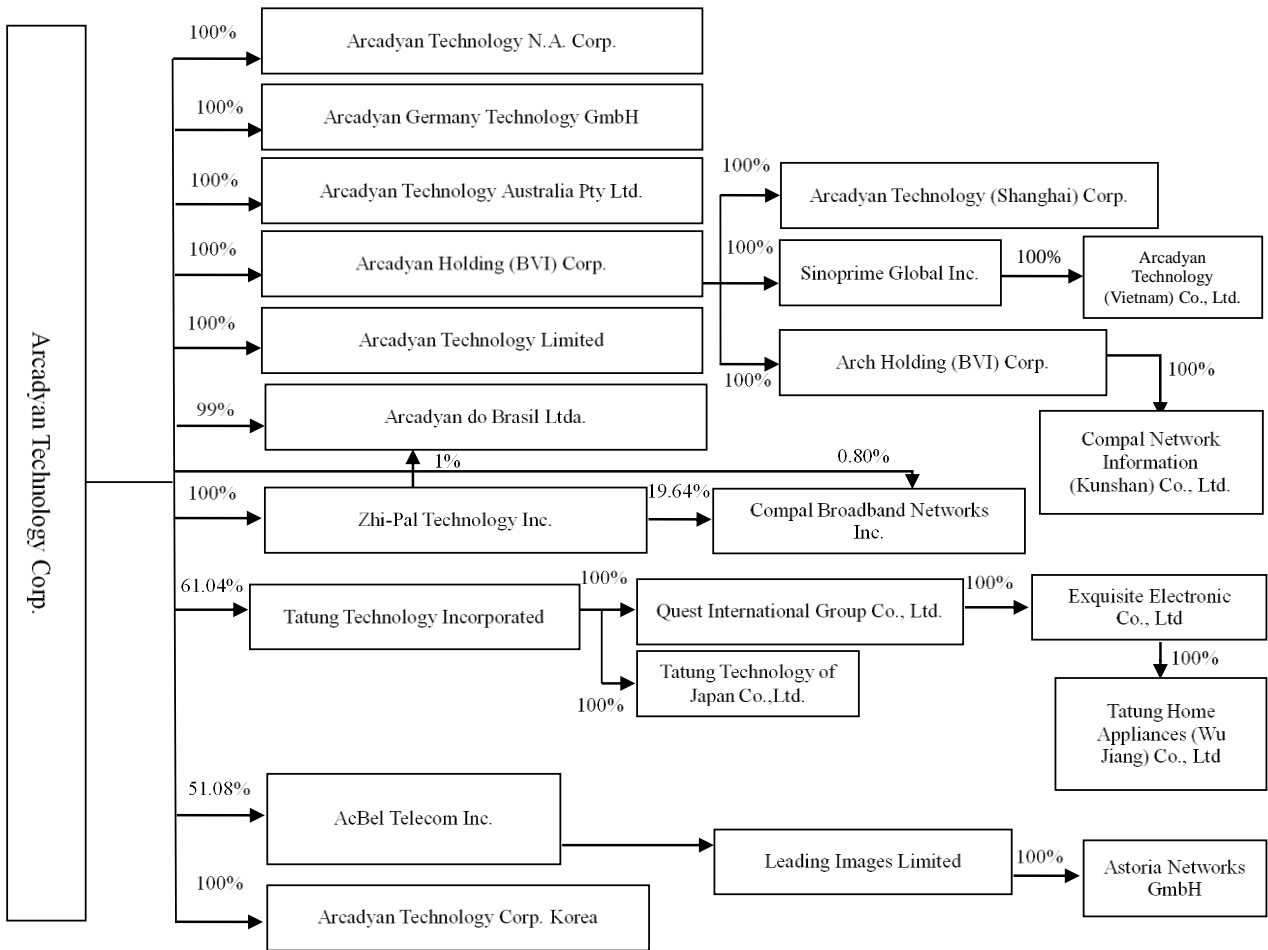
## 8.1 Summary of Affiliated Companies (As of Dec 31, 2019)

### 8.1.1 Affiliated enterprises report

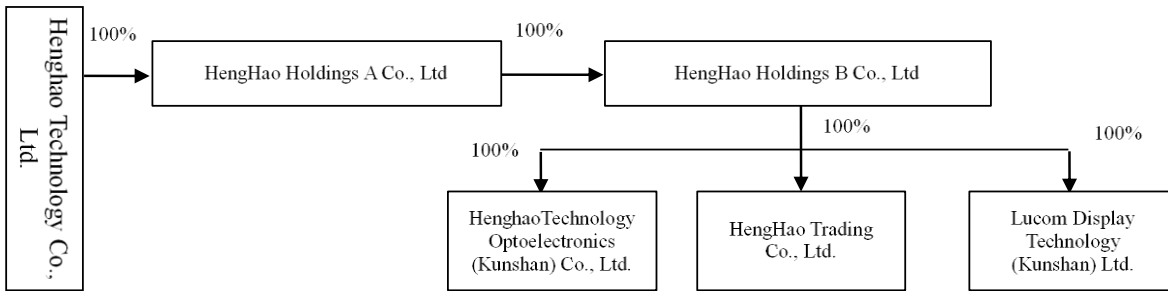
#### 1. Chart



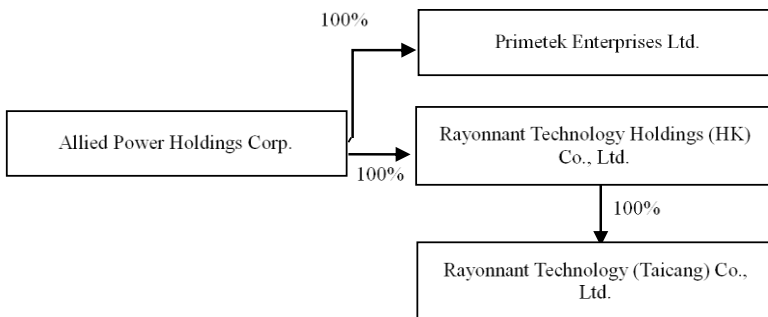
### Arcadyan Technology Affiliated Business Organization Chart



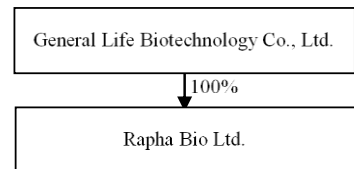
### Henghao Technology Co., Ltd. Affiliated Organization Chart



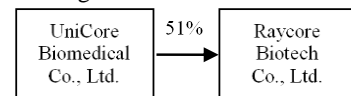
### Allied Power Affiliated Business Organization Chart



### General Life Biotechnology Affiliated Business Organization Chart



### UniCore Biomedical Affiliated Business Organization Chart



## 2. Backgrounds of affiliated enterprises (December 31, 2019)

Unit: thousand dollars

Company name	Date of establishment	Address	Paid-up capital	Main business activities or products
Compal Electronics, Inc.	1984.06.01	No. 581 and 581-1, Ruiguang Road, Neihu District, Taipei City	NT\$44,071.466	Manufacturing, processing and trading of notebooks, computer monitors, LCD TVs, cellphones, and electronic parts
Compal International Holding Co., Ltd.	2000.01.12	P.O. Box 2221, Road Town, Tortola, British Virgin Islands	US\$53,001	General investments
Compal International Holding (HK) Limited	2008.08.11	Room 511, 5F, Silvercord Tower 1, No. 30 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong	US\$74,803	General investments
Compal Electronics Technology (Kunshan) Co., Ltd.	2000.05.19	No. 25, Third Avenue, A Zone, Kunshan Comprehensive Free Trade Zone, Kunshan, Jiangsu, China	US\$12,000	Production of notebooks, cellphones and electronics
Compal Information (Kunshan) Co., Ltd.	2003.01.07	No. 15, Third Avenue, A Zone, Kunshan Comprehensive Free Trade Zone, Kunshan, Jiangsu, China	US\$12,000	Production of notebooks, tablets and electronics
Compal Information Technology (Kunshan) Co., Ltd.	2003.06.20	No. 58, First Avenue, A Zone, Kunshan Comprehensive Free Trade Zone, Kunshan, Jiangsu, China	US\$24,000	Production of notebooks and electronics
Compal Digital Technology (Kunshan) Co., Ltd.	2010.03.05	No. 9, Second Avenue, A Zone, Kunshan Comprehensive Free Trade Zone, Kunshan, Jiangsu, China	US\$20,000	Production and sale of notebooks, cellphones and digital products
Kunshan Botai Electronics Co., Ltd.	2001.08.20	No. 1881, Liji Road, Shipai, Bacheng Town, Kunshan City, Jiangsu, China	US\$1,000	Production and after-sale service of notebooks and cellphones
Compower Global Service Co., Ltd.	2012.04.23	No. 58, First Avenue, A Zone, Kunshan Comprehensive Free Trade Zone, Kunshan, Jiangsu, China	RMB \$ 2,000	Maintenance and after-sale service of notebooks and cellphones
Prospect Fortune Group Ltd.	2000.01.18	P.O. Box 2221, Road Town, Tortola, British Virgin Islands	US\$1	General investments
Jenpal International Ltd.	2010.12.27	P.O. Box 2221, Road Town, Tortola, British Virgin Islands	US\$7,350	General investments
Fortune Way Technology Corp.	2015.12.18	P.O. Box 4342, Road Town, Tortola, VIRGIN ISLANDS, BRITISH	US\$14,900	General investments
Just International Ltd.	1992.08.25	P.O. Box 2221, Road Town, Tortola, British Virgin Islands	US\$48,010	General investments
Compal Display Holding (HK) Limited	2008.08.11	Room 511, 5F, Silvercord Tower 1, No. 30 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong	US\$62,298	General investments
Compal Electronics (China) Co., Ltd.	1995.12.25	No. 988 Tongfengdong Road, Kunshan City Development Area, Jiangsu, China	US\$37,000	Manufacturing and sale of displays
Compal Smart Device (Chongqing) Co.,LTD.	2018.04.13	NO.18-5,BAOHONG AVENUE,LIANGJIANG NEW DISTRICT,CHONGQING,CHINA(N O.D05,ZONE D,AIR PORT SECTION OF LIANGLU CUNTAN FREE TRADE PORT	RMB\$60,000	Development, production and sale of communication equipment, cellphones, computers and smart watches, and provision of relevant technical services

Company name	Date of establishment	Address	Paid-up capital	Main business activities or products
Compal Optoelectronics (Kunshan) Co., Ltd.	2003.02.28	No. 988 Tongfengdong Road, Kunshan City Development Area, Jiangsu, China	US\$12,100	Production and sale of LCD TVs
Compal System Trading (Kunshan) Co., Ltd.	2007.10.24	No. 435 Weiye Road, Kunshan City Development Area, Jiangsu, China	US\$1,400	International trade and distribution of computers and electronic components
Compal Investment (Jiangsu) Co., Ltd.	2011.02.17	China Business Section, Kunshan Economic & Technological Development Zone, Jiangsu, China (south of Zhonghuayuan Road and west of Renmin South Road)	US\$15,600	General investments
Compal Display Electronics (Kunshan) Co., Ltd.	2011.03.30	No. 1881, Liji Road, Shipai, Bacheng Town, Kunshan City, Jiangsu, China	US\$15,000	Production and sale of LCD TVs
Compal International Ltd.	1997.04.15	P.O. Box 2221, Road Town, Tortola, British Virgin Islands	US\$500	Sale of monitors, LCD TVs and related parts
Compal Electronics International Ltd.	1997.04.22	P.O. Box 2221, Road Town, Tortola, British Virgin Islands	US\$9,245	General investments
Smart International Trading Ltd.	1998.09.03	P.O. Box 2221, Road Town, Tortola, British Virgin Islands	US\$1	General investments
Amexcom Electronics, Inc.	2011.07.22	318 N. Carson Street, #208, Carson City, NV 89701	US\$1,000	Sale and maintenance of LCD TVs
Mexcom Technologies, LLC	2011.07.22	318 N. Carson Street, #208, Carson City, NV 89701	US\$1	General investments
Mexcom Electronics, LLC	2011.07.22	318 N. Carson Street, #208, Carson City, NV 89701	US\$8,234	General investments
Big Chance International Co., Ltd.	2011.04.01	P.O. Box 2221, Road Town, Tortola, British Virgin Islands	US\$90,820	General investments
Center Mind International Co., Ltd.	2011.04.01	P.O. Box 2221, Road Town, Tortola, British Virgin Islands	US\$80,820	General investments
Compal Investment (Sichuan) Co., Ltd.	2011.04.01	No. 6, Shenglong Street, Wuhou District, Chengdu, Sichuan	US\$80,820	External investment and consultation service
Compal Electronics (Chengdu) Co., Ltd.	2011.04.02	No. 88, Sec.1, ZongBao Avenue Chengdu Hi-tech Comprehensive Bonded Zone, Shuangliu County, Chengdu, Sichuan, China	US\$80,000	Development and production of notebooks, tablets, digital products, network switches, wireless APs, and auto electronics
Compal Management (Chengdu) Co., Ltd.	2011.05.25	No. 6, Shenglong Street, Wuhou District, Chengdu, Sichuan	US\$800	Management consultation, training, business information, tax advisory, investment consultation, and investment management
Prisco International Co., Ltd.	2011.06.02	P.O. Box 2221, Road Town, Tortola, British Virgin Islands	US\$10,000	General investments
Compal Electronics (Chongqing) Co., Ltd.	2011.06.02	No.10-3, BaoHong Avenue, YuBei District, ChongQing, China (NO.A03, ZoneA, AirPort Section of LiangLu CunTan Free Trade Port Area)	US\$10,000	Development, production and sale of notebooks and related components, and provision of maintenance and after-sale services
Core Profit Holdings Ltd.	2012.04.02	Vistra Corporate Services Centre, Wickhams Cay II, Tortola VG1110, British Virgin Islands	US\$147,000	General investments

Company name	Date of establishment	Address	Paid-up capital	Main business activities or products
Billion Sea Holdings Ltd.	2012.04.02	Vistra Corporate Services Centre, Wickhams Cay II, Tortola VG1110, British Virgin Islands	US\$147,000	General investments
Mithera Capital Io LP	2019.06.01	PO Box 472, 2nd Floor, Harbour Place, 103 South Church Street, George Town, Grand Cayman KY1-1106, Cayman Islands	US\$5,000	General investments
High Shine Industrial Corp.	2007.07.04	P.O. Box 4342, Road Town, Tortola, VIRGIN ISLANDS, BRITISH	US\$79,700	General investments
Intelligent Universal Enterprise Ltd.	2007.08.02	P.O. Box 4342, Road Town, Tortola, VIRGIN ISLANDS, BRITISH	US\$67,000	General investments
Compal (Vietnam) Co., Ltd.	2007.10.04	Ba Thien Industrial Zone, Binh Xuyen County, Vinh Phuc Province, Vietnam	VND1,398,683,500	Production, development, sale and repair of notebooks, computer monitors, LCD TVs and electronic components
Goal Reach Enterprises Ltd.	2007.07.03	P.O. Box 2221, Road Town, Tortola, British Virgin Islands	US\$12,700	General investments
Compal Development & Management (Vietnam) Co., Ltd.	2007.07.03	Ba Thien Industrial Zone, Binh Xuyen County, Vinh Phuc Province, Vietnam	VND216,428,500	Construction and investment of infrastructures at Ba-Thien Industrial Zone, Vietnam
Panpal Technology, Inc.	1997.08.20	No. 581, Ruiguang Road, Neihu District, Taipei City	NT\$5,000,000	General investments
Gempal Technology, Inc.	1997.10.29	No. 581, Ruiguang Road, Neihu District, Taipei City	NT\$900,000	General investments
Hong Ji Capital, Inc.	2004.06.28	No. 581, Ruiguang Road, Neihu District, Taipei City	NT\$1,000,000	General investments
Hong Jin Investment, Inc.	2004.07.02	No. 581, Ruiguang Road, Neihu District, Taipei City	NT\$295,000	General investments
Compalead Eletrônica do Brasil Indústria e Comércio Ltda.	2008.07.15	Rua Kanebo 175, Galpões C1 a C6, e C12 Distrito Industrial, Jundiaí, São Paulo, CEP:13213-090, Brazil	BRL20,109	Production and after-sale service of notebooks, cellphones and electronics
Compal Electronics India Private Limited	1996.05.21	B-4, Ecotech 1 Ext., Surajpur Kasna Rd., Greater Noida-201308, UP, India	INR386,000	Production and after-sale service of cellphones
Accesstek Inc., Inc.	2000.08.18	5F-1, No. 65, Lane 525, Section 1, Guangfu Road, Hsinchu City	NT\$32,369	Design, manufacturing and trading of optical disc writers and kits
Arcadyan Technology Corporation	2003.05.09	8F, No. 8, Section 2, Guangfu Road, East District, Hsinchu City	NT\$2,085,350	Research, development, production and sale of WLAN, integrated digital home and mobile office products
Arcadyan Technology N.A. Corp.	2003.07.30	5450 Thornwood Dr, Unit J Floor 2 San Jose CA 95123-1222, USA	US\$669	Sale of wireless network products
Arcadyan Germany Technology GmbH	2007.04.11	Koelner Strasse 10b D-65760 Eschborn, Germany	EUR25	Sale and technical support of wireless networking products
Arcadyan Technology Corporation Korea	2014.10.16	103-1109RM SK Ventium 166, Gosan-ro, Gunpo-si, Gyeonggi-do, Republic of Korea 15850	KRW100,000	Sale of wireless networking products
Arcadyan do Brasil Ltda.	2015.04.24	Avenida Dr. Delfim Moreira, 356-SL 202, Centro, Minas Gerais, Santa Rita, Brazil, CEP 37540-000	BRL9,682	Sale of wireless network products

Company name	Date of establishment	Address	Paid-up capital	Main business activities or products
Arcadyan Technology Limited	2016.08.16	183 Fraser Road, Sheffield, S80JP, United Kingdom	GBP50	Technical support for wireless networking products
Arcadyan Technology Australia Pty Ltd	2018.03.28	37 Midlothian Street Malvern East VIC 3145	AUD 50	Sale of wireless networking products
Arcadyan Holding (BVI) Corp.	2007.03.07	Portcullis TrustNet Chambers, P.O. Box 3444, Road Town, Tortola, British Virgin Islands	US\$59,780	General investments
Sinoprime Global Inc.	2004.12.29	P.O. Box 2221, Road Town, Tortola, British Virgin Island	US\$9,050	General investments
Arcadyan Technology (Shanghai) Corp.	2002.04.17	4F, Block 2, No. 80 Huashen Road, Free Economic Pilot Zone, Shanghai, China	US\$13,100	Development and sale of WLAN products
Arcadyan Technology (Vietnam) Co., Ltd.	2019.03.26	Ba Thien Industrial Park, Ba Hien commune, Binh Xuyen district, Vinh Phuc Province	US\$9,000	Manufacturing of WLAN products
Arch Holding (BVI) Corp.	2007.05.24	P.O. Box 2221, Road Town, Tortola, British Virgin Island	US\$10,550	General investments
Compal Network Information Technology (Kunshan) Co., Ltd.	2006.06.26	No. 520 Nanbang Road, Economic & Technological Development Zone, Kunshan, Jiangsu, China, China	US\$12,450	Production and sale of WLAN products
Zhi-pal Technology Inc	2009.08.10	5F, No. 58, Lane 188, Ruiguang Road, Neihu District, Taipei City	NT\$349,800	General investments
Tatung Technology Inc.	2008.01.21	10F, No. 288, Section 6, Civic Boulevard, Xinyi District, Taipei City	NT\$410,000	Development and sale of digital home electronics
Tatung Technology of Japan Co., Ltd.	2018.11.22	1 Chome-2-18, Mita, Minato-ku, Tokyo-to, Japan	JPY 15,000	Sale of digital home electronics
Quest International Group Co., Ltd.	2012.12.11	Level 2, Lotemau Centre, Vaea Street, Apia, Samoa.	US\$1,200	General investments
Exquisite Electronic Co., Ltd.	2012.02.03	Level 2, Lotemau Centre, Vaea Street, Apia, Samoa.	US\$1,170	General investments
Tatung Home Appliances (Wu Jiang) Co., Ltd.	2001.02.13	No. 508 Youming Road, Songling Town, Wujiang District, Suzhou, Jiangsu, China	US\$3,350	Production and sale of digital home electronics
Acbel Telecom Inc.	2004.11.29	5F, No. 58, Lane 188, Ruiguang Road, Neihu District, Taipei City	NT\$87,990	General investments
Leading Images Limited	2008.01.02	P.O. Box 2221, Road Town, Tortola, British Virgin Island	US\$50	General investments
Astoria Networks GmbH	2008.09.22	Koelner Strasse 10b D-65760 Eschborn, Germany	EUR25	Sale of wireless networking products
Compal Broadband Networks Inc.	2009.08.19	13F-1, No. 1, Taiyuan 1st Street, Zhubei City, Hsinchu County	NT\$668,871	Development and sale of cable modems, set-top boxes and communication products
Compal Broadband Networks Belgium BVBA	2017.01.01	Bekersveld 19, 2630 Aartselaar, BELGIUM	EUR\$200	Import and export of broadband network products and related components, and provision of technical support and consultation services
Compal Broadband Networks Netherlands B.V.	2019.11.25	Het Poortgebouw Beech Avenue 54-62 Schiphol 1119 PW Netherlands	EUR\$200	Import and export of broadband network products and related components, and provision of technical support and consultation services

Company name	Date of establishment	Address	Paid-up capital	Main business activities or products
Henghao Technology Co., Ltd.	2010.12.10	No. 2-1, Wenhua Rd., Hsin-chu Industrial Park, Hukou Shiang, Hsin-chu County 30352, Taiwan R.O.C.	NT\$200,150	Manufacturing of electronic components, computers and peripherals
HengHao Holdings A Co., Ltd.	2010.12.10	P.O. Box 2221, Road Town, Tortola, British Virgin Island	US\$46,882	General investments
HengHao Holdings B Co., Ltd.	2010.12.14	P.O. Box 2221, Road Town, Tortola, British Virgin Island	US\$46,882	General investments
HengHao Optoelectronics Technology (Kunshan) Co., Ltd.	2010.05.07	NO.520, Nanbang Rd., Kunshan City, Jiangsu Province, China	US\$40,000	Production touch panels and related components
HengHao Trading Co., Ltd.	2010.12.15	P.O. Box 2221, Road Town, Tortola, British Virgin Island	US\$10	Trading
Lucom Display Technology (Kunshan) Ltd.	2010.11.01	NO.520, Nanbang Rd., Kunshan City, Jiangsu Province, China	US\$15,000	Production touch panels and LCD displays
Mactech Inc.	2000.05.23	No. 89, Land 36, Section 2, Tanxing Road, Tanyang Village, Tanzi District, Taichung City	NT\$411,458	Manufacturing of machinery and lighting equipment, retail sale of machinery, and international trade
Ripal Optotronics Co, Ltd.	2013.8.26	2F, No. 256, Section 3, Zhongzheng Road, Rende District, Tainan City	NT\$60,000	Manufacturing of home appliances and audiovisual electronics
Rayonnant Technology Co., Ltd	2010.03.23	No. 581, Ruiguang Road, Neihu District, Taipei City	NT\$295,000	Manufacturing and sale of computers and peripherals
Compal Rayonnant Holdings Ltd.	2011.12.02	P.O. Box 2221, Road Town, Tortola, British Virgin Island	US\$12,500	General investments
Allied Power Holding Corp.	2005.04.07	P.O. Box 4342, Road Town, Tortola, VIRGIN ISLANDS, BRITISH	US\$21,151	General investments
Primetek Enterprises Ltd.	2005.01.28	P.O. Box 2221, Road Town, Tortola, British Virgin Island.	US\$3,151	General investments
Rayonnant Technology Holdings (HK) Co., Ltd.	2010.03.31	Room 1904, 19 F, phuket commercial centre, 5 Hanoi road, Tsim Sha Tsui, Kowloon, Hong Kong	US\$18,000	General investments
Rayonnant Technology (Taicang) Co., Ltd.	2010.06.04	No.9 Tainan Road, Industry Park, Taicang, Jiangsu, China	US\$18,000	Development and production of aluminum and magnesium alloy-based products
Bizcom Electronics, Inc.	1992.04.13	1171 Montague Express Way, Milpitas, CA 95035, USA	US\$100	Marketing and after-sale of computer monitors and notebooks
Compal Europe (Poland) Sp. z o.o.	2008.03.05	Techniczna 792-518 Lodz, Poland	PLN6,804	Maintenance and after-sale service of notebooks and cellphones
Auscom Engineering Inc.	2008.10.27	One Dell Way, MSC PS2-88, Round Rock, Texas 78682, USA	US\$3,000	Development of notebooks and related components, hardware and software
Flight Global Holding Inc.	2007.08.09	P.O. Box 4342 Road Town, Tortola, VIRGIN ISLANDS, BRITISH	US\$89,755	General investments
Compalead Electronics B.V.	2014.02.19	Prins Bernhardplein 200, 1097 JB Amsterdam, the Netherlands	US\$6,427	General investments
General Life Biotechnology Co., Ltd.	1999.01.16	No.581-1, Ruiguang Rd., Neihu Dist., Taipei City	NT\$300,000	Production and wholesaling of medical equipment



Company name	Date of establishment	Address	Paid-up capital	Main business activities or products
Rapha Bio Ltd.	2011.09.29	5F, No.240, Shinshu Rd., Shin Juang Dist., New Taipei City	NT\$12,750	In vitro test supplies and equipment
Etrade Management Co., Ltd.	2000.07.05	P.O. Box 2221, Road Town, Tortola, British Virgin Island	US\$71,900	General investments
Compal Communications (Nanjing) Co., Ltd.	2003.09.23	No.68-2, Suyuan Road, Export Processing Zone (South Area). Jiangning Nanjing China	US\$22,000	Production of cellphones and tablets
Compal Digital Communications (Nanjing) Co., Ltd.	2004.03.26	No.77 Gaohu Street, Jiangning Economic & Technological Development Zone, Nanjing, China	US\$5,800	Production of cellphones and tablets
Compal Wireless Communications (Nanjing) Co., Ltd.	2006.02.13	No.68-2, Suyuan Road, Export Processing Zone (South Area). Jiangning Nanjing China	US\$49,000	Production of cellphones and tablets
Webtek Technology Co., Ltd.	2000.07.07	P.O. Box 2221, Road Town, Tortola, British Virgin Island	US\$100	General investments
Forever Young Technology Inc.	2004.11.25	P.O. Box 4342, Road Town, Tortola, VIRGIN ISLANDS, BRITISH	US\$50	General investments
Giant Rank Trading Limited	2004.11.25	P.O. Box 2221, Road Town, Tortola, British Virgin Island	US\$ -	Sale of cellphones
HANHELT Communications (Nanjing) Co., Ltd.	2009.03.11	Room 301 3rd floor 43#, Headquarters Park, NO.70# Phoenix Road Jiangning District, Nanjing, China	US\$2,000	Development of electronic communication equipment
Unicom Global. Inc	2006.03.21	No. 581, Ruiguang Road, Neihu District, Taipei City	NT\$100,000	Manufacturing and retail of computers and electronic components
Palcom International Corporation	2006.03.22	8F, No. 385, Yangguang St., Neihu District, Taipei City	NT\$100,000	Sale of cellphones
Compal Electronics (Holding) Ltd.	1997.04.22	P.O. Box 2221, Road Town, Tortola, British Virgin Island	US\$1	General investments
UniCore Biomedical Co., Ltd.	2018.01.25	1F, No. 50, Section 1, Jiuzong Road, Neihu District, Taipei city	NT\$200,000	Management consultation, leasing, and wholesale/retail of medical equipment
Raycore Biotech Co., Ltd.	2017.10.18	No. 581-1, Ruiguang Road, Neihu District, Taipei City	NT\$25,000	Wholesaling and retailing of veterinary drugs
Shennona Corporation	2018.01.10	1171 Montague Express Way, Milpitas, CA 95035, USA	US\$1,100	Medical care IOT business
HippoScreen Neurotech Corp.	2019.01.28	No. 581-1, Ruiguang Road, Neihu District, Taipei City	NT\$600	Management consultation, leasing, wholesale/retail of Precision Instruments and International Trade
SHENNONA CO., LTD.	2019.03.21	No. 581-1, Ruiguang Road, Neihu District, Taipei City	NT\$6,000	Management consultation, leasing, wholesale/retail of Precision Instruments and International Trade
Aco Smartcare Co.,Ltd.	2019.02.20	No. 141, Ln. 89, Sec. 1, Guangfu Rd., East Dist., Hsinchu City	NT\$30,748	wholesale/retail of Computer Software, Software Design Services, Data Processing Services, Electrical Machinery, Supplies Manufacturing, wholesale/retail of Electronic Materials, wholesale/retail of Precision Instruments, Product Designing, Biotechnology Services and International Trade

### 3. Business activities and relationships of affiliated enterprises (December 31, 2019)

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

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

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

Industry category	Name of affiliated enterprise	Business relationship with other affiliated enterprises
consulting	HippoScreen Neurotech Corp.	Management consultation, leasing, wholesale/retail of Precision Instruments and International Trade
	SHENNONA CO., LTD.	Management consultation, leasing, wholesale/retail of Precision Instruments and International Trade
Wholesale and retail of veterinary drugs	Raycore Biotech Co., Ltd.	Wholesaling and retailing of veterinary drugs
Manufacturing and sale of medical equipment	General Life Biotechnology Co., Ltd.	Manufacturing and sale of medical equipment
	Rapha Bio Ltd.	Sale of test instruments and supplies
Medical care	Shennona Corporation	Medical care IOT business

#### 4. Directors, supervisors, and President of affiliated enterprises

December 31, 2019

Unit: NTD thousands; shares; %

Company name	Title	Name or name of representative	Shares held	
			Shares (Note)	Shareholding percentage
Compal Electronics, Inc.	Chairman	Sheng-Hsiung Hsu	8,975,401	0.20%
	Director and President	Jui-Tsung Chen	35,352,587	0.80%
	Director	Binpal Investment Co., Ltd. (Representative: Wen-Being Hsu )	5,000,000	0.11%
	Director	Kinpo Electronics, Inc. (Representative: Shyh-Yong Shen)	151,628,692	3.44%
	Director	Charng-Chyi Ko	7,896,867	0.18%
	Director	Sheng-Chieh Hsu	8,714,297	0.20%
	Director	Yen-Chia Chou	8,022,874	0.18%
	President and Director	Chung-Pin Wong	6,618,618	0.15%
	Director	Chiung-Chi Hsu	2,117,731	0.05%
	Director	Ming-Chih Chang	1,919,489	0.04%
	Director	Anthony Peter Bonadero	0	0%
	Director	Sheng-Hua Peng	835,000	0.02%
	Independent Director	Min-Chih Hsuan	0	0.00%
	Independent Director	Duei Tsai	0	0.00%
	Independent Director	Duh Kung Tsai	0	0.00%
	Representative	Wen-Being Hsu	5,000,000	0.11%
Representative	Shyh-Yong Shen	0	0.00%	
Compal International Holding Co., Ltd.	Director	Compal Electronics, Inc. (Representative: Sheng-Hsiung Hsu )	53,001,000	100.00%
	Director	Compal Electronics, Inc. (Representative: Jui-Tsung Chen )	53,001,000	100.00%
Compal International Holding (HK) Limited	Director	Compal International Holding Co., Ltd. (Representative: Sheng-Hsiung Hsu )	74,802,500	100.00%
	Director	Compal International Holding Co., Ltd. (Representative: Jui-Tsung Chen )	74,802,500	100.00%
Compal Electronics Technology (Kunshan) Co., Ltd.	Chairman	Compal International Holding (HK) Limited (Representative: Sheng-Hsiung Hsu )	NT\$359,760	100.00%
	Director	Compal International Holding (HK) Limited (Representative: Jui-Tsung Chen )	NT\$359,760	100.00%

Company name	Title	Name or name of representative	Shares held	
			Shares (Note)	Shareholding percentage
	Director	Compal International Holding (HK) Limited (Representative: Chung-Pin Wong)	NT\$359,760	100.00%
	Supervisor	Compal International Holding (HK) Limited (Representative: Ching-Hsiung Lu)	NT\$359,760	100.00%
	President	Ming-Chih Chang	0	0.00%
Compal Information (Kunshan) Co., Ltd.	Chairman	Compal International Holding (HK) Limited (Representative: Sheng-Hsiung Hsu )	NT\$359,760	100.00%
	Director	Compal International Holding (HK) Limited (Representative: Jui-Tsung Chen )	NT\$359,760	100.00%
	Director	Compal International Holding (HK) Limited (Representative: Chung-Pin Wong)	NT\$359,760	100.00%
	Supervisor	Compal International Holding (HK) Limited (Representative: Ching-Hsiung Lu)	NT\$359,760	100.00%
	President	Ming-Chih Chang	0	0.00%
Compal Information Technology (Kunshan) Co., Ltd.	Chairman	Compal International Holding (HK) Limited (Representative: Sheng-Hsiung Hsu )	NT\$719,520	100.00%
	Director	Compal International Holding (HK) Limited (Representative: Jui-Tsung Chen )	NT\$719,520	100.00%
	Director	Compal International Holding (HK) Limited (Representative: Chung-Pin Wong)	NT\$719,520	100.00%
	Supervisor	Compal International Holding (HK) Limited (Representative: Ching-Hsiung Lu)	NT\$719,520	100.00%
	President	Ming-Chih Chang	0	0.00%
Compal Digital Technology (Kunshan) Co., Ltd.	Chairman	Compal International Holding (HK) Limited (Representative: Sheng-Hsiung Hsu )	NT\$599,600	100.00%
	Director	Compal International Holding (HK) Limited (Representative: Jui-Tsung Chen )	NT\$599,600	100.00%
	Director	Compal International Holding (HK) Limited (Representative: Chung-Pin Wong)	NT\$599,600	100.00%
	Supervisor	Compal International Holding (HK) Limited (Representative: Ching-Hsiung Lu)	NT\$599,600	100.00%
	President	Ming-Chih Chang	0	0.00%
Kunshan Botai Electronics Co., Ltd.	Chairman	Compal International Holding (HK) Limited (Representative: Sheng-Hsiung Hsu )	NT\$29,980	100.00%
	Director	Compal International Holding (HK) Limited (Representative: Jui-Tsung Chen )	NT\$29,980	100.00%
	Director	Compal International Holding (HK) Limited (Representative: Ming-Chih Chang)	NT\$29,980	100.00%
	Supervisor	Compal International Holding (HK) Limited (Representative: Ching-Hsiung Lu)	NT\$29,980	100.00%
	President	Ming-Chih Chang	0	0.00%
Compower Global Service Co., Ltd.	Managing Director	Kunshan Botai Electronics Co., Ltd. (Representative: Chung-Pin Wong)	NT\$8,607	100.00%
	Supervisor	Kunshan Botai Electronics Co., Ltd. (Representative: Cheng-Chiang Wang)	NT\$8,607	100.00%
	President	Ming-Chih Chang	0	0.00%
Prospect Fortune Group Ltd.	Director	Compal International Holding Co., Ltd. (Representative: Sheng-Hsiung Hsu )	1,000	100.00%
	Director	Compal International Holding Co., Ltd. (Representative: Jui-Tsung Chen )	1,000	100.00%
Jenpal International Ltd.	Director	Compal International Holding Co., Ltd. (Representative: Sheng-Hsiung Hsu )	7,350,000	100.00%
	Director	Compal International Holding Co., Ltd. (Representative: Jui-Tsung Chen )	7,350,000	100.00%
Fortune Way	Director	Compal International Holding Co., Ltd.	14,900,000	100.00%

Company name	Title	Name or name of representative	Shares held	
			Shares (Note)	Shareholding percentage
Technology Corp.		(Representative: Sheng-Hsiung Hsu )		
	Director	Compal International Holding Co., Ltd. (Representative: Jui-Tsung Chen )	14,900,000	100.00%
Just International Ltd.	Director	Compal Electronics, Inc. (Representative: Sheng-Hsiung Hsu )	48,010,000	100.00%
	Director	Compal Electronics, Inc. (Representative: Jui-Tsung Chen )	48,010,000	100.00%
Compal Display Holding (HK) Limited	Director	Just International Ltd. (Representative: Sheng-Hsiung Hsu )	62,297,500	100.00%
	Director	Just International Ltd. (Representative: Jui-Tsung Chen )	62,297,500	100.00%
Compal Electronics (China) Co., Ltd.	Chairman	Compal Display Holding (HK) Limited (Representative: Sheng-Hsiung Hsu )	NT\$1,109,260	100.00%
	Director	Compal Display Holding (HK) Limited (Representative: Jui-Tsung Chen )	NT\$1,109,260	100.00%
	Director	Compal Display Holding (HK) Limited (Representative: Sheng-Hua Peng)	NT\$1,109,260	100.00%
	Supervisor	Compal Display Holding (HK) Limited (Representative: Ching-Hsiung Lu)	NT\$1,109,260	100.00%
	President	Fu-Chuan Chang	0	0.00%
Compal Smart Device (Chongqing) Co., Ltd.	Chairman	Compal Electronics (China) Co., Ltd. (Representative: Sheng-Hsiung Hsu )	NT\$258,198	100.00%
	Director	Compal Electronics (China) Co., Ltd. (Representative: Jui-Tsung Chen )	NT\$258,198	100.00%
	Director	Compal Electronics (China) Co., Ltd. (Representative: Sheng-Hua Peng)	NT\$258,198	100.00%
	Supervisor	Compal Electronics (China) Co., Ltd. (Representative: Cheng-Chiang Wang)	NT\$258,198	100.00%
	President	Sheng-Hua Peng	0	0.00%
Compal Optoelectronics (Kunshan) Co., Ltd.	Chairman	Compal Display Holding (HK) Limited (Representative: Sheng-Hsiung Hsu )	NT\$362,758	100.00%
	Director	Compal Display Holding (HK) Limited (Representative: Jui-Tsung Chen )	NT\$362,758	100.00%
	Director	Compal Display Holding (HK) Limited (Representative: Sheng-Hua Peng)	NT\$362,758	100.00%
	Supervisor	Compal Display Holding (HK) Limited (Representative: Ching-Hsiung Lu)	NT\$362,758	100.00%
	President	Fu-Chuan Chang	0	0.00%
Compal System Trading (Kunshan) Co., Ltd.	Chairman	Compal Display Holding (HK) Limited (Representative: Jui-Tsung Chen )	NT\$41,972	100.00%
	Director	Compal Display Holding (HK) Limited (Representative: Sheng-Hsiung Hsu )	NT\$41,972	100.00%
	Director	Compal Display Holding (HK) Limited (Representative: Chung-Pin Wong)	NT\$41,972	100.00%
	Supervisor	Compal Display Holding (HK) Limited (Representative: Cheng-Chiang Wang)	NT\$41,972	100.00%
	President	Ming-Chih Chang	0	0.00%
Compal Investment (Jiangsu) Co., Ltd.	Chairman	Compal International Holding (HK) Limited & Compal Display Holding (HK) Limited (Representative: Sheng-Hsiung Hsu )	NT\$467,688	100.00%
	Director	Compal International Holding (HK) Limited & Compal Display Holding (HK) Limited (Representative: Jui-Tsung Chen )	NT\$467,688	100.00%
	Director	Compal International Holding (HK) Limited & Compal Display Holding (HK) Limited	NT\$467,688	100.00%

Company name	Title	Name or name of representative	Shares held	
			Shares (Note)	Shareholding percentage
		(Representative: Sheng-Hua Peng)		
	Supervisor	Compal International Holding (HK) Limited & Compal Display Holding (HK) Limited (Representative: Ching-Hsiung Lu)	NT\$467,688	100.00%
	President	Sheng-Hua Peng	0	0.00%
Compal Display Electronics (Kunshan) Co., Ltd.	Chairman	Compal Investment (Jiangsu, China) Co., Ltd. (Representative: Sheng-Hsiung Hsu )	NT\$449,700	100.00%
	Director	Compal Investment (Jiangsu, China) Co., Ltd. (Representative: Jui-Tsung Chen )	NT\$449,700	100.00%
	Director	Compal Investment (Jiangsu, China) Co., Ltd. (Representative: Sheng-Hua Peng)	NT\$449,700	100.00%
	Supervisor	Compal Investment (Jiangsu, China) Co., Ltd. (Representative: Ching-Hsiung Lu)	NT\$449,700	100.00%
	President	Sheng-Hua Peng	0	0.00%
Compal International Ltd.	Director	Just International Ltd. (Representative: Sheng-Hsiung Hsu )	500,000	100.00%
	Director	Just International Ltd. (Representative: Jui-Tsung Chen )	500,000	100.00%
Compal Electronics International Ltd.	Director	Just International Ltd. (Representative: Sheng-Hsiung Hsu )	9,245,000	100.00%
	Director	Just International Ltd. (Representative: Jui-Tsung Chen )	9,245,000	100.00%
Smart International Trading Ltd.	Director	Compal Electronics International Ltd. (Representative: Sheng-Hsiung Hsu )	1,000	100.00%
	Director	Compal Electronics International Ltd. (Representative: Jui-Tsung Chen )	1,000	100.00%
Amexcom Electronics, Inc.	Director	Compal Electronics International Ltd. (Representative: Sheng-Hua Peng)	1,000,000	100.00%
	Director	Compal Electronics International Ltd. (Representative: Hsin-Kung Mao)	1,000,000	100.00%
	Director	Compal Electronics International Ltd. (Representative: Chung-Pin Wong)	1,000,000	100.00%
	President	Hsin-Kung Mao	0	0.00%
Mexcom Technologies, LLC	Director	Compal Electronics International Ltd. (Representative: Hsin-Kung Mao )	NT\$30	100.00%
Mexcom Electronics, LLC	Director	Compal Electronics International Ltd. (Representative: Hsin-Kung Mao )	NT\$246,855	100.00%
Big Chance International Co., Ltd.	Director	Compal Electronics, Inc. (Representative: Sheng-Hsiung Hsu )	90,820,000	100.00%
	Director	Compal Electronics, Inc. (Representative: Jui-Tsung Chen )	90,820,000	100.00%
Center Mind International Co., Ltd.	Director	Big chance International Co., Ltd. (Representative: Sheng-Hsiung Hsu )	80,820,000	100.00%
	Director	Big chance International Co., Ltd. (Representative: Jui-Tsung Chen )	80,820,000	100.00%
Compal Investment (Sichuan) Co., Ltd.	Chairman	Center Mind International Co., Ltd. (Representative: Sheng-Hsiung Hsu )	NT\$2,422,984	100.00%
	Director	Center Mind International Co., Ltd. (Representative: Jui-Tsung Chen )	NT\$2,422,984	100.00%
	Director	Center Mind International Co., Ltd.	NT\$2,422,984	100.00%



Company name	Title	Name or name of representative	Shares held	
			Shares (Note)	Shareholding percentage
		(Representative: Chung-Pin Wong)		
	Supervisor	Center Mind International Co., Ltd. (Representative: Ching-Hsiung Lu)	NT\$2,422,984	100.00%
	President	Ming-Chih Chang	0	0.00%
Compal Electronics (Chengdu) Co., Ltd.	Chairman	Compal Investment (Sichuan) Co., Ltd. (Representative: Sheng-Hsiung Hsu )	NT\$2,398,400	100.00%
	Director	Compal Investment (Sichuan) Co., Ltd. (Representative: Jui-Tsung Chen )	NT\$2,398,400	100.00%
	Director	Compal Investment (Sichuan) Co., Ltd. (Representative: Chung-Pin Wong)	NT\$2,398,400	100.00%
	Supervisor	Compal Investment (Sichuan) Co., Ltd. (Representative: Ching-Hsiung Lu)	NT\$2,398,400	100.00%
	President	Ming-Chih Chang	0	0.00%
Compal Management (Chengdu) Co., Ltd.	Chairman	Compal Investment (Sichuan) Co., Ltd. (Representative: Sheng-Hsiung Hsu )	NT\$23,984	100.00%
	Director	Compal Investment (Sichuan) Co., Ltd. (Representative: Jui-Tsung Chen )	NT\$23,984	100.00%
	Director	Compal Investment (Sichuan) Co., Ltd. (Representative: Chung-Pin Wong)	NT\$23,984	100.00%
	Supervisor	Compal Investment (Sichuan) Co., Ltd. (Representative: Ching-Hsiung Lu)	NT\$23,984	100.00%
	President	Ming-Chih Chang	0	0.00%
Prisco International Co., Ltd.	Director	Big chance International Co., Ltd. (Representative: Sheng-Hsiung Hsu )	10,000,000	100.00%
	Director	Big chance International Co., Ltd. (Representative: Jui-Tsung Chen )	10,000,000	100.00%
Compal Electronics (Chongqing) Co., Ltd.	Chairman	Prisco International Co., Ltd. (Representative: Sheng-Hsiung Hsu )	NT\$299,800	100.00%
	Director	Prisco International Co., Ltd. (Representative: Jui-Tsung Chen )	NT\$299,800	100.00%
	Director	Prisco International Co., Ltd. (Representative: Chung-Pin Wong)	NT\$299,800	100.00%
	Supervisor	Prisco International Co., Ltd. (Representative: Ching-Hsiung Lu)	NT\$299,800	100.00%
	President	Ming-Chih Chang	0	0.00%
Core Profit Holdings Ltd.	Director	Compal Electronics, Inc. (Representative: Sheng-Hsiung Hsu )	147,000,000	100.00%
	Director	Compal Electronics, Inc. (Representative: Jui-Tsung Chen )	147,000,000	100.00%
Billion Sea Holdings Ltd.	Director	Core Profit Holdings Ltd. (Representative: Sheng-Hsiung Hsu )	147,000,000	100.00%
	Director	Core Profit Holdings Ltd. (Representative: Jui-Tsung Chen )	147,000,000	100.00%
Mithera Capital Lo LP	Director	Billion Sea Holdings Ltd. (Representative: David Liu )	NT\$149,900	99.00%
High Shine Industrial Corp.	Director	Compal Electronics, Inc. & Billion Sea Holdings Ltd. (Representative: Sheng-Hsiung Hsu )	79,700,000	100.00%
	Director	Compal Electronics, Inc. & Billion Sea Holdings Ltd. (Representative: Jui-Tsung Chen )	79,700,000	100.00%
Intelligent Universal Enterprise Ltd.	Director	High Shine Industrial Corp. (Representative: Sheng-Hsiung Hsu )	67,000,000	100.00%
	Director	High Shine Industrial Corp.	67,000,000	100.00%

Company name	Title	Name or name of representative	Shares held	
			Shares (Note)	Shareholding percentage
		(Representative: Jui-Tsung Chen )		
Compal (Vietnam) Co., Ltd.	Director	Intelligent Universal Enterprise Ltd. (Representative: Jui-Tsung Chen )	NT\$2,008,660	100.00%
Goal Reach Enterprises Ltd.	Director	High Shine Industrial Corp. (Representative: Sheng-Hsiung Hsu )	12,700,000	100.00%
	Director	High Shine Industrial Corp. (Representative: Jui-Tsung Chen )	12,700,000	100.00%
Compal Development & Management (Vietnam) Co., Ltd.	Director	Goal Reach Enterprises Ltd. (Representative: Jui-Tsung Chen )	NT\$380,746	100.00%
Panpal Technology	Chairman	Compal Electronics, Inc. (Representative: Sheng-Hsiung Hsu )	500,000,000	100.00%
	Director and President	Compal Electronics, Inc. (Representative: Jui-Tsung Chen )	500,000,000	100.00%
	Director	Compal Electronics, Inc. (Representative: Chung-Pin Wong)	500,000,000	100.00%
	Supervisor	Compal Electronics, Inc. (Representative: Sheng-Chieh Hsu)	500,000,000	100.00%
Gempal Technology Co., Ltd.	Chairman	Compal Electronics, Inc. (Representative: Sheng-Hsiung Hsu )	90,000,000	100.00%
	Director and President	Compal Electronics, Inc. (Representative: Jui-Tsung Chen )	90,000,000	100.00%
	Director	Compal Electronics, Inc. (Representative: Sheng-Hua Peng)	90,000,000	100.00%
	Supervisor	Compal Electronics, Inc. (Representative: Sheng-Chieh Hsu)	90,000,000	100.00%
Hong Ji Capital Co., Ltd.	Chairman	Compal Electronics, Inc. (Representative: Sheng-Hsiung Hsu )	100,000,000	100.00%
	Director and President	Compal Electronics, Inc. (Representative: Jui-Tsung Chen )	100,000,000	100.00%
	Director	Compal Electronics, Inc. (Representative: Sheng-Hua Peng)	100,000,000	100.00%
	Supervisor	Compal Electronics, Inc. (Representative: Sheng-Chieh Hsu)	100,000,000	100.00%
Hong Jin Investment Co., Ltd.	Chairman	Compal Electronics, Inc. (Representative: Sheng-Hsiung Hsu )	29,500,000	100.00%
	Director and President	Compal Electronics, Inc. (Representative: Jui-Tsung Chen )	29,500,000	100.00%
	Director	Compal Electronics, Inc. (Representative: Chung-Pin Wong)	29,500,000	100.00%
	Supervisor	Compal Electronics, Inc. (Representative: Sheng-Chieh Hsu)	29,500,000	100.00%
Compalead Eletrônica do Brasil Indústria e Comércio Ltda.	President	Hsiao-Li Chao	0	0.00%
Compal Electronics India Private Limited	President	Guo-Dung Yu	0	0.00%
	Director	UJJAWAL SINGH KATIYAR	0	0.00%
	Director	Cheng-Chiang Wang	0	0.00%
Accesstek Inc.	Supervisor	Panpal Technology Corporation (Representative: Ching-Hsiung Lu)	159,742	4.94%
Arcadyan Technology Corp.	Chairman	Compal Electronics, Inc. (Representative: Jui-Tsung Chen )	41,304,504	19.81%
	Director	Compal Electronics, Inc.	41,304,504	19.81%

Company name	Title	Name or name of representative	Shares held	
			Shares (Note)	Shareholding percentage
		(Representative: Sheng-Hua Peng)		
	Director	Compal Electronics, Inc. (Representative: Chung-Pin Wong)	41,304,504	19.81%
	Director	Compal Electronics, Inc. (Representative: Chung-Pao Liu)	41,304,504	19.81%
	Director	Che-He Wei	0	0.00%
	Director and President	Compal Electronics, Inc. (Representative: Chao-Peng Tseng)	41,304,504	19.81%
	Independent Director	Ying-Jen Li	0	0.00%
	Independent Director	Ching-Jang Wen	0	0.00%
	Independent Director	Wen-An Yang	0	0.00%
Arcadyan Technology N.A. Corp.	Director	Arcadyan Technology Corp. (Representative: Jui-Tsung Chen )	1,000	100.00%
	Director	Arcadyan Technology Corp. (Representative: Chao-Peng Tseng)	1,000	100.00%
	President	Chao-Peng Tseng	0	0.00%
Arcadyan Germany Technology GmbH	Managers	Arcadyan Technology Corp. (Representative: Chao-Peng Tseng)	500	100.00%
Arcadyan Technology Corporation Korea	Director	Arcadyan Technology Corp. (Representative: Chao-Peng Tseng)	20,000	100.00%
Arcadyan do Brasil Ltda.	Managers	Nien-Che, Hsiung	964,510	99.00%
Arcadyan Technology Limited	Director	Arcadyan Technology Corp. (Representative: Chao-Peng Tseng)	50,000	100.00%
	Director	Arcadyan Technology Corp. (Representative: Keng-Tien Lin)	50,000	100.00%
Arcadyan Technology Australia Pty Ltd.	Director	Arcadyan Technology Corp. (Representative: Chao-Peng Tseng)	50,000	100.00%
	Director	Arcadyan Technology Corp. (Representative: Fong-Yu, Lu )	50,000	100.00%
	Director	Arcadyan Technology Corp. (Representative: Linda, Chu )	50,000	100.00%
Arcadyan Holding (BVI) Corp.	Chairman	Arcadyan Technology Corp. (Representative: Jui-Tsung Chen )	59,780,148	100.00%
	Director	Arcadyan Technology Corp. (Representative: Chao-Peng Tseng)	59,780,148	100.00%
Sinoprime Global Inc.	Chairman	Arcadyan Holding (BVI) Corp. (Representative: Jui-Tsung Chen )	9,050,000	100.00%
	Director	Arcadyan Holding (BVI) Corp. (Representative: Chao-Peng Tseng)	9,050,000	100.00%
Arcadyan Technology (Vietnam)Co., Ltd	Chairman Director	Sinoprime Global Inc. (Representative: Chao-Peng Tseng)	NT\$269,820	100.00%
Arch Holding (BVI) Corp.	Chairman	Arcadyan Holding (BVI) Corp. (Representative: Jui-Tsung Chen )	34,900	100.00%
	Director	Arcadyan Holding (BVI) Corp. (Representative: Chao-Peng Tseng)	34,900	100.00%
Arcadyan Technology (Shanghai) Corp.	Chairman	Arcadyan Holding (BVI) Corp. (Representative: Chao-Peng Tseng)	NT\$392,738	100.00%
	Director	Arcadyan Holding (BVI) Corp. (Representative: Ching-Hsiung Lu)	NT\$392,738	100.00%
	Director	Arcadyan Holding (BVI) Corp. (Representative: Fong-Yu, Lu )	NT\$392,738	100.00%
	Director	Arcadyan Holding (BVI) Corp.	NT\$392,738	100.00%

Company name	Title	Name or name of representative	Shares held	
			Shares (Note)	Shareholding percentage
		(Representative: Chung-Pao, Liu)		
	Director	Arcadyan Holding (BVI) Corp. (Representative: Chien-Lin Chen )	NT\$392,738	100.00%
	Supervisor	Arcadyan Holding (BVI) Corp. (Representative: Shih-Wei Huang)	NT\$392,738	100.00%
	President	Chung-Pao, Liu	0	0.00%
Compal Network Information Technology (Kunshan) Co., Ltd.	Chairman	Arch Holding (BVI) Corp. (Representative: Fong-Yu, Lu )	NT\$373,251	100.00%
	Director	Arch Holding (BVI) Corp. (Representative: Jui-Tsung Chen )	NT\$373,251	100.00%
	Director	Arch Holding (BVI) Corp. (Representative: Chao-Peng Tseng)	NT\$373,251	100.00%
	Supervisor	Arch Holding (BVI) Corp. (Representative: Ching-Hsiung Lu)	NT\$373,251	100.00%
	President	Chung-Pao, Liu	0	0.00%
Zhi-pal Technology Inc	Chairman	Arcadyan Technology Corp. (Representative: Chao-Peng Tseng)	34,980,000	100.00%
	Director	Arcadyan Technology Corp. (Representative: Sheng-Hua Peng)	34,980,000	100.00%
	Director	Arcadyan Technology Corp. (Representative: Ching-Hsiung Lu)	34,980,000	100.00%
	Director	Arcadyan Technology Corp. (Representative: Fong-Yu, Lu )	34,980,000	100.00%
	Supervisor	Arcadyan Technology Corp. (Representative: Shih-Wei Huang)	34,980,000	100.00%
	President	Chao-Peng Tseng	0	0.00%
Tatung Technology Inc.	Chairman	Arcadyan Technology Corp. (Representative: Chao-Peng Tseng)	25,027,910	61.04%
	Director	Arcadyan Technology Corp. (Representative: Fong-Yu, Lu )	25,027,910	61.04%
	Director	Arcadyan Technology Corp. (Representative: Chien-Lin Chen)	25,027,910	61.04%
	Director	Arcadyan Technology Corp. (Representative: Nien-Che, Hsiung)	25,027,910	61.04%
	Director	Arcadyan Technology Corp. (Representative: Li-Wei Dang)	25,027,910	61.04%
	Director	Shang Chi Investment Co., Ltd. (Representative: Chia-Tien Lin )	1,027,056	2.51%
	Director	Chunghwa Investment Holding Company (Representative: Chih-Chen Chien)	4,570,830	11.15%
	Supervisor	Shih-Wei Huang	0	0.00%
	Supervisor	Yi-Yu Liang	0	0.00%
	Supervisor	Chi Sheng Investment Co., Ltd. (Representative: Chang-Chuan Lin)	2,727,272	6.65%
	President	Li-Wei Dang	1,062,935	2.59%
	Tatung Technology of Japan Co., Ltd.	Director	Tatung Technology Inc. (Representative: Li-Wei Dang)	300
Director		Tatung Technology Inc. (Representative: Chao-Peng Tseng)	300	100.00%
Quest International Group Co., Ltd.	Director	Tatung Technology Inc. (Representative: Chao-Peng Tseng)	1,200,000	100.00%
	Director	Tatung Technology Inc. (Representative: Li-Wei Dang)	1,200,000	100.00%
Exquisite Electronic Co., Ltd.	Director	Quest International Group Co., Ltd. (Representative: Chao-Peng Tseng)	1,170,000	100.00%

Company name	Title	Name or name of representative	Shares held	
			Shares (Note)	Shareholding percentage
	Director	Quest International Group Co., Ltd. (Representative: Li-Wei Dang)	1,170,000	100.00%
Tatung Home Appliances (Wu Jiang) Co., Ltd.	Chairman	Exquisite Electronic Co., Ltd. (Representative: Fong-Yu, Lu )	NT\$100,433	100.00%
	Director	Exquisite Electronic Co., Ltd. (Representative: Chao-Peng Tseng)	NT\$100,433	100.00%
	Director	Exquisite Electronic Co., Ltd. (Representative: Li-Wei Dang)	NT\$100,433	100.00%
	Supervisor	Exquisite Electronic Co., Ltd. (Representative: Shih-Wei Huang)	NT\$100,433	100.00%
	President	Li-Wei Dang	0	0.00%
Acbel Telecom Inc.	Chairman	Arcadyan Technology Corp. (Representative: Chao-Peng Tseng)	4,494,111	51.08%
	Director	Arcadyan Technology Corp. (Representative: Fong-Yu, Lu )	4,494,111	51.08%
	Director	AcBel Polytech Inc. (Representative: Ching-Shang Kao)	4,292,216	48.78%
	Supervisor	Shih-Wei Huang	0	0.00%
	President	Fong-Yu, Lu	0	0.00%
Leading Images Limited	Director	Acbel Telecom Inc. (Representative: Chao-Peng Tseng)	50,000	100.00%
	Director	Acbel Telecom Inc. (Representative: Ching-Hsiung Lu)	50,000	100.00%
	Director	Acbel Telecom Inc. (Representative: Chung-Pao, Liu)	50,000	100.00%
Astoria Networks GmbH	Managers	Leading Images Limited (Representative: Tsai-Yen Chuang)	25,000	100.00%
	Managers	Leading Images Limited (Representative: Yu-Yu Wang)	25,000	100.00%
Compal Broadband Networks Inc.	Chairman	Compal Electronics, Inc. (Representative: Chung-Pin Wong)	29,060,176	43.45%
	Director	Compal Electronics, Inc. (Representative: Jui-Tsung Chen )	29,060,176	43.45%
	Director	Realsun Investment Co., Ltd (Representative: Tsai , Jon-Jinn )	3,575,000	5.34%
	Director	Compal Electronics, Inc. (Representative: Yu- Ho Wang)	29,060,176	43.45%
	Independent Director	Wong, Jen-Zen	0	0.00%
	Independent Director	Mao, Yin-Wen	0	0.00%
	Independent Director	Chen, Miao- Ling	0	0.00%
President	Yu- Ho Wang	1,086,810	1.62%	
Compal Broadband Networks Belgium BVBA	Director	Compal Broadband Networks Inc. (Representative: Yu- Ho Wang)	20,300	100.00%
Compal Broadband Networks Netherlands B.V.	Director	Compal Broadband Networks Inc. (Representative: Shao- Yang Chiu )	20,300	100.00%
Henghao Technology Co.,Ltd.	Chairman	Compal Electronics, Inc. (Representative: Chung-Pin Wong)	20,014,952	100.00%
	Vice Chairman and President	Compal Electronics, Inc. (Representative: Chen-Chang Hsu)	20,014,952	100.00%
	Director	Compal Electronics, Inc. (Representative: Jui-Tsung Chen )	20,014,952	100.00%
	Director	Compal Electronics, Inc. (Representative: Sheng-Hua Peng)	20,014,952	100.00%

Company name	Title	Name or name of representative	Shares held	
			Shares (Note)	Shareholding percentage
	Supervisor	Chyou-Jui Wei	0	0.00%
HengHao Holdings A Co., Ltd.	Director	Henghao Technology Co., Ltd. (Representative: Sheng-Hsiung Hsu )	46,882,022	100.00%
	Director	Henghao Technology Co., Ltd. (Representative: Chung-Pin Wong)	46,882,022	100.00%
HengHao Holdings B Co., Ltd.	Director	HengHao Holdings A Co., Ltd. (Representative: Sheng-Hsiung Hsu )	46,882,022	100.00%
	Director	HengHao Holdings A Co., Ltd. (Representative: Chung-Pin Wong)	46,882,022	100.00%
HengHao Optoelectronics Technology (Kunshan) CO., LTD	Chairman	HengHao Holdings B Co., Ltd. (Representative: Chen-Chang Hsu)	NT\$1,199,200	100.00%
	Director	HengHao Holdings B Co., Ltd. (Representative: Chia-Tien Liu	NT\$1,199,200	100.00%
	Director	HengHao Holdings B Co., Ltd. (Representative: Jui-Hsiang Yang)	NT\$1,199,200	100.00%
	Supervisor	HengHao Holdings B Co., Ltd. (Representative: Cheng-Chiang Wang)	NT\$1,199,200	100.00%
	President	Chen-Chang Hsu	0	0.00%
HengHao Trading Co., Ltd.	Director	HengHao Holdings B Co., Ltd. (Representative: Sheng-Hsiung Hsu)	10,000	100.00%
	Director	HengHao Holdings B Co., Ltd. (Representative: Chung-Pin Wong)	10,000	100.00%
Lucom Display Technology (Kunshan) Ltd.	Chairman	HengHao Holdings B Co., Ltd. (Representative: Chen-Chang Hsu)	NT\$449,700	100.00%
	Director	HengHao Holdings B Co., Ltd. (Representative: Chia-Tien Liu )	NT\$449,700	100.00%
	Director	HengHao Holdings B Co., Ltd. (Representative: Jui-Hsiang Yang )	NT\$449,700	100.00%
	Supervisor	HengHao Holdings B Co., Ltd. (Representative: Hsiu-Chuan Hsu)	NT\$449,700	100.00%
	President	Chen-Chang Hsu	0	0.00%
Mactech Inc.	Chairman	Compal Electronics, Inc. (Representative: Yung-Ching Chang)	21,756,192	52.88%
	Director	Compal Electronics, Inc. (Representative: Jui-Tsung Chen )	21,756,192	52.88%
	Director	Compal Electronics, Inc. (Representative: Chung-Pin Wong)	21,756,192	52.88%
	Director	Compal Electronics, Inc. (Representative: Chen-Chang Hsu)	21,756,192	52.88%
	Director	Compal Electronics, Inc. (Representative: Ming-Chih Chang)	21,756,192	52.88%
	Director	Wen-Pin Kuo	1,301,505	3.16%
	Director	Chuan-Kuei Lin	1,609,172	3.91%
	Supervisor	Chyou-Jui Wei	0	0.00%
Rayonnant Technology Co., Ltd.	Chairman	Compal Electronics, Inc. (Representative: Chung-Pin Wong)	29,500,000	100.00%
	Director and President	Compal Electronics, Inc. (Representative: Pao-Jui Cheng)	29,500,000	100.00%
	Director	Compal Electronics, Inc. (Representative: Hsi-Kuan Chen)	29,500,000	100.00%
	Supervisor	Compal Electronics, Inc. (Representative: Chyou-Jui Wei)	29,500,000	100.00%
Compal Rayonnant Holdings Ltd.	Director	Compal Electronics, Inc. (Representative: Sheng-Hsiung Hsu )	12,500,000	100.00%
	Director	Compal Electronics, Inc.	12,500,000	100.00%

Company name	Title	Name or name of representative	Shares held	
			Shares (Note)	Shareholding percentage
		(Representative: Jui-Tsung Chen )		
Allied Power Holding Corp.	Director	Compal Rayonnant Holdings Ltd. (Representative: Chung-Pin Wong)	12,500,000	59.10%
	Director	Rayonnant Technology Co., Ltd. (Representative: Pao-Jui Cheng)	8,651,000	40.90%
Primetek Enterprises Ltd.	Director	Allied Power Holding Corp. (Representative: Chung-Pin Wong)	3,151,000	100.00%
	Director	Allied Power Holding Corp. (Representative: Pao-Jui Cheng)	3,151,000	100.00%
Rayonnant Technology Holdings (HK) Co., Ltd.	Director	Allied Power Holding Corp. (Representative: Chyou-Jui Wei)	18,000,000	100.00%
	Director	Allied Power Holding Corp. (Representative: Pao-Jui Cheng)	18,000,000	100.00%
Rayonnant Technology (Taichang) Co., Ltd.	Chairman	Rayonnant Technology Holdings (HK) Co., Ltd. (Representative: Pao-Jui Cheng)	NT\$539,640	100.00%
	Director	Rayonnant Technology Holdings (HK) Co., Ltd (Representative: Shyh-An Lee).	NT\$539,640	100.00%
	Director	Rayonnant Technology Holdings (HK) Co., Ltd. (Representative: Hsi-Kuan Chen)	NT\$539,640	100.00%
	Supervisor	Rayonnant Technology Holdings (HK) Co., Ltd. (Representative: Chyou-Jui Wei)	NT\$539,640	100.00%
	President	Pao-Jui Cheng	0	0.00%
Bizcom Electronics, Inc.	Director	Compal Electronics, Inc. (Representative: Jui-Tsung Chen )	100,000	100.00%
	Director	Compal Electronics, Inc. (Representative: Sheng-Hua Peng)	100,000	100.00%
	Director	Compal Electronics, Inc. (Representative: Chung-Pin Wong)	100,000	100.00%
	Director	Compal Electronics, Inc. (Representative: Po-Tang Wang )	100,000	100.00%
Compal Europe (Poland) Sp. z o.o.	Director	Compal Electronics, Inc. (Representative: Po-Tang Wang )	136,080	100.00%
	Director	Compal Electronics, Inc. (Representative: Ming-Chih Chang)	136,080	100.00%
Auscom Engineering Inc.	Chairman	Compal Electronics, Inc. (Representative: Chung-Pin Wong)	3,000,000	100.00%
	Director and President	Compal Electronics, Inc. (Representative: Min-Tung Weng)	3,000,000	100.00%
	Director	Compal Electronics, Inc. (Representative: Chun-Te Shen)	3,000,000	100.00%
Flight Global Holding Inc.	Director	Compal Electronics, Inc. (Representative: Sheng-Hsiung Hsu )	89,755,495	100.00%
	Director	Compal Electronics, Inc. (Representative: Jui-Tsung Chen )	89,755,495	100.00%
RiPAL Optotronics Co., Ltd.	Chairman	Compal Electronics, Inc. (Representative: Jui-Tsung Chen )	6,000,000	100.00%
	Director	Compal Electronics, Inc. (Representative: Chung-Pin Wong)	6,000,000	100.00%
	Director	Compal Electronics, Inc. (Representative: Sheng-Hua Peng)	6,000,000	100.00%
	Supervisor	Compal Electronics, Inc.	6,000,000	100.00%

Company name	Title	Name or name of representative	Shares held	
			Shares (Note)	Shareholding percentage
		(Representative: Chyou-Jui Wei)		
Compal Electronics (Holding) Ltd.	Director	Compal Electronics, Inc. (Representative: Sheng-Hsiung Hsu )	1,000	100.00%
	Director	Compal Electronics, Inc. (Representative: Jui-Tsung Chen )	1,000	100.00%
Etrade Management Co., Ltd.	Director	Compal Electronics, Inc. (Representative: Jui-Tsung Chen )	46,900,000	65.23%
Compal Communications (Nanjing) Co., Ltd.	Chairman	Etrade Management Co., Ltd. (Representative: Sheng-Hua Peng)	NT\$659,560	100.00%
	Director	Etrade Management Co., Ltd. (Representative: Ching-Hsiung Lu)	NT\$659,560	100.00%
	Director	Etrade Management Co., Ltd. (Representative: Hsin-Hsiung Huang)	NT\$659,560	100.00%
	Supervisor	Etrade Management Co., Ltd. (Representative: Guo-Dung Yu)	NT\$659,560	100.00%
	President	Sheng-Hua Peng	0	0.00%
Compal Digital Communications (Nanjing) Co., Ltd.	Chairman	Etrade Management Co., Ltd. (Representative: Sheng-Hua Peng)	NT\$173,884	100.00%
	Director	Etrade Management Co., Ltd. (Representative: Ching-Hsiung Lu)	NT\$173,884	100.00%
	Director	Etrade Management Co., Ltd. (Representative: Hsin-Hsiung Huang)	NT\$173,884	100.00%
	Supervisor	Etrade Management Co., Ltd. (Representative: Guo-Dung Yu)	NT\$173,884	100.00%
	President	Sheng-Hua Peng	0	0.00%
Compal Wireless Communications (Nanjing) Co., Ltd.	Chairman	Etrade Management Co., Ltd. (Representative: Sheng-Hua Peng)	NT\$1,469,020	100.00%
	Director	Etrade Management Co., Ltd. (Representative: Ching-Hsiung Lu)	NT\$1,469,020	100.00%
	Director	Etrade Management Co., Ltd. (Representative: Hsin-Hsiung Huang)	NT\$1,469,020	100.00%
	Supervisor	Etrade Management Co., Ltd. (Representative: Guo-Dung Yu)	NT\$1,469,020	100.00%
	President	Sheng-Hua Peng	0	0.00%
Webtek Technology Co., Ltd	Director	Compal Electronics, Inc. (Representative: Jui-Tsung Chen )	100,000	100.00%
Forever Young Technology Inc.	Director	Compal Electronics, Inc. (Representative: Jui-Tsung Chen )	50,000	100.00%
HANHELT Communications (Nanjing) Co., Ltd.	Chairman	Forever Young Technology Inc. (Representative: Sheng-Hua Peng)	NT\$59,960	100.00%
	Director	Forever Young Technology Inc. (Representative: Chung-Shing Tan)	NT\$59,960	100.00%
	Director	Forever Young Technology Inc. (Representative: Wen-Da Hsu)	NT\$59,960	100.00%
	Supervisor	Forever Young Technology Inc. (Representative: Chiao-Lie Huang)	NT\$59,960	100.00%
Unicom Global. Inc.	Chairman	Compal Electronics, Inc. (Representative: Chung-Pin Wong )	10,000,000	100.00%
	Director	Compal Electronics, Inc. (Representative: Jui-Tsung Chen)	10,000,000	100.00%
	Director	Compal Electronics, Inc. (Representative: Hsin-Kung Mao)	10,000,000	100.00%
	Supervisor	Compal Electronics, Inc. (Representative: Chyou-Jui Wei)	10,000,000	100.00%



Company name	Title	Name or name of representative	Shares held	
			Shares (Note)	Shareholding percentage
Palcom International Corporation	Chairman	Compal Electronics, Inc. (Representative: Jui-Tsung Chen )	10,000,000	100.00%
	Director	Compal Electronics, Inc. (Representative: Sheng-Hua Peng)	10,000,000	100.00%
	Director	Compal Electronics, Inc. (Representative: Cheng-Chiang Wang)	10,000,000	100.00%
	Supervisor	Compal Electronics, Inc. (Representative: Guo-Dung Yu)	10,000,000	100.00%
Compalead Electronics B.V.	Director	Compal Electronics, Inc. (Representative: Jui-Tsung Chen )	6,426,516	100.00%
	Director	Compal Electronics, Inc. (Representative: Hsin-Kung Mao)	6,426,516	100.00%
General Life Biotechnology Co., Ltd.	Chairman	Compal Electronics, Inc. (Representative: Jui-Tsung Chen )	15,000,000	50.00%
	Director	Compal Electronics, Inc. (Representative: Chung-Pin Wong)	15,000,000	50.00%
	Director	Compal Electronics, Inc. (Representative: Chyou-Jui Wei)	15,000,000	50.00%
	Director	Alltek Technology Corp. (Representative: Yu-Wen Wu)	6,922,940	23.08%
	Director	WK Technology Fund IV	604,800	2.02%
	Supervisor	China Development Industrial Bank	2,520,000	8.40%
	Supervisor	Sheng-Hua Peng	0	0.00%
Rapha Bio Ltd.	Chairman	General Life Biotechnology Co., Ltd. (Representative: Chyou-Jui Wei)	1,275,000	100.00%
	Director	General Life Biotechnology Co., Ltd. (Representative: Cheng-Ta Chen)	1,275,000	100.00%
	Director	General Life Biotechnology Co., Ltd. (Representative: Tung-Pang Lin)	1,275,000	100.00%
	Supervisor	General Life Biotechnology Co., Ltd. (Representative: Kuo-Hsiung Chung)	1,275,000	100.00%
Giant Rank Trading Limited	Director	Forever Young Technology Inc. (Representative: Jui-Tsung Chen )	-	100.00%
UniCore Biomedical Co., Ltd.	Chairman	Compal Electronics, Inc. (Representative: Jui-Tsung Chen )	20,000,000	100.00%
	Director	Compal Electronics, Inc. (Representative: Chung-Pin Wong)	20,000,000	100.00%
	Director	Compal Electronics, Inc. (Representative: Sheng-Hua Peng)	20,000,000	100.00%
	Director	Compal Electronics, Inc. (Representative: Tzu-Chen Yen)	20,000,000	100.00%
	Director	Compal Electronics, Inc. (Representative: Chyou-Jui Wei)	20,000,000	100.00%
	Supervisor	Compal Electronics, Inc. (Representative: Shu-Fen Ning)	20,000,000	100.00%
Raycore Biotech Co., Ltd.	Chairman	UniCore Biomedical Co., Ltd. (Representative: Jui-Tsung Chen )	1,275,000	51.00%
	Director	Raypal Biomedical Co., Ltd. (Representative: Yen-Liang Lin)	1,225,000	49.00%
	Director	UniCore Biomedical Co., Ltd. (Representative: Chyou-Jui Wei)	1,275,000	51.00%
	Supervisor	Shu-Fen Ning	0	0.00%
Shennona Corporation	Director	Compal Electronics, Inc. (Representative: Chung-Pin Wong)	2,600,000	100.00%
	Director	Compal Electronics, Inc.	2,600,000	100.00%

Company name	Title	Name or name of representative	Shares held	
			Shares (Note)	Shareholding percentage
		(Representative: Wei Chang Chen )		
	Director	Compal Electronics, Inc. (Representative: Chun-Te Shen)	2,600,000	100.00%
HippoScreen Neurotech Corp.	Chairman	Compal Electronics, Inc. (Representative: Chung-Pin Wong)	4,200,000	70.00%
	Director	Compal Electronics, Inc. (Representative: Wei Chang Chen)	4,200,000	70.00%
	Director	Compal Electronics, Inc. (Representative Chun-Te Shen)	4,200,000	70.00%
	Director	Po-Jen Liu	684,000	11.40%
	Director	Long-Song Lin	180,000	3.00%
	Supervisor	Cheng-Chiang Wang	0	0.00%
SHENNONA CO., LTD.	Chairman	Compal Electronics, Inc. (Representative: Chung-Pin Wong)	600,000	100.00%
Aco Smartcare Co.,Ltd.	Chairman	Compal Electronics, Inc. (Representative:Jui-Tsung Chen)	100,000,000	52.04%
	Director	Compal Electronics, Inc. (Representative: Chung-Pin Wong)	100,000,000	52.04%
	Director	Compal Electronics, Inc. (Representative: Hsuan-Bin Chen)	100,000,000	52.04%
	Director	Jian-Hung Liu	22,227,778	11.57%
	Director	Shu-Chin Su	22,227,778	11.57%
	Supervisor	Chyou-Jui Wei	0	0.00%

Note: Limited liability companies are shown in terms of amount and percentage of capital contribution. (Exchange rates for amount of capital contribution: USD 1: TWD 29.98, CNY 1: TWD 4.3033, and VND 1: TWD 0.001297.)

## 5. Overview of Operating Status for Affiliated Companies in 2019

Unit: NTD thousand

Company Name	Capital	Net asset value	Total liabilities	Net worth	Operating revenue	Operating income	Net loss/profit for the period (after tax)	EPS (in NTD) (After tax)
Compal Electronics, Inc.	44,071,466	337,783,488	231,810,855	105,972,633	916,280,028	8,536,952	6,955,899	1.60
Compal International Holding Co., Ltd. and subsidiaries	1,787,680	110,899,804	76,354,283	34,545,521	199,880,145	290,325	473,752	8.94
Just International Ltd. and subsidiaries	1,480,509	21,116,483	13,161,582	7,954,901	33,547,573	(48,000)	209,804	4.37
Big Chance International Co., Ltd. and subsidiaries	2,636,051	26,843,341	20,662,304	6,181,037	28,125,522	273,906	296,502	3.26
Core Profit Holdings Ltd.	4,318,860	7,670,141	483	7,669,658	-	(3,489)	232,282	1.58
High Shine Industrial Corp. and subsidiaries	2,465,140	5,257,887	3,570,173	1,687,714	4,571,653	(214,925)	(180,050)	(2.26)
Panpal Technology Corporation and subsidiaries	5,000,000	10,820,535	4,923,880	5,896,655	11,566,319	308,457	251,626	0.50
Gempal Technology Co., Ltd.	900,000	1,948,710	1,909	1,946,801	-	(295)	97,031	1.08
Hong Ji Capital Co., Ltd.	1,000,000	1,078,704	253	1,078,451	-	(238)	61,266	0.61
Hong Jin Investment Co., Ltd.	295,000	342,239	70	342,169	-	(208)	29,773	1.01
Accesstek Inc. and subsidiaries	32,369	32,268	1,508	30,760	-	(930)	(6,575)	(2.03)
UniCore Biomedical Co., Ltd. and subsidiaries	200,000	182,631	19,985	162,646	17,593	(23,229)	(18,865)	(0.94)
Shennona Corporation	32,665	1,372	-	1,372	-	(7,151)	(7,150)	(2.75)
Arcadyan Technology Corp. and subsidiaries	2,085,350	25,530,985	14,190,051	11,340,934	32,897,900	1,727,512	1,356,986	6.85
Compal Broadband Networks Inc. and subsidiaries	668,871	2,632,528	927,587	1,704,941	2,832,098	763	10,514	0.16
Henghao Technology Co., Ltd.	200,150	5,740,252	6,225,326	(485,074)	7,071,841	(450,834)	(569,058)	(28.43)

Company Name	Capital	Net asset value	Total liabilities	Net worth	Operating revenue	Operating income	Net loss/profit for the period (after tax)	EPS (in NTD) (After tax)
and subsidiaries								
Mactech Co., Ltd.	411,458	606,582	91,767	514,815	334,365	14,929	25,927	0.63
Ripal Optotronics CO, LTD. Co., Ltd.	60,000	137,585	60,953	76,632	108,490	24,859	24,978	4.16
General life Biotechnology Co., Ltd. and subsidiaries	300,000	795,052	403,852	391,200	612,922	95,396	90,284	3.01
Rayonnant Technology Holdings Ltd.,	295,000	99,674	36,726	62,948	-	(25,146)	24,014	0.81
Compal Rayonnant Holdings Ltd. and subsidiaries	377,328	965,555	833,855	131,700	1,274,880	32,369	27,808	2.22
Bizcom Electronics, Inc.	3,031	572,796	126,606	446,190	296,359	12,648	16,483	164.83
Compal Europe (Poland) Sp.z o.o.	90,156	221,302	203,929	17,373	263,765	11,104	(11,992)	(88.12)
Auscom Engineering Inc.	101,747	184,530	57,931	126,699	170,946	11,182	3,918	1.31
Flight Global Holding Inc.	2,754,741	4,543,626	80,753	4,462,873	-	(111)	131,815	1.47
Compalead Electronics B.V.	197,463	827,325	3,896	823,429	-	(937)	16,393	2.55
Etrade Management Co., Ltd and subsidiaries	2,295,154	8,312,012	8,902,214	(590,202)	29,134,208	68,410	(120,091)	(1.67)
Webtek Technology Co., Ltd	3,340	732,743	-	732,743	34,565,202	(2,548)	2,206	22.07
Forever Young Technology Inc. and subsidiaries	1,575	1,946,829	492,996	1,453,833	22,334,087	(4,966)	1,519	30.38
Unicom Global Inc.	100,000	423,520	882,816	(459,296)	546,070	(79,013)	(83,033)	(8.30)
Palcom International Corporation	100,000	138,897	33,274	105,623	118,368	(3,550)	(2,710)	(0.27)
Compal Electronics (Holding) Ltd.	34	3,531,243	-	3,531,243	-	-	-	-
HippoScreen Neurotech Corp.	600	37,715	5,722	31,993	-	(10,324)	(10,187)	(1.70)
SHENNONA CO., LTD.	6,000	17,067	12,775	4,292	9,635	(1,726)	(1,708)	(2.85)
Aco Smartcare Co.,Ltd.	30,748	115,076	3,297	111,779	-	(7,934)	(7,729)	(0.04)

**6. Common shareholders in controlling and controlled companies: None**

### **8.1.2 Consolidated financial statements of affiliated enterprises**

#### **Representation Letter**

The entities that are required to be included in the combined financial statements of COMPAL ELECTRONICS, INC. as of and for the year ended December 31, 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, COMPAL ELECTRONICS, INC. and its subsidiaries do not prepare a separate set of combined financial statements.

Company name: COMPAL ELECTRONICS, INC.

Chairman: Sheng-Hsiung Hsu (Rock Hsu)

Date: March 30, 2020

### **8.1.3 Affiliation reports: None**

**8.2 Private Placement of Securities in the Most Recent Year: None****8.3 Company Shares Held or Disposed by Subsidiaries in the Most Recent Year:**

Unit: NT\$ thousands; Shares; %

Name of Subsidiary	Share Capital Acquired	Funding Source	Percentage of Shares Held by the Company	Date of Acquisition or Disposition	Shares and Amount Acquired	Shares and Amount Disposed	Investment Gain (Loss)	Shareholdings and Amount as of March 31, 2020	Collateralized	Amount of Endorsements Made for the Subsidiary	Amount Loaned to the Subsidiary
Panpal Technology Corporation	NTD 5,000,000,000	Proprietary capital	100%	-	-	-	-	31,648,082 shares NTD 559,812,000	N/A	-	-
Gempal Technology Co., Ltd.	NTD 900,000,000	Proprietary capital	100%	-	-	-	-	18,369,349 shares NTD 321,435,000	N/A	-	-

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

**8.4 Other supplementary notes, where applicable: None****8.5 Any Events in 2019 and as of the Date of this Annual Report that had Significant Impacts on Shareholders' Interests or Security Prices as Stated in Item 2 Paragraph 2 of Article 36 of Securities and Exchange Law of Taiwan: None**

# **Compal Electronics, Inc.**

**Chairman: Sheng-Hsiung Hsu (Rock Hsu)**

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

**COMPAL ELECTRONICS, INC.  
AND SUBSIDIARIES**

**Consolidated Financial Statements**

**With Independent Auditors' Report  
For the Years Ended December 31, 2019 and 2018**

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



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## Representation Letter

The entities that are required to be included in the combined financial statements of COMPAL ELECTRONICS, INC. as of and for the year ended December 31, 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 and is included in the consolidated financial statements. Consequently, COMPAL ELECTRONICS, INC. and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: COMPAL ELECTRONICS, INC.  
Chairman: Sheng-Hsiung Hsu (Rock Hsu)  
Date: March 30, 2020



安侯建業聯合會計師事務所

KPMG

台北市11049信義路5段7號68樓(台北101大樓)  
68F., TAIPEI 101 TOWER, No. 7, Sec. 5,  
Xinyi Road, Taipei City 11049, Taiwan (R.O.C.)

Telephone 電話 + 886 2 8101 6666  
Fax 傳真 + 886 2 8101 6667  
Internet 網址 kpmg.com/tw

## Independent Auditor's Report

To COMPAL ELECTRONICS, INC.:

### Opinion

We have audited the consolidated financial statements of COMPAL ELECTRONICS, INC. and its subsidiaries (the "Group"), which comprise the consolidated balance sheets as of December 31, 2019 and 2018, and the consolidated statement of comprehensive income, changes in equity and cash flows for the years ended December 31, 2019 and 2018, 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 December 31, 2019 and 2018, 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 audit of the consolidated financial statements as of and for the year ended December 31, 2019 in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants, Rule No. 1090360805 issued by the Financial Supervisory Commission, and the auditing standards generally accepted in the Republic of China. Furthermore, we conducted our audit of the consolidated financial statements as of and for the year ended December 31, 2018 in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants, and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### 1. Account receivable valuation

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

Description of key audit matters:

The Group devotes to develop new product lines and customers in emerging countries, and the credit risks of these customers are higher than other world leading enterprises. Therefore, valuation of accounts receivable has been identified as a key audit matter.

Our key audit procedures performed in respect of the above area included the following:

In order to evaluate the reasonableness of the Group's estimations for bad debts, our key audit procedures included reviewing if the measurement of impairment loss of accounts receivable is accordance with accounting policy, examining the historical recovery records, analyzing the aging of accounts receivable, and the current credit status of customers, as well as inspecting the amount collected in the subsequent period.

## 2. Inventory valuation

Please refer to Note (4)(h) and Note (5) for the accounting policy of inventory valuation, as well as the estimation and assumption uncertainty of the valuation of inventory, respectively. Information of estimation of the valuation of inventory are disclosed in Note (6)(g) of the consolidated financial statements.

Description of key audit matters:

The inventory is measured at the lower of cost or net realizable value. The short life cycle of electronic products may cause significant changes in customers' demand and sales of related products. Consequently, the book value of inventory may be lower than the net realizable value of inventory. Therefore, the valuation of inventory is one of the key audit matters.

Our key audit procedures performed in respect of the above area included the following:

In order to verify the rationality of assessment of inventory valuation estimated by the Group, our key audit procedures included reviewing the consistency of prior year and accounting policy, inspecting the Group's inventory aging reports, analyzing the change of inventory aging, as well as verifying the inventory aging reports and the calculation of lower of cost or net realizable value.

## Other Matter

Compal Electronics Inc. has prepared its parent-company-only financial statements as of and for the years ended December 31, 2019 and 2018, on which we have issued an unqualified opinion.

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

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

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

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

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

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

The image shows the handwritten signature of KPMG in black ink. The letters are bold and stylized, with the 'K' and 'G' being particularly prominent.

Taipei, Taiwan (Republic of China)  
March 30, 2020

**Notes to Readers**

The accompanying consolidated financial statements are intended only to present the consolidated statement of financial position, financial performance and cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

**COMPAL ELECTRONICS, INC. AND SUBSIDIARIES**  
**Consolidated Balance Sheets**  
**December 31, 2019 and 2018**  
**(Expressed in Thousands of New Taiwan Dollars)**

		December 31, 2019		December 31, 2018				December 31, 2019		December 31, 2018	
		Amount	%	Amount	%			Amount	%	Amount	%
<b>Assets</b>						<b>Liabilities and Equity</b>					
<b>Current assets:</b>						<b>Current liabilities:</b>					
1100	Cash and cash equivalents (note (6)(a))	\$ 66,559,397	17.4	70,296,545	17.6	2100	Short-term borrowings (note (6)(n))	\$ 60,951,844	15.9	72,350,197	18.1
1110	Current financial assets at fair value through profit or loss (note (6)(b))	1,346,379	0.4	4,611,134	1.1	2120	Current financial liabilities at fair value through profit or loss (note (6)(b))	5,854	-	26,913	-
1135	Current derivative financial assets for hedging (note (6)(d))	61	-	-	-	2125	Current derivative financial liabilities for hedging (note (6)(d))	4,932	-	-	-
1136	Current financial assets at amortized cost (note (6)(c))	-	-	350,000	0.1	2130	Current contract liabilities (note (6)(y))	956,455	0.2	1,476,304	0.4
1170	Notes and accounts receivable, net (note (6)(f))	191,692,152	50.1	203,715,965	51.0	2170	Notes and accounts payable	142,940,869	37.4	152,300,093	38.1
1180	Notes and accounts receivable due from related parties, net (notes (6)(f) and (7))	44,512	-	58,106	-	2180	Notes and accounts payable to related parties (note (7))	1,504,908	0.4	1,976,620	0.5
1200	Other receivables, net (notes (6)(f) and (7))	2,006,113	0.5	1,665,249	0.4	2200	Other payables (note (7))	21,916,685	5.7	19,558,007	4.9
1310	Inventories (note (6)(g))	78,433,538	20.5	79,148,922	19.8	2230	Current tax liabilities	4,428,716	1.2	3,722,191	0.9
1470	Other current assets (note (8))	3,072,661	0.8	2,899,329	0.7	2250	Current provisions (note (6)(r))	830,757	0.2	426,981	0.1
		343,154,813	89.7	362,745,250	90.7	2280	Current lease liabilities (note (6)(q))	717,021	0.1	-	-
						2300	Other current liabilities	1,990,243	0.5	3,255,135	0.8
	<b>Non-current assets:</b>					2365	Current refund liabilities	1,382,374	0.4	1,579,832	0.4
1550	Investments accounted for using equity method (note (6)(h))	7,319,086	1.9	7,364,485	1.9	2322	Long-term borrowings, current portion (note (6)(o))	18,189,375	4.8	17,535,625	4.4
1510	Non-current financial assets at fair value through profit or loss (note (6)(b))	115,359	-	69,390	-			255,820,033	66.8	274,207,898	68.6
1517	Non-current financial assets at fair value through other comprehensive income (note (6)(c))	4,928,053	1.3	5,172,295	1.3		<b>Non-Current liabilities:</b>				
1600	Property, plant and equipment (notes (6)(l) and (8))	19,972,347	5.2	20,418,228	5.1	2530	Bonds payable (note (6)(p))	966,492	0.3	-	-
1755	Right-of-use assets (note (6)(m))	3,350,172	0.9	-	-	2540	Long-term borrowings (note (6)(o))	7,559,063	2.0	10,998,438	2.7
1780	Intangible assets	1,553,342	0.4	1,516,253	0.4	2570	Deferred tax liabilities (note(6)(u))	1,009,218	0.3	478,169	0.1
1840	Deferred tax assets (note(6)(u))	1,637,626	0.4	1,023,948	0.3	2580	Non-current lease liabilities (note (6)(q))	1,550,067	0.4	-	-
1985	Long-term prepaid rents (note(6)(s))	-	-	891,147	0.2	2640	Non-current net defined benefit liability (note (6)(t))	738,164	0.2	710,146	0.2
1990	Other non-current assets (note (8))	617,621	0.2	593,827	0.1	2670	Non-current liabilities, others (note (6)(h))	246,038	-	238,324	0.1
		39,493,606	10.3	37,049,573	9.3			12,069,042	3.2	12,425,077	3.1
							<b>Total liabilities</b>	267,889,075	70.0	286,632,975	71.7
							<b>Equity:</b>				
							<b>Equity attributable to owners of parent (notes (6)(v) and (6)(x)):</b>				
						3110	Ordinary share	44,071,466	11.5	44,071,466	11.0
						3200	Capital surplus	9,159,259	2.4	9,932,434	2.5
						3300	Retained earnings	57,726,604	15.1	60,060,381	15.0
						3400	Other equity interest	(4,103,449)	(1.1)	(7,459,388)	(1.8)
						3500	Treasury shares	(881,247)	(0.2)	(881,247)	(0.2)
								105,972,633	27.7	105,723,646	26.5
						36XX	<b>Non-controlling interests</b>	8,786,711	2.3	7,438,202	1.8
							<b>Total equity</b>	114,759,344	30.0	113,161,848	28.3
							<b>Total liabilities and equity</b>	\$ 382,648,419	100.0	399,794,823	100.0
	<b>Total assets</b>	\$ 382,648,419	100.0	399,794,823	100.0						

See accompanying notes to consolidated financial statements.

**COMPAL ELECTRONICS, INC. AND SUBSIDIARIES**  
**Consolidated Statements of Comprehensive Income**  
**For the years ended December 31, 2019 and 2018**  
**(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Share)**

		<u>2019</u>		<u>2018</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
4000	Net sales revenue (notes (6)(y) and (7))	\$ 980,442,346	100.0	967,706,411	100.0
5000	Cost of sales (notes (6)(g), (6)(t), (7) and (12))	<u>946,533,518</u>	<u>96.5</u>	<u>937,139,320</u>	<u>96.8</u>
	<b>Gross profit</b>	<u>33,908,828</u>	<u>3.5</u>	<u>30,567,091</u>	<u>3.2</u>
	<b>Operating expenses: (notes (6)(s), (6)(t) and (12))</b>				
6100	Selling expenses	4,961,131	0.5	4,319,991	0.4
6200	Administrative expenses	4,204,536	0.4	4,204,419	0.4
6300	Research and development expenses	<u>14,156,793</u>	<u>1.5</u>	<u>12,780,935</u>	<u>1.4</u>
		<u>23,322,460</u>	<u>2.4</u>	<u>21,305,345</u>	<u>2.2</u>
	<b>Net operating income</b>	<u>10,586,368</u>	<u>1.1</u>	<u>9,261,746</u>	<u>1.0</u>
	<b>Non-operating income and expenses:</b>				
7020	Other gains and losses, net (notes (6)(d), (6)(h), (6)(j), (6)(aa) and (6)(ac))	(166,133)	-	2,256,958	0.2
7050	Finance costs (notes (6)(n) and (6)(o))	(2,725,564)	(0.3)	(2,636,443)	(0.3)
7190	Other income (note (6)(aa))	2,151,357	0.2	2,132,864	0.2
7590	Miscellaneous disbursements	(35,160)	-	(22,908)	-
7770	Share of profit (loss) of associates and joint ventures accounted for using equity method (note (6)(h))	<u>197,008</u>	<u>-</u>	<u>797,368</u>	<u>0.1</u>
	<b>Total non-operating income and expenses</b>	<u>(578,492)</u>	<u>(0.1)</u>	<u>2,527,839</u>	<u>0.2</u>
7900	<b>Profit from continuing operations before tax</b>	10,007,876	1.0	11,789,585	1.2
7950	<b>Less: Income tax expenses (note (6)(u))</b>	<u>2,112,157</u>	<u>0.2</u>	<u>2,200,284</u>	<u>0.2</u>
	<b>Profit</b>	<u>7,895,719</u>	<u>0.8</u>	<u>9,589,301</u>	<u>1.0</u>
8300	<b>Other comprehensive income:</b>				
8310	<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>				
8311	Gains (losses) on remeasurements of defined benefit plans	(40,786)	-	(16,260)	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	407,276	-	(1,188,635)	(0.1)
8320	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	109,246	-	(124,949)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (note (6)(u))	<u>35,847</u>	<u>-</u>	<u>(75,832)</u>	<u>-</u>
	Components of other comprehensive income that will not be reclassified to profit or loss	<u>439,889</u>	<u>-</u>	<u>(1,254,012)</u>	<u>(0.1)</u>
8360	<b>Components of other comprehensive income (loss) that will be reclassified to profit or loss</b>				
8361	Exchange differences on translation of foreign financial statements	(1,711,990)	(0.2)	1,807,381	0.1
8368	Gains (losses) on hedging instrument (note (6)(ab))	(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	(268,686)	-	(162,189)	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss (note (6)(u))	<u>(10,678)</u>	<u>-</u>	<u>3,293</u>	<u>-</u>
	Components of other comprehensive income that will be reclassified to profit or loss	<u>(1,974,869)</u>	<u>(0.2)</u>	<u>1,641,899</u>	<u>0.1</u>
8300	<b>Other comprehensive income</b>	<u>(1,534,980)</u>	<u>(0.2)</u>	<u>387,887</u>	<u>-</u>
8500	<b>Total comprehensive income</b>	<u>\$ 6,360,739</u>	<u>0.6</u>	<u>9,977,188</u>	<u>1.0</u>
	<b>Profit, attributable to:</b>				
8610	Profit, attributable to owners of parent	\$ 6,955,899	0.7	8,913,365	0.9
8620	Profit, attributable to non-controlling interests	<u>939,820</u>	<u>0.1</u>	<u>675,936</u>	<u>0.1</u>
		<u>\$ 7,895,719</u>	<u>0.8</u>	<u>9,589,301</u>	<u>1.0</u>
	<b>Comprehensive income attributable to:</b>				
8710	Comprehensive income (loss), attributable to owners of parent	\$ 5,456,508	0.5	9,278,187	0.9
8720	Comprehensive income (loss), attributable to non-controlling interests	<u>904,231</u>	<u>0.1</u>	<u>699,001</u>	<u>0.1</u>
		<u>\$ 6,360,739</u>	<u>0.6</u>	<u>9,977,188</u>	<u>1.0</u>
	<b>Earnings per share (note 6(x))</b>				
9750	<b>Basic earnings per share</b>	<u>\$ 1.60</u>		<u>2.05</u>	
9850	<b>Diluted earnings per share</b>	<u>\$ 1.58</u>		<u>2.02</u>	

See accompanying notes to consolidated financial statements.



**COMPAL ELECTRONICS, INC. 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						Total equity attributable to owners of parent	Non-controlling interests	Total equity
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Unearned employee benefit and others	Total other equity interest	Treasury shares				
<b>Balance at January 1, 2018</b>	\$ 44,191,916	10,938,773	18,252,861	4,339,549	34,458,787	57,051,197	(3,477,376)	(5,847,823)	(79,856)	(9,405,055)	(881,247)	101,895,584	6,752,388	108,647,972	
Profit for the year ended December 31, 2018	-	-	-	-	8,913,365	8,913,365	-	-	-	-	-	8,913,365	675,936	9,589,301	
Other comprehensive income	-	-	-	-	14,094	14,094	1,624,424	(1,273,696)	-	350,728	-	364,822	23,065	387,887	
Total comprehensive income	-	-	-	-	8,927,459	8,927,459	1,624,424	(1,273,696)	-	350,728	-	9,278,187	699,001	9,977,188	
Appropriation and distribution of retained earnings:															
Legal reserve appropriated	-	-	574,953	-	(574,953)	-	-	-	-	-	-	-	-	-	
Special reserve appropriated	-	-	-	4,491,599	(4,491,599)	-	-	-	-	-	-	-	-	-	
Cash dividends of ordinary share	-	-	-	-	(4,407,147)	(4,407,147)	-	-	-	-	-	(4,407,147)	-	(4,407,147)	
Cash dividends from capital surplus	-	(881,429)	-	-	-	-	-	-	-	-	-	(881,429)	-	(881,429)	
Changes in ownership interests in subsidiaries	-	(32,706)	-	-	(521,643)	(521,643)	-	489,483	-	489,483	-	(64,866)	-	(64,866)	
Changes in equity of associates and joint ventures accounted for using equity method	-	(459)	-	-	(1,156)	(1,156)	-	1,130	-	1,130	-	(485)	-	(485)	
Share-based payments transaction	(120,450)	(151,766)	-	-	36,141	36,141	-	-	79,856	79,856	-	(156,219)	-	(156,219)	
Adjustments of capital surplus for company's cash dividends received by subsidiaries	-	60,021	-	-	-	-	-	-	-	-	-	60,021	-	60,021	
Disposal of investments in equity instruments measured at fair value through other comprehensive income	-	-	-	-	(1,024,470)	(1,024,470)	-	1,024,470	-	1,024,470	-	-	-	-	
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(13,187)	(13,187)	
Balance at December 31, 2018	44,071,466	9,932,434	18,827,814	8,831,148	32,401,419	60,060,381	(1,852,952)	(5,606,436)	-	(7,459,388)	(881,247)	105,723,646	7,438,202	113,161,848	
Profit for the year ended December 31, 2019	-	-	-	-	6,955,899	6,955,899	-	-	-	-	-	6,955,899	939,820	7,895,719	
Other comprehensive income	-	-	-	-	(30,420)	(30,420)	(1,942,028)	474,763	(1,706)	(1,468,971)	-	(1,499,391)	(35,589)	(1,534,980)	
Total comprehensive income	-	-	-	-	6,925,479	6,925,479	(1,942,028)	474,763	(1,706)	(1,468,971)	-	5,456,508	904,231	6,360,739	
Appropriation and distribution of retained earnings:															
Legal reserve appropriated	-	-	891,336	-	(891,336)	-	-	-	-	-	-	-	-	-	
Special reserve appropriated	-	-	-	(1,363,317)	1,363,317	-	-	-	-	-	-	-	-	-	
Cash dividends of ordinary share	-	-	-	-	(4,407,147)	(4,407,147)	-	-	-	-	-	(4,407,147)	-	(4,407,147)	
Cash dividends from capital surplus	-	(881,429)	-	-	-	-	-	-	-	-	-	(881,429)	-	(881,429)	
Changes in ownership interests in subsidiaries	-	43,473	-	-	-	-	-	-	-	-	-	43,473	-	43,473	
Changes in equity of associates and joint ventures accounted for using equity method	-	4,760	-	-	(27,199)	(27,199)	-	-	-	-	-	(22,439)	-	(22,439)	
Adjustments of capital surplus for company's cash dividends received by subsidiaries	-	60,021	-	-	-	-	-	-	-	-	-	60,021	-	60,021	
Disposal of investments in equity instruments measured at fair value through other comprehensive income	-	-	-	-	(4,824,910)	(4,824,910)	-	4,824,910	-	4,824,910	-	-	-	-	
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	444,278	444,278	
<b>Balance at December 31, 2019</b>	<b>\$ 44,071,466</b>	<b>9,159,259</b>	<b>19,719,150</b>	<b>7,467,831</b>	<b>30,539,623</b>	<b>57,726,604</b>	<b>(3,794,980)</b>	<b>(306,763)</b>	<b>(1,706)</b>	<b>(4,103,449)</b>	<b>(881,247)</b>	<b>105,972,633</b>	<b>8,786,711</b>	<b>114,759,344</b>	

See accompanying notes to consolidated financial statements.

## COMPAL ELECTRONICS, INC. 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
<b>Cash flows from (used in) operating activities:</b>		
Profit before tax	\$ 10,007,876	11,789,585
<b>Adjustments:</b>		
<b>Adjustments to reconcile profit (loss):</b>		
Depreciation and amortization	6,419,421	4,940,672
Increase (decrease) in expected credit loss	(10,355)	(17,449)
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	(24,217)	(117,677)
Finance cost	2,725,564	2,636,443
Interest income	(1,664,803)	(1,463,658)
Dividend income	(127,349)	(279,044)
Compensation cost of share-based payments	125,281	(121,765)
Share of loss (profit) of associates and joint ventures accounted for using equity method	(197,008)	(797,368)
Loss (gain) on disposal of property, plant and equipment	(40,245)	23,228
Gain on disposal of investments	(66,837)	(2,513,207)
Long-term prepaid rents	-	13,302
Others	16,668	-
<b>Total adjustments to reconcile profit (loss)</b>	<u>7,156,120</u>	<u>2,303,477</u>
<b>Changes in operating assets and liabilities:</b>		
<b>Changes in operating assets:</b>		
Decrease (increase) in financial assets at fair value through profit or loss	2,630,896	(3,936,569)
Decrease (increase) in notes and accounts receivable	12,043,387	(26,227,099)
Decrease (increase) in other receivables	(571,592)	(680,718)
Decrease (increase) in inventories	715,384	(9,691,835)
Decrease (increase) in other current assets	(174,770)	551,607
Decrease (increase) in other non-current assets	(66,117)	(101,686)
<b>Total changes in operating assets</b>	<u>14,577,188</u>	<u>(40,086,300)</u>
<b>Changes in operating liabilities:</b>		
Increase (decrease) in financial liabilities at fair value through profit or loss	(21,059)	2,450
Increase (decrease) in notes and accounts payable	(9,831,480)	12,258,889
Increase (decrease) in other payables	2,735,002	1,434,494
Increase (decrease) in refund liabilities	(197,458)	60,526
Increase (decrease) in provisions	403,776	39,834
Increase (decrease) in contract liabilities	(519,849)	(189,017)
Increase (decrease) in other current liabilities	(991,160)	231,592
Others	6,789	50,649
<b>Total changes in operating liabilities</b>	<u>(8,415,439)</u>	<u>13,889,417</u>
<b>Total changes in operating assets and liabilities</b>	<u>6,161,749</u>	<u>(26,196,883)</u>
<b>Total adjustments</b>	<u>13,317,869</u>	<u>(23,893,406)</u>
Cash inflow (outflow) generated from operations	23,325,745	(12,103,821)
Interest received	1,898,096	1,403,559
Dividends received	266,110	414,120
Interest paid	(3,112,013)	(2,399,912)
Income taxes paid	(1,456,869)	(2,576,795)
<b>Net cash flows from (used in) operating activities</b>	<u>20,921,069</u>	<u>(15,262,849)</u>
<b>Cash flows from (used in) investing activities:</b>		
Redemption from financial assets at amortized cost	350,000	350,000
Acquisition of financial assets at fair value through profit or loss and through other comprehensive income	(264,261)	(155,814)
Proceeds from disposal of financial assets at fair value through profit or loss and through other comprehensive income	1,511,226	1,003,163
Acquisition of investments accounted for using equity method	(43,200)	-
Proceeds from disposal of investments accounted for using equity method	18,033	7,386,224
Net cash flow from disposal of subsidiaries	143,495	-
Proceeds from capital reduction of investments	10,120	15,082
Acquisition of property, plant and equipment	(5,850,532)	(5,154,447)
Proceeds from disposal of property, plant and equipment	168,226	48,354
Acquisition of intangible assets	(498,402)	(575,232)
Acquisition of right-of-use assets	(281,637)	-
Increase in long-term prepaid rents	-	(315,395)
Others	110,944	(163,176)
<b>Net cash flows from (used in) investing activities</b>	<u>(4,625,988)</u>	<u>2,438,759</u>
<b>Cash flows from (used in) financing activities:</b>		
Increase (decrease) in short-term borrowings	(11,398,353)	15,834,672
Proceeds from issuing bonds	1,007,240	-
Proceeds from long-term borrowings	66,462,300	34,267,200
Repayments of long-term borrowings	(69,247,925)	(33,186,025)
Payment of lease liabilities	(832,815)	-
Cash dividends paid	(5,228,555)	(5,228,555)
Acquisition of non-controlling interests	-	(1,801)
Change in non-controlling interests	258,360	(110,954)
Others	(34,005)	58,117
<b>Net cash flows from (used in) financing activities</b>	<u>(19,013,753)</u>	<u>11,632,654</u>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<u>(1,018,476)</u>	<u>1,425,268</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<u>(3,737,148)</u>	<u>233,832</u>
<b>Cash and cash equivalents at beginning of period</b>	<u>70,296,545</u>	<u>70,062,713</u>
<b>Cash and cash equivalents at end of period</b>	<u>\$ 66,559,397</u>	<u>70,296,545</u>

See accompanying notes to consolidated financial statements.

**COMPAL ELECTRONICS, INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**  
**For the years ended December 31, 2019 and 2018**  
**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

**(1) Company history**

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

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

These consolidated financial statements were authorized for issuance by the Board of Directors and issued on March 30, 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.

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

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

(Continued)

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

(i) IFRS 16“Leases”

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

The Group applied IFRS 16 using the modified retrospective approach, there was no effect on 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)(1).

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

2) As a lessee

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

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

- Leases classified as operating leases under IAS 17

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

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

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

(Continued)

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

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

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

3) As a lessor

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

4) Impacts on financial statements

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

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

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

(Continued)

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

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

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

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7 “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 above-mentioned 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:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
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 above-mentioned 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:**

The significant accounting policies presented in the consolidated financial statements are summarized as follows. The following accounting policies were applied consistently throughout the periods presented in the financial statements.

- (a) Statement of compliance

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

(Continued)

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

(b) Basis of preparation

(i) Basis of measurement

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

- 1) Financial instruments (including derivative financial instruments) measured at fair value through profit or loss are measured at fair value;
- 2) Financial instruments measured at fair value through other comprehensive income are measured at fair value;
- 3) Hedging financial instruments are measured at fair value;
- 4) The defined benefit liability (or asset) is recognized as plan assets less the present value of the defined benefit obligation and the effect of the asset ceiling mentioned in note (4)(r).

(ii) Functional and presentation currency

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

(c) Basis of consolidation

(i) Principles of preparation of the consolidated financial statements

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

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

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

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

(Continued)

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

When the Group loses control over a subsidiary, it derecognizes the assets (including any goodwill) and liabilities of the subsidiary, and any related non-controlling interests and other components of equity. Any interest retained in the former subsidiary is measured at fair value when control is lost, with the resulting gain or loss being recognized in profit or loss. The Group recognizes as gain or loss in profit or loss the difference between (i) the fair value of the consideration received as well as any investment retained in the former subsidiary at its fair value at the date when control is lost; and (ii) the assets (including any goodwill), liabilities of the subsidiary as well as any related non-controlling interests at their carrying amounts at the date when control is lost, as gain or loss in profit or loss. When the Group loses control of its subsidiary, it accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if it had directly disposed of the related assets or liabilities.

(ii) List of subsidiaries in the consolidated financial statements

Name of investor	Name of Subsidiary	Nature of Operation	Percentage of ownership		Description
			December 31, 2019	December 31, 2018	
The Company	Panpal Technology Corp. ("Panpal")	Investment	100%	100%	Panpal held 31,648 thousand shares of the Company as of December 31, 2019, which represented 0.7% of the Company's outstanding shares.
"	Gempal Technology Corp. ("Gempal")	"	100%	100%	Gempal held 18,369 thousand shares of the Company as of December 31, 2019, which represented 0.4% of the Company's outstanding shares.
"	Hong Ji Capital Co., Ltd. ("Hong Ji")	"	100%	100%	
"	Hong Jin Investment Co., Ltd. ("Hong Jin")	"	100%	100%	
"	Zhaopal Investment Co., Ltd. ("Zhaopal")	"	-	100%	The liquidation procedures had been completed in February 2019.
"	Kaipal Investment Co., Ltd. ("Kaipal")	"	-	100%	The liquidation procedures had been completed in May 2019.
The Company, Panpal, et al.	Accesstek, Inc. ("ATK")	Design, manufacturing and sales of optical disk drives and components	38%	38%	The Group had control over ATK, which was liquidated on November 20, 2019, wherein the liquidation procedures has yet to be completed.
"	Arcadyan Technology Corp. ("Arcadyan")	R&D, manufacturing and sales of wireless network, integrated household electronics, and mobile office products	35%	35%	The Group had the ability to control Arcadyan.
The Company	Rayonnant Technology Co., Ltd. ("Rayonnant Technology")	Manufacturing and sales of PCs, computer periphery devices, and electronic components	100%	100%	
"	HengHao Technology Co., Ltd. ("HengHao")	Manufacturing and sales of PCs, computer periphery devices, and electronic components	100%	100%	

(Continued)



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

Name of investor	Name of Subsidiary	Nature of Operation	Percentage of ownership		Description
			December 31, 2019	December 31, 2018	
The Company	Ripal Optoelectronics Co., Ltd. ("Ripal")	Manufacturing of electric appliance and audiovisual electric products	100%	100%	
"	Mactech Co., Ltd ("Mactech")	Manufacturing of equipment and lighting, retailing of equipment and international trading	53%	53%	
"	General Life Biotechnology Co., Ltd. ("GLB")	Manufacturing and sales of medical equipment	50%	50%	
"	Unicore BioMedical Co., Ltd. ("Unicore")	Management consulting services, rental and leasing business, wholesale and retail sale of medical equipment	100%	100%	
"	Hippo Screen Neurotech Co., Ltd. ("Hippo Screen")	Management consulting services, rental and leasing business, wholesale and retail sale of precision instruments and international trading	70%	-	70% shares of Hippo Screen were acquired in February 2019.
"	Shennona Taiwan Co., Ltd. ("Shennona TW")	Management consulting services, rental and leasing business, wholesale and retail sale of precision instruments and international trading	100%	-	Shennona TW was established in March 2019.
"	Aco Smartcare Co., Ltd. ("Aco Smartcare")	Wholesale and retail sale of computer software, software design services, data processing services, wholesale and retail sale of electronic materials, wholesale and retail sale of precision instruments, and biotechnology services	52%	-	52% shares of Aco Smartcare were acquired in July 2019.
"	Shennona Corporation ("Shennona")	Medical care IOT business	100%	100%	
"	Auscom Engineering Inc. ("Auscom")	R&D of notebook PC related products and components	100%	100%	
"	Just International Ltd. ("Just")	Investment	100%	100%	
"	Compal International Holding Co., Ltd. ("CIH")	"	100%	100%	
"	Compal Electronics (Holding) Ltd. ("CEH")	"	100%	100%	
"	Bizcom Electronics, Inc. ("Bizcom")	Warranty services and marketing of monitors and notebook PCs	100%	100%	
"	Flight Global Holding Inc. ("FGH")	Investment	100%	100%	
The Company and BSH	High Shine Industrial Corp. ("HSI")	"	100%	100%	
The Company	Compal Europe (Poland) Sp. z o.o. ("CEP")	Maintenance and warranty services of notebook PCs	100%	100%	
"	Big Chance International Co., Ltd. ("BCI")	Investment	100%	100%	
"	Compal Rayonnant Holdings Limited ("CRH")	"	100%	100%	
"	Core Profit Holdings Limited ("CORE")	"	100%	100%	
"	Compalead Electronics B.V. ("CPE")	"	100%	100%	
Panpal and Gempal	Compalead Eletronica do Brasil Industria e Comercio Ltda. ("CEB")	Manufacturing of notebook PCs	100%	100%	
"	Compal Electronics India Private Limited ("CEIN")	Manufacturing and warranty service of mobile phones	100%	100%	

(Continued)

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

Name of investor	Name of Subsidiary	Nature of Operation	Percentage of ownership		Description
			December 31, 2019	December 31, 2018	
Just	Compal Display Holding (HK) Limited ("CDH (HK)")	Investment	100%	100%	
"	Compal Electronics International Ltd. ("CII")	"	100%	100%	
"	Compal International Ltd. ("CPI")	Sales of monitors, LCD TVs and related components	100%	100%	
CDH (HK)	Compal Electronics (China) Co., Ltd. ("CPC")	Manufacturing and sales of monitors	100%	100%	
"	Compal Optoelectronics (Kunshan) Co., Ltd. ("CPO")	Manufacturing and sales of LCD TVs	100%	100%	
"	Compal System Trading (Kunshan) Co., Ltd. ("CST")	International trade and distribution of computers and electronic components	100%	100%	
CPC	Compal Smart Device (Chongqing) Co., Ltd. ("CSD")	Research, manufacture and sales of communication devices, mobile phones, electronic computer, smart watch, and provide related technical service	100%	100%	
CII	Smart International Trading Ltd. ("Smart")	Investment	100%	100%	
"	Amexcom Electronics Inc. ("AEI")	Sales and maintenance of LCD TVs	100%	100%	
"	Mexcom Electronics, LLC ("MEL")	Investment	100%	100%	
"	Mexcom Technologies, LLC ("MTL")	"	100%	100%	
MEL and MTL	CENA Electromex S.A. de C.V. ("CMX")	Manufacturing, sales, and maintenance of LCD TVs	-	100%	CMX was disposed in August 2019.
CIH	Compal International Holding (HK) Limited ("CIH (HK)")	Investment	100%	100%	
"	Jenpal International Ltd. ("Jenpal")	"	100%	100%	
"	Prospect Fortune Group Ltd. ("PFG")	"	100%	100%	
"	Fortune Way Technology Corp. ("FWT")	"	100%	100%	
CIH (HK)	Compal Electronics Technology (Kunshan) Co., Ltd. ("CET")	Manufacturing of notebook PCs	100%	100%	
"	Compal Information (Kunshan) Co., Ltd. ("CIC")	"	100%	100%	
"	Compal Information Technology (Kunshan) Co., Ltd. ("CIT")	"	100%	100%	
"	Kunshan Botai Electronics Co., Ltd. ("BT")	"	100%	100%	
"	Compal Information Research and Development (Nanjing) Co., Ltd. ("CIN")	Software and hardware R&D of computers, mobile phones and electronic components	-	100%	The liquidation procedures has been completed in September 2019.
"	Compal Digital Technology (Kunshan) Co., Ltd. ("CDT")	Manufacturing and sales of notebook PCs, mobile phones, and digital products	100%	100%	

(Continued)

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

Name of investor	Name of Subsidiary	Nature of Operation	Percentage of ownership		Description
			December 31, 2019	December 31, 2018	
BT	Compower Global Service Co., Ltd. ("CGS")	Maintenance and warranty service of notebook PCs	100%	100%	
CDH (HK) and CIH (HK)	Compal Investment (Jiansu) Co., Ltd. ("CI")	Investment	100%	100%	
CIJ	Compal Display Electronics (Kunshan) Co., Ltd. ("CDE")	Manufacturing and sales of LCD TVs	100%	100%	
The Company and Webtek	Etrade Management Co., Ltd. ("Etrade")	Investment	100%	100%	
The Company	Webtek Technology Co., Ltd. ("Webtek")	"	100%	100%	
"	Forever Young Technology Inc. ("Forever")	"	100%	100%	
"	UniCom Global, Inc. ("UCGI")	Manufacturing and sales of computers and electronic components	100%	100%	
"	Palcom International Corporation ("Palcom")	Sales of mobile phones	100%	100%	
Etrade	Compal Communication (Nanjing) Co., Ltd. ("CCI Nanjing")	Manufacturing and processing of mobile phones and tablet PCs	100%	100%	
"	Compal Digital Communication (Nanjing) Co., Ltd. ("CDCN")	"	100%	100%	
"	Compal Wireless Communication (Nanjing) Co., Ltd. ("CWCN")	"	100%	100%	
Forever	Hanhelt Communication (Nanjing) Co., Ltd. ("Hanhelt")	R&D and manufacturing of electronic communication equipment	100%	100%	
"	Giant Rank Trading Ltd. ("GIA")	Sales of mobile phones	100%	100%	
ATK	OptoRite Inc.	Sales of optical disc drives	100%	100%	
"	MSI-ATK Optics Holding Corporation ("MSI-ATK")	Investment	100%	100%	
"	Maitek (BVI) Corporation ("Maitek")	"	100%	100%	
Arcadyan	Arcadyan Technology N.A. Corp. ("Arcadyan USA")	Sales of wireless network products	100%	100%	
"	Arcadyan Germany Technology GmbH ("Arcadyan Germany")	Technical support of wireless network products	100%	100%	
"	Arcadyan Technology Corporation Korea ("Arcadyan Korea")	Sales of wireless network products	100%	100%	
"	Arcadyan Holding (BVI) Corp. ("Arcadyan Holding")	Investment	100%	100%	
"	Arcadyan Technology Limited ("Arcadyan UK")	Technical support of wireless network products	100%	100%	
"	Arcadyan Technology Australia Pty Ltd. ("Arcadyan AU")	Sales of wireless network products	100%	100%	

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

Name of investor	Name of Subsidiary	Nature of Operation	Percentage of ownership		Description
			December 31, 2019	December 31, 2018	
Arcadyan and Zhi-pal	Arcadyan do Brasil Ltda. (“Arcadyan Brasil”)	Sales of wireless network products	100%	100%	
Arcadyan	Zhi-pal Technology Inc. (“Zhi-pal”)	Investment	100%	100%	
“	Tatung Technology Inc. (“TTI”)	R&D and sales of household digital electronic products	61%	61%	
“	AcBel Telecom Inc. (“AcBel Telecom”)	Investment	51%	51%	
The Company, Arcadyan, and its subsidiaries	Compal Broadband Network Inc. (“CBN”)	R&D and sales of cable modem, digital set-up box, and other communication products	64%	64%	
CBN	Speedlink Tradings Limited (“Speedlink”)	Import and export business	-	100%	(note 1)
“	Compal Broadband Networks Belgium BVBA (“CBNB”)	Import and export business, technical support and consulting service of broadband networks	100%	100%	
“	Compal Broadband Networks Netherlands B.V. (“CBNN”)	“	100%	-	CBNN was established in February 2019.
Arcadyan Holding	Sinoprime Global Inc. (“Sinoprime”)	Investment	100%	100%	
“	Arcadyan Technology (Shanghai) Corp. (“SVA Arcadyan”)	R&D and sales of wireless network products	100%	100%	
“	Arch Holding (BVI) Corp. (“Arch Holding”)	Investment	100%	100%	
Arch Holding	Compal Networking (Kunshan) Co., Ltd. (“CNC”)	Manufacturing of wireless network products	100%	100%	
Sinoprime	Arcadyan Technology (Vietnam) Co., Ltd. (“Arcadyan Vietnam”)	Manufacturing of wireless network products	100%	-	Arcadyan Vietnam was established in March 2019.
AcBel Telecom	Leading Images Ltd. (“Leading Images”)	Investment	100%	100%	
Leading Images	Astoria Networks GmbH (“Astoria GmbH”)	Sales of wireless network products	100%	100%	(note 2)
TTI	Quest International Group Co., Ltd. (“Quest”)	Investment	100%	100%	
“	Tatung Technology of Japan Co., Ltd. (“TTJC”)	Sales of household digital electronic products	100%	100%	
Quest	Exquisite Electronic Co., Ltd. (“Exquisite”)	Investment	100%	100%	
Exquisite	Tatung Home Appliances (Wujiang) Co., Ltd. (“THAC”)	Manufacturing of household digital electronic products	100%	100%	
HSI	Intelligent Universal Enterprise Ltd. (“IUE”)	Investment	100%	100%	
“	Goal Reach Enterprises Ltd. (“Goal”)	“	100%	100%	
IUE	Compal (Vietnam) Co., Ltd. (“CVC”)	R&D, manufacturing, sales, and maintenance of notebook PCs, computer monitors, LCD TVs and electronic components	100%	100%	
Goal	Compal Development & Management (“Vietnam”) Co., Ltd. (“CDM”)	Construction of and investment in infrastructure in Ba-Thien industrial district of Vietnam	100%	100%	

(Continued)

**COMPAL ELECTRONICS, INC. AND SUBSIDIARIES**  
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Name of investor	Name of Subsidiary	Nature of Operation	Percentage of ownership		Description
			December 31, 2019	December 31, 2018	
Rayonnant Technology and CRH	Allied Power Holding Corp. ("APH")	Investment	100%	100%	
APH	Primetek Enterprises Limited ("PEL")	"	100%	100%	
"	Rayonnant Technology (HK) Co., Ltd. ("Rayonnant Technology (HK)")	"	100%	100%	
Rayonnant Technology (HK)	Rayonnant Technology (Taicang) Co., Ltd. ("Rayonnant Technology (Taicang)")	Manufacturing and sales of aluminum alloy and magnesium alloy products	100%	100%	
HengHao	HengHao Holdings A Co., Ltd. ("HHA")	Investment	100%	100%	
HHA	HengHao Holdings B Co., Ltd. ("HHB")	"	100%	100%	
HHB	HengHao Trading Co., Ltd.	Marketing and international trade	100%	100%	
"	HengHao Optoelectronics Technology (Kunshan) Co., Ltd. ("HengHao Kunshan")	Production of touch panels and related components	100%	100%	
"	Lucom Display Technology (Kunshan) Limited ("Lucom")	Manufacturing of touch panels and LCD TVs	100%	100%	
BCI	Center Mind International Co., Ltd. ("CMI")	Investment	100%	100%	
"	Prisco International Co., Ltd. ("PRI")	"	100%	100%	
CMI	Compal Investment (Sichuan) Co., Ltd. ("CIS")	Outward investment and consulting services	100%	100%	
PRI	Compal Electronics (Chongqing) Co., Ltd. ("CEQ")	R&D, manufacturing and sales of notebook PCs, related components, related maintenance and warranty services	100%	100%	
CIS	Compal Electronics (Chengdu) Co., Ltd. ("CEC")	R&D and manufacturing of notebook PCs, tablet PCs, digital products, network switches, wireless AP, and automobile electronic products	100%	100%	
"	Compal Management (Chengdu) Co., Ltd. ("CMC")	Corporate management consulting, training and education, business information consulting, financial and tax consulting, investment consulting, and investment management services	100%	100%	
CORE	Billion Sea Holdings Limited ("BSH")	Investment	100%	100%	
BSH	Mithera Capital Io LP ("Mithera")	Investment	99%	-	Mithera was established in June 2019.
GLB	Rapha Bio Ltd. ("RBL")	Detector and feature	100%	100%	
Unicore	Raycore Biotech Co., Ltd. ("Raycore")	Animal medication retail and wholesale	51%	51%	

Note 1: The shares were recovered in November 2019. As of December 31, 2019, Speedlink has yet to complete its liquidation procedures.

Note 2: Astoria GmbH applied for liquidation in December 2018.

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

(d) Foreign currency

(i) Foreign currency transaction

Transactions in foreign currencies are translated to the respective functional currencies of the Group at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between the amortized cost in the functional currency at the beginning of the year adjusted for the effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the reporting date.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of translation.

Foreign currency differences arising on retranslation are recognized in profit or loss, except for the following differences which are recognized in other comprehensive income arising on the retranslation:

- 1) fair value through other comprehensive income financial assets;
- 2) a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- 3) qualifying cash flow hedges to the extent the hedge is effective

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the Group entities' functional currency at exchange rates of the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to the Group entities' functional currency at average rate. Foreign currency differences are recognized in other comprehensive income, and presented in the foreign currency translation differences in equity.

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

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**COMPAL ELECTRONICS, INC. AND SUBSIDIARIES**  
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When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign currency gains and losses arising from such items are considered to form part of a net investment in the foreign operation and are recognized in other comprehensive income, and presented in the translation reserve in equity.

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

An 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) The liability 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 impact its classification.

(f) Cash and cash equivalents

Cash comprise cash on hand and demand deposits. Cash equivalents are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

The time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes are reclassified as cash equivalents.

(g) Financial instruments

(i) Financial assets

Financial assets are classified into the following categories: measured at amortized cost, fair value through other comprehensive income (“FVOCI”) and fair value through profit or loss (“FVTPL”).

(Continued)

**COMPAL ELECTRONICS, INC. AND SUBSIDIARIES**  
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The Group shall reclassify all affected financial assets only when it changes its business model for managing its financial assets.

1) Financial assets measured at amortized cost

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

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset measured at amortized cost is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses, and impairment loss, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

2) Fair value through other comprehensive income (“FVOCI”)

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

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Some accounts receivables are held within a business model whose objective is achieved by both collecting contractual cash flows and selling by the Group, therefore, those receivables are measured at FVOCI and presented as accounts receivable.

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

A financial asset measured at FVOCI is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses, and impairment losses, deriving from debt investments are recognized in profit or loss; whereas dividends deriving from equity investments are recognized as income in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses of financial assets measured at FVOCI

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

are recognized in OCI. On derecognition, gains and losses accumulated in OCI of debt investments are reclassified to profit or loss. However, gains and losses accumulated in OCI of equity investments are reclassified to retain earnings instead of profit or loss. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

Dividend income derived from equity investments is recognized on the date that the Group's right to receive payment is established, which in the case of quoted securities is normally on the date the shareholders' meeting approved the earning distribution.

3) Fair value through profit or loss ("FVTPL")

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

Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Subsequent changes that are measured at fair value, which take into account any dividend and interest income, are recognized in profit or loss. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

4) Impairment of financial assets

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

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

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

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

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

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

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

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

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

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

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

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

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

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**COMPAL ELECTRONICS, INC. AND SUBSIDIARIES**  
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Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is recognized in other comprehensive income instead of reducing the carrying amount of the asset. The Group recognizes the amount of expected credit losses (or reversal) in profit or loss, as an impairment gain or loss.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

5) Derecognition of financial assets

Financial assets are derecognized when the contractual rights to the cash flows from the assets expire, or when the Group transfers substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a debt instrument in its entirety, the Group recognizes the difference between its carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income and presented in "other equity – unrealized gains or losses on fair value through other comprehensive income", in profit or loss, and presented it in the line item of non-operating income.

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in profit or loss, and presented in the line item of non-operating income and expenses. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt or equity instruments issued by the Group are classified as financial liabilities or equity in accordance with the substance of the contractual agreement.

Equity instruments refer to surplus equities of the assets after the deduction of all the debts for any contracts. Equity instruments issued are recognized as the amount of consideration received, less, the direct cost of issuing.

Interest and loss or gain related to financial liabilities are recognized as profit or loss and

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**COMPAL ELECTRONICS, INC. AND SUBSIDIARIES**  
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are reported under non-operating income and expenses. Financial liabilities are reclassified as equity when converted, and conversions do not generate profit or loss.

2) Financial liabilities at fair value through profit or loss

A financial liability is classified in this category if acquired principally for the purpose of selling in the short term. This type of financial liability is measured at fair value at the time of initial recognition, and attributable transaction costs are recognized in profit or loss as incurred. Financial liabilities at fair value through profit or loss are measured at fair value, and changes therein, which take into account any interest expense, are recognized in profit or loss, and are included in non-operating income or expenses.

3) Other financial liabilities

Financial liabilities not classified as held-for-trading or designated as at fair value through profit or loss, which comprise loans and borrowings, and trade and other payable, are measured at fair value, plus, any directly attributable transaction cost at the time of initial recognition. Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method other than significant interest on short-term loans and payables. Interest expense not capitalized as capital cost is recognized in profit or loss, and is included in non-operating income or expenses.

4) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligation has been discharged, cancelled or expired. The difference between the carrying amount of a financial liability removed and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss, and is included in non-operating income or expenses.

5) Offsetting of financial assets and liabilities

The Group presents financial assets and liabilities on a net basis when the Group has the legally enforceable right to offset and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

(iii) Derivative financial instruments and hedge accounting

The Group holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Derivatives are initially measured at fair value. Any attributable transaction costs thereof are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in profit or loss and are included in the line item of non-operating income. When a derivative is designated as, and effective for, a hedging instrument, its timing of recognition in profit or loss is determined based on the nature of the hedging relationship. When the fair value of a derivative instrument is positive, it is classified as a financial asset, whereas when the fair value is negative, it is classified as a financial liability.

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**COMPAL ELECTRONICS, INC. AND SUBSIDIARIES**  
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Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the non-financial asset's host contract are not closely related to the embedded derivatives and the host contract is not measured at FVTPL.

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

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

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

Cash flow hedges

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

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

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

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

(h) Inventories

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

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

(i) Investment in associates

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

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

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity-accounted investees after adjustments to align the accounting policies with those of the Group from the date that significant influence commences until the date that significant influence ceases. When changes in an associate's equity are not recognized in profit or loss or other comprehensive income of the associate and such changes do not affect the Group's ownership percentage of the associate, the Group recognizes the changes in ownership interests of its associate in capital surplus in proportion to its ownership.

Unrealized profits resulting from the transactions between the Group and an associate are eliminated to the extent of the Group's interest in the associate. Unrealized losses on transactions with associates are eliminated in the same way, except to the extent that the underlying asset is impaired.

When the Group's share of losses exceeds its interest in associates, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

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**COMPAL ELECTRONICS, INC. AND SUBSIDIARIES**  
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The Group shall discontinue the use of the equity method from the date when its investment ceases to be an associate or a joint venture. The Group shall measure the retained interest at fair value. The difference between the fair value of retained interest and proceeds from disposal, and the carrying amount of the investment at the date the equity method was discontinued is recognized in profit or loss. The Group shall account for all the amounts previously recognized in other comprehensive income in relation to that investment on the same basis as would have been required if the associates had directly disposed of the related assets or liabilities. If a gain or loss previously recognized in other comprehensive income would be reclassified to profit or loss on the disposal of the related assets or liabilities, the entity shall reclassify the gain or loss from equity to profit or loss when the equity method is discontinued. If an entity's ownership interest in an associate or a joint venture is reduced while the entity continues to apply the equity method, the entity shall reclassify the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interest to profit or loss.

If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Group shall continue to apply the equity method without remeasuring the retained interest.

When the Group subscribes to additional shares in an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Group's proportionate interest in the net assets of the associate. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus, however, when the balance of the capital surplus arising from the investment was insufficient, the difference charged or credited to retained earnings. If the Group's ownership interest is reduced due to the additional subscription to the shares of associate by other investors, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate shall be reclassified to profit or loss on the same basis as would be required if the associate had directly disposed of the related assets or liabilities.

(j) Joint venture

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

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

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**COMPAL ELECTRONICS, INC. AND SUBSIDIARIES**  
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(k) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Subsequent cost

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

(iii) Depreciation

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

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

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

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

- 1) Buildings: 9~50 years
- 2) Building improvement: 0.5~20 years
- 3) Machinery and equipment: 1~10 years

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- 4) Research equipment: 1~10 years
- 5) Modeling equipment: 0.5~5 years
- 6) Other equipment: 1~15 years

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

(I) Leases

Applicable after January 1, 2019

(i) Identifying a lease

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

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

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.

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**COMPAL ELECTRONICS, INC. AND SUBSIDIARIES**  
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(ii) As a lessee

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

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

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

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

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

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

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

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

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

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

(iii) As a lessor

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

Applicable before January 1, 2019

(i) As lessor

Lease income from operating lease is recognized in income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as the lease income. Incentives granted to the lessee to enter into the operating lease are spread over the lease term on a straight-line basis so that the lease income received is reduced accordingly.

(ii) As lessee

Operating leases are not recognized in the Group's balance sheets.

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

(m) Intangible assets

(i) Goodwill

1) Initial recognition

Goodwill arising from acquisition of subsidiaries is included in intangible assets. The measurement of initial recognition of goodwill, please refer to note (4)(u).

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**COMPAL ELECTRONICS, INC. AND SUBSIDIARIES**  
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2) Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses.

Goodwill related to an investment accounted for using equity method is included in the carrying amount of the investment, and not allocated to any asset, including goodwill, forms part of the carrying amount of the investment accounted for using the equity method.

(ii) Research & Development

During the research phase, activities are carried out to obtain and understand new scientific or technical knowledge. Expenditures during this phase are recognized in profit or loss as incurred.

Expenditures arising from the development phase shall be recognized as an intangible asset if all the conditions described below can be demonstrated; otherwise, they will be recognized in profit or loss as incurred.

- 1) The technical feasibility of completing the intangible asset so that it will be available for use or sale.
- 2) Its intention to complete the intangible asset and use or sell it.
- 3) Its ability to use or sell the intangible asset.
- 4) How the intangible asset will generate probable future economic benefits.
- 5) The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
- 6) Its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Capitalized expenditure arising from the development phase is measured at cost less accumulated amortization and accumulated impairment losses.

(iii) Other intangible assets

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

(iv) Subsequent expenditure

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

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**COMPAL ELECTRONICS, INC. AND SUBSIDIARIES**  
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(v) Amortization

The amortizable amount is the cost of an asset, or other amount substituted for cost, less its residual value.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill and intangible assets with all indefinite useful life, from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

- 1) Patents: the shorter of contract period and estimated useful lives
- 2) Royalty: amortized by contract period
- 3) Computer software: 1~10 years
- 4) Copyright: 10 years

The residual value, the amortization period, and the amortization method for an intangible asset with a finite useful life shall be reviewed at least annually at each fiscal year-end. Any change shall be accounted for as changes in accounting estimates.

(n) Impairment of non-derivative financial assets

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

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

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

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

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

(o) Provisions

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

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

(p) Treasury stock

Repurchased shares are recognized under treasury shares (a contra-equity account) based on its repurchase price (including all directly accountable costs), and net of tax. Gains on disposal of treasury shares should be recognized under Capital Reserve – Treasury Shares Transactions; losses on disposal of treasury shares should be offset against existing capital reserves arising from similar types of treasury shares. If there are insufficient capital reserves to be offset against, then such losses should be accounted for under retained earnings. The carrying amount of treasury shares should be calculated using the weighted average different types of repurchase.

During the cancellation of treasury shares, Capital Reserve – Share Premiums and Share Capital should be debited proportionately. Gains on cancellation of treasury shares should be recognized under existing capital reserves arising from similar types of treasury shares; losses on cancellation of treasury shares should be offset against existing capital reserves arising from similar types of treasury shares. If there are insufficient capital reserves to be offset against, then such losses should be accounted for under retained earnings.

(q) Recognition of Revenue

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.

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

(i) Sale of goods

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

The Group assesses sales discounts based on historical experience, management's judgment and other known reasons. Such allowances are recognized as a deduction of sales revenue in the same period in which sales are made. The aforementioned provisions are expected to settle over the next year. A refund liability is recognized for expected discounts payable to customers in relation to sales made until the end of the reporting period. No element of financing is deemed present as the sales of electronic products are made with a credit term which is consistent with the market practice.

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

(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.

(r) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

(ii) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

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

The calculation of defined benefit obligation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognized asset is limited to the total of the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group if it is realizable during the life of the plan, or on settlement of the plan liabilities.

If the benefits of a plan are improved, the pension cost incurred from the portion of the increased benefit relating to past service by employees, is recognized immediately in profit or loss.

Re-measurement of net defined benefit liability (asset) (including actuarial gains, losses and the return on plan asset and changes in the effect of the asset ceiling, excluding any amounts included in net interest) is recognized in other comprehensive income (loss). The effect of re-measurement of the defined benefit plan is charged to retained earnings.

The Group recognizes gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment comprises any resulting change in the fair value of plan assets and change in the present value of defined benefit obligation.

(iii) Short term employee benefits

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

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(s) Share-based payment

The grant-date fair value of share-based payment awards granted to employee is recognized as employee expenses, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of award that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions, and there is no true-up for differences between expected and actual outcomes.

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

(t) Income taxes

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

Current taxes include tax payables and tax deduction receivables on taxable gains (losses) for the year calculated using the statutory tax rate on the reporting date or the actual legislative tax rate, as well as tax adjustments related to prior years.

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

- (i) Assets and liabilities that are initially recognized but are not related to the business combination and have no effect on net income or taxable gains (losses) during the transaction.
- (ii) Temporary differences arising from equity investments in subsidiaries or joint ventures where there is a high probability that such temporary differences will not reverse.
- (iii) Initial recognition of goodwill.

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

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

- (i) The entity has the legal right to settle tax assets and liabilities on a net basis; and
- (ii) the taxing of deferred tax assets and liabilities fulfill one of the below scenarios:
  - 1) levied by the same taxing authority; or
  - 2) levied by different taxing authorities, but where each such authority intends to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of expected asset realization or debt liquidation, or where the timing of asset realization and debt liquidation is matched.

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

The surtax on unappropriated earnings is recoded as current tax expense in the following year after the resolution to appropriate retained earnings is approved in a stockholders' meeting.

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

(u) Business combination

Goodwill is measured as an aggregation of the consideration transferred (which generally is measured at fair value at the acquisition date) and as an amount of any non-controlling interest in the acquiree, net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed (generally at fair value). If the residual balance is negative, the Group shall re-assess whether it has correctly identified all of the assets acquired and liabilities assumed, and recognize a gain on the bargain purchase thereafter.

All the transaction costs incurred for the business combination are recognized immediately as the Group's expenses when incurred, except for the issuance of debt or equity instruments.

If the business combination is achieved in stages, the Group shall measure any non-controlling equity interest in the acquiree, either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Other non-controlling interest is measured (1) at fair value at the acquisition date or (2) by using other valuation techniques acceptable under the IFRS as endorsed by the FSC.

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

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

(v) Earnings per share

The Group discloses the basic and diluted earnings per share attributable to ordinary equity holders of the Group. The calculation of basic earnings per share is based on the profit attributable to the ordinary shareholder of the Group divided by weighted average number of ordinary shares outstanding. The calculation of diluted earnings per share is based on the profit attributable to ordinary shareholders of the Group divided by weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares. Dilutive potential ordinary shares comprise restricted employee stock and employee compensation not yet approved by the Board of Directors.

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

(w) Operating segments

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

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

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

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

There are no critical judgments in applying the accounting policies that have significant effect on the amounts recognized in the consolidated financial statements. In addition, information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is as follows:

(a) Recognition and measurement of refund liabilities

Because of the sales returns and allowances, the Group records a refund liabilities (sales returns and allowance provisions) for estimated returns and other allowances in the same period the related revenue is recorded. The estimate is made based on historical experience, market and economic conditions, and any other known factors using the expected value or the most likely amount and it could be different from actual sales returns and allowances, therefore, the management periodically reviews the adequacy of the estimation used.

(b) Valuation of inventories

As inventories are stated at the lower of cost or net realizable value, the net realizable value of the inventory is mainly determined based on assumptions as to future demand within a specific time horizon. Due to the rapid industrial changes, there may be significant differences in the net realizable value of inventories. Refer to note (6)(g) for further description of the valuation of inventories.

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

**(6) Explanation of significant accounts:**

(a) Cash and cash equivalents

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Cash on hand	\$ 19,217	10,834
Checking accounts and demand deposits	10,455,819	12,389,146
Time deposits	56,034,361	57,033,555
Bonds purchased under resale agreements	<u>50,000</u>	<u>863,010</u>
	<b><u>\$ 66,559,397</u></b>	<b><u>70,296,545</u></b>

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

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

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
<b>Mandatorily measured at fair value through profit or loss:</b>		
Non-derivative financial assets		
Structured deposits	\$ 1,330,458	3,965,062
Stock listed in domestic markets	-	633,859
Stock unlisted in domestic markets	24,350	-
Fund in domestic or foreign markets	91,009	69,390
Derivative instruments not used for hedging		
Foreign exchange contracts	466	10,168
Swap contracts	<u>15,455</u>	<u>2,045</u>
Total	<b><u>\$ 1,461,738</u></b>	<b><u>4,680,524</u></b>
Current	\$ 1,346,379	4,611,134
Non-current	<u>115,359</u>	<u>69,390</u>
	<b><u>\$ 1,461,738</u></b>	<b><u>4,680,524</u></b>
	<b>December 31, 2019</b>	<b>December 31, 2018</b>
<b>Financial liabilities held-for-trading:</b>		
Derivative instruments not used for hedging		
Foreign exchange contracts	\$ <u>5,854</u>	<u>26,913</u>
Total	<b><u>\$ 5,854</u></b>	<b><u>26,913</u></b>

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

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

<b>December 31, 2019</b>			
	<b>Contract amount (in thousand)</b>	<b>Currency</b>	<b>Maturity date</b>
<b>Derivative financial assets:</b>			
<b>Foreign exchange contracts:</b>			
Forward exchange purchased	USD 84,500	USD to BRL	January 14~May 26, 2020
<b>Swap contracts:</b>			
Currency Swap	USD 55,000	USD to TWD	January 13~March 30, 2020
<b>Derivative financial liabilities:</b>			
<b>Foreign exchange contracts:</b>			
Forward exchange sold	EUR 21,000	EUR to USD	January 10~March 13, 2020
Forward exchange purchased	USD 1,000	USD to BRL	September 23, 2020
<b>December 31, 2018</b>			
	<b>Contract amount (in thousand)</b>	<b>Currency</b>	<b>Maturity date</b>
<b>Derivative financial assets:</b>			
<b>Foreign exchange contracts:</b>			
Forward exchange sold	USD 30,200	EUR to USD	January 14~March 28, 2019
<b>Swap contracts:</b>			
Currency swap	USD 27,300	USD to TWD	February 14, 2019
<b>Derivative financial liabilities:</b>			
<b>Foreign exchange contracts:</b>			
Forward exchange sold	EUR 21,000	EUR to USD	January 10~March 28, 2019
Forward exchange sold	EUR 1,000	EUR to TWD	March 25, 2019
Forward exchange purchased	USD 136,900	USD to BRL	January 3~April 16, 2019

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

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

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

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

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Equity investments at fair value through other comprehensive income:		
Stock listed in domestic markets	\$ 2,055,890	2,730,648
Stock listed in foreign markets	448,110	400,184
Stock unlisted in domestic markets	2,246,932	1,990,100
Stock unlisted in foreign markets	<u>177,121</u>	<u>51,363</u>
<b>Total</b>	<b><u>\$ 4,928,053</u></b>	<b><u>5,172,295</u></b>

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

For the year ended December 31, 2019, the Group had sold all of its shares in PrimeSensor Technology Inc., Macrobloc Inc., and Innolux Corporation (“Innolux”), which were measured at fair value through other comprehensive income. The fair value of the shares was \$845,202 when disposed and the cumulative losses amounted to \$4,824,910, which had been transferred to retained earnings from other comprehensive income.

For the year ended December 31, 2018, the Group has sold parts of its shares held in Innolux Corporation and Parawin Venture Capital Corp., which were measured at fair value through other comprehensive income. The fair value of the shares was \$428,635 when disposed, and the cumulative losses amounted to \$1,513,953, which has been transferred to retained earnings from other equity.

If there is an increase (decrease) in the market price by 5% on the reporting date of the equity securities hold by the Group, the increase (decrease) in other comprehensive income (pre-tax) for the years ended December 31, 2019 and 2018, will be \$246,403 and \$258,615, respectively. These analyses are performed on the same basis for the period and assume that all other variables remain the same.

The Group’s information of market risk please refer to note (6)(ac).

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

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

(d) Financial instruments used for hedging

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

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
<b>Cash flow hedge:</b>		
<b>Financial assets used for hedging:</b>		
Forward exchange contracts	\$ <b>61</b>	-
<b>Financial liabilities used for hedging:</b>		
Forward exchange contracts	\$ <b>4,932</b>	-

(ii) Cash flow hedge

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

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

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

(iii) For the years ended December 31, 2019 and 2018, the ineffective portion of cash flow hedge recognized in profits (losses) amounted of \$(5,934) and \$559, respectively, recorded as "other gains and losses, net".

(iv) For the years ended December 31, 2019 and 2018, the profits (losses) of changes in fair value of derivative financial instruments used for hedging reclassified from other equity to profit or loss is recognized as revenue in the statement of comprehensive income. Please refer to note (6)(ab).

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

- (e) Current financial assets measured at amortized costs

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Common bonds – Taiwan Star Telecom Corporation Limited ("Taiwan Star")	\$ <u>-</u>	<u>350,000</u>

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

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

- (f) Notes and accounts receivable

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Notes receivables from operating activities	\$ 42,418	102,775
Accounts receivables – measured at amortized cost	167,615,217	184,671,402
Accounts receivables – fair value through other comprehensive income	<u>28,007,745</u>	<u>23,020,497</u>
	195,665,380	207,794,674
Less: allowance for uncollectible accounts	<u>(3,928,716)</u>	<u>(4,020,603)</u>
	<u>\$ 191,736,664</u>	<u>203,774,071</u>
Notes and accounts receivable	<u>\$ 191,692,152</u>	<u>203,715,965</u>
Notes and accounts receivable – related parties	<u>\$ 44,512</u>	<u>58,106</u>

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

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

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**COMPAL ELECTRONICS, INC. AND SUBSIDIARIES**  
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- (i) The loss allowance provision of IT product segment of the Group was determined as follows:

<b>December 31, 2019</b>				
<b>Credit rating</b>	<b>Carrying amount of accounts receivable</b>	<b>Weighted- average ECL rate</b>	<b>Lifetime ECLs</b>	<b>Credit- impaired</b>
Level A	\$ 172,692,844	0%	-	No
Level B	13,008,324	0.547%	71,101	No
Level C	<u>3,817,340</u>	100%	<u>3,817,340</u>	Yes
	<b><u>\$ 189,518,508</u></b>		<b><u>3,888,441</u></b>	
<b>December 31, 2018</b>				
<b>Credit rating</b>	<b>Carrying amount of accounts receivable</b>	<b>Weighted- average ECL rate</b>	<b>Lifetime ECLs</b>	<b>Credit- impaired</b>
Level A	\$ 186,203,302	0%	-	No
Level B	11,907,279	1.208%	143,862	No
Level C	<u>3,830,424</u>	100%	<u>3,830,424</u>	Yes
	<b><u>\$ 201,941,005</u></b>		<b><u>3,974,286</u></b>	

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

<b>December 31, 2019</b>				
<b>Credit rating</b>	<b>Carrying amount of accounts receivable</b>	<b>Weighted- average ECL rate</b>	<b>Lifetime ECLs</b>	<b>Credit- impaired</b>
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	<u>29,656</u>	100%	<u>29,656</u>	Yes
	<b><u>\$ 6,146,872</u></b>		<b><u>40,275</u></b>	

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**COMPAL ELECTRONICS, INC. AND SUBSIDIARIES**  
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December 31, 2018				
Credit rating	Carrying amount of accounts receivable	Weighted- average ECL rate	Lifetime ECLs	Credit- impaired
Level A	\$ 1,550,848	0.01%	82	No
Level B	3,024,709	0.11%	3,194	No
Level C	1,247,546	1.00%	12,475	No
Level D~E	-	-	-	-
Level F	30,566	100%	30,566	Yes
	<b>\$ 5,853,669</b>		<b>46,317</b>	

The aging analysis of notes and accounts receivable were determined as follows:

	December 31, 2019	December 31, 2018
Overdue 1 to 180 days	\$ 1,707,265	2,919,586
Overdue 181 to 365 days	285	15,809
Overdue 365 days and over	-	25,555
	<b>\$ 1,707,550</b>	<b>2,960,950</b>

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

	2019	2018
Balance at January 1	\$ 4,020,603	4,021,894
Impairment losses recognized	(7,790)	(1,085)
Amounts written off	(85,907)	-
Effect of changes in exchange rates	1,810	(206)
Balance at December 31	<b>\$ 3,928,716</b>	<b>4,020,603</b>

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

The Group entered into accounts receivable factoring agreements with banks. As of December 31, 2019 and 2018, except for the amount used under the actual sales amount in accordance with certain agreements, the factoring amount granted by the banks was USD 1,000,000 thousand and EUR 59,700 thousand, USD 950,000 thousand and EUR 20,000 thousand, respectively. Based on the agreements, the Group is not responsible for guaranteeing the ability of the accounts receivable obligor to make payment when it is affected by credit risk. Thus, this is a non-recourse accounts receivable factoring. The Group derecognized the above accounts receivable because it has transferred substantially all of the risks and rewards of their ownership and it does not have any

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

continuing in involvement in them. After the transfer of the accounts receivable, the Group can request partial advanced amount, while the interest calculated at an agreed rate is paid to the bank in the period during the time of receiving advance and the accounts receivable is collected. The remaining amounts with no advance are received when the accounts receivable are settled by the customers. As of December 31, 2019 and 2018, accounts receivable factored were recovered and derecognized since the conditions of derecognition were met.

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

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

December 31, 2019							
Purchaser	Accounts receivable factored (gross)	Amount advanced		Amount recognized in other receivable	Collateral	Amount derecognized	Interest rate
		Unpaid	Paid				
Financial Institution	\$ <u>25,672,764</u>	<u>-</u>	<u>25,672,764</u>	<u>-</u>	-	<u>25,672,764</u>	2.21%~2.80%

December 31, 2018							
Purchaser	Accounts receivable factored (gross)	Amount advanced		Amount recognized in other receivable	Collateral	Amount derecognized	Interest rate
		Unpaid	Paid				
Financial Institution	\$ <u>32,098,074</u>	<u>-</u>	<u>32,098,074</u>	<u>-</u>	-	<u>32,098,074</u>	3.02%~3.52%

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

(g) Inventories

	December 31, 2019	December 31, 2018
Finished goods	\$ 30,269,057	33,463,627
Work in progress	6,455,035	6,830,625
Raw materials	41,213,675	38,526,674
Raw materials in transit	<u>495,771</u>	<u>327,996</u>
	<u>\$ 78,433,538</u>	<u>79,148,922</u>

(i) During the years ended December 31, 2019 and 2018, inventory cost recognized as cost of sales amounted to \$946,533,518 and \$937,139,320, respectively.

(ii) The write-down of inventories to net realizable value amounted to \$587,759 and \$263,774, for

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**COMPAL ELECTRONICS, INC. AND SUBSIDIARIES**  
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the years ended December 31, 2019 and 2018, respectively.

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

(h) Investments accounted for using equity method

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

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Associates	\$ 7,410,134	7,469,153
Joint venture	(14,725)	16,180
	7,395,409	7,485,333
Plus: credit balance of investment in equity method (other non-current liability)	41,719	-
Less: unrealized profits or losses	(118,042)	(120,848)
	<b><u>\$ 7,319,086</u></b>	<b><u>7,364,485</u></b>

(i) Associates

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

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Allied Circuit Co., Ltd. ("Allied Circuit")	\$ 1,838,621	1,061,543
Avalue Technology Inc. ("Avalue")	1,147,839	586,743
	<b><u>\$ 2,986,460</u></b>	<b><u>1,648,286</u></b>

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

	<b>2019</b>	<b>2018</b>
The Group's share of the gain (loss) of associates	\$ <u>229,152</u>	<u>813,796</u>

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

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Carrying amount of individually immaterial associates	\$ <u>7,410,134</u>	<u>7,469,153</u>
	<b>2019</b>	<b>2018</b>
The Group's share of the net income (loss) of associates:		
Profit (loss) from continuing operations	229,152	813,796
Other comprehensive income	(159,440)	(287,138)

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**COMPAL ELECTRONICS, INC. AND SUBSIDIARIES**  
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Total comprehensive income \$ 69,712 526,658

- 4) In October 2019, the Group had sold part of its shares held in Avalue Technology Inc. (“Avalue”), with a consideration (net of costs of disposal) amounting to \$18,033. The transaction has been completed and the price has been fully recovered, wherein the Group recognized a gain of \$8,990, which was accounted for as other gain and loss.
- 5) In August 2018, the Group has sold all of its shares held in LC Future Center Limited Ltd. (“LCFC”), with consideration (net of costs of disposal) amounting to USD 246,792 thousands. The transaction has been completed and the price has been fully recovered. The Group recognized a gain of \$2,511,085 (USD 83,925 thousands), which was accounted for as other gain and loss.

(ii) Joint venture

In April 2010, the Group and another company established a jointly controlled entity, Compal Connector Manufacture Ltd. (“CCM”), and obtained an ownership interest of 51%. CCM’s actual paid-in capital amounted to USD10,000 thousands. Moreover, in May 2014, the Group and another company established a jointly controlled entity, Zheng Ying Electronics (Chongqing) Co., Ltd., (“Zheng Ying”), and obtained an ownership interest of 51%. Zheng Ying’s actual paid-in capital amounted to USD2,500 thousands.

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

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
The carrying amount of the Group’s interests in all individually insignificant joint ventures	<u>\$ (14,725)</u>	<u>16,180</u>
	<b>2019</b>	<b>2018</b>
The Group’s share of the net income (loss) of joint ventures:		
Losses from continuing operations (also the total comprehensive losses)	<u>\$ (32,144)</u>	<u>(16,428)</u>

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

(i) Changes in subsidiaries’ equity

- (i) Changes in ownership interests while retaining control (increase in ownership interest)

The Group purchased shares of TTI from non-controlling interest amounting to \$634 in 2018.

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

	<b>2018</b>
Acquisition of non-controlling interest (carrying amount)	<u>\$ 631</u>

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**COMPAL ELECTRONICS, INC. AND SUBSIDIARIES**  
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Consideration paid for the non-controlling interest	(634)
Difference	\$ (3)
Capital surplus – changes in ownership interests in subsidiaries	\$ (3)

(ii) Changes in subsidiaries' equity did not result in the Group's loss of control

1) Subsidiaries' employee stock options exercised

CBN issued 69 thousand and 351 thousand new shares because of its employees' exercised stock options in 2019 and 2018, respectively, which resulted in the reduce of the Group's ownership of CBN by 0.07% and 0.41%, respectively.

2) Issuance of new shares for cash of subsidiaries

The Group purchased newly issued shares of Arcadyan amounting to \$323,917 at a percentage different from its existing ownership percentage in the fourth quarter of 2019, resulting in a decrease in the ownership of the Group in Arcadyan by 0.37%.

The Group did not purchase newly issued shares of CBN in the fourth quarter of 2018, which resulted in a decrease in the ownership of the Group's in CBN by 7.27%.

3) Issuance and cancellation of subsidiaries' restricted shares

Arcadyan canceled 84 thousand restricted shares and issued 4,500 thousand restricted new shares in the years ended December 31, 2019 and 2018, respectively, which resulted in an increase of 0.01% and a decrease of 0.84%, respectively, of the ownership of the Group in Arcadyan.

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

	2019	2018
Capital surplus – changes in ownership interest in subsidiaries	\$ 43,473	(32,703)
Retained earnings	-	(32,160)
	\$ 43,473	(64,863)

(j) Loss control of subsidiaries

The Group had sold all of its shares in CMX, at the amount of \$218,133, to a third party in August 2019, resulting in its losing control over CMX. The entire amount had been fully received. The gain on disposal amounting to \$58,107 was recorded as other gains and losses.

The carrying amounts of assets and liabilities of CMX were as follows:

Cash and cash equivalents	\$ 74,638
Other current assets	2,918

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**COMPAL ELECTRONICS, INC. AND SUBSIDIARIES**  
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Property, plant and equipment	117,625
Notes and accounts payable	(644)
Other payables	(33,716)
Other current liabilities	<u>(966)</u>
Carrying amount net assets	<u><u>\$ 159,855</u></u>

(k) Material non-controlling interests of subsidiaries

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

<u>Subsidiaries</u>	<u>Main operation place</u>	<u>Percentage of non-controlling interests</u>	
		<u>December 31, 2019</u>	<u>December 31, 2018</u>
Arcadyan Technology Corporation	Taiwan	65 %	65 %

The following information of the aforementioned subsidiaries have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers. Included in these information are the fair value adjustment made during the acquisition and relevant difference in accounting principles between the Group as at the acquisition date. Intra-group transactions were not eliminated in this information.

Arcadyan's collective financial information

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Current assets	\$ 22,052,835	18,638,678
Non-current assets	3,478,150	2,614,802
Current liabilities	(13,044,806)	(11,620,412)
Non-current liabilities	<u>(1,145,245)</u>	<u>(159,270)</u>
Net assets	<u><u>\$ 11,340,934</u></u>	<u><u>9,473,798</u></u>
Non-controlling interests	<u><u>\$ 7,625,040</u></u>	<u><u>6,330,768</u></u>
	<u>2019</u>	<u>2018</u>
Sales revenue	<u><u>\$ 32,897,900</u></u>	<u><u>26,621,262</u></u>
Net income	\$ 1,356,986	880,183
Other comprehensive income	<u>(53,703)</u>	<u>31,652</u>
Comprehensive income	<u><u>\$ 1,303,283</u></u>	<u><u>911,835</u></u>
Profit, attributable to non-controlling interests	<u><u>\$ 894,962</u></u>	<u><u>567,101</u></u>
Comprehensive income, attributable to non-controlling interests	<u><u>\$ 859,763</u></u>	<u><u>587,791</u></u>

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**COMPAL ELECTRONICS, INC. AND SUBSIDIARIES**  
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Net cash flows from operating activities	\$ 2,496,825	1,815,108
Net cash flows from investing activities	(837,786)	(369,128)
Net cash flows from financing activities	2,779	702,117
Effect of exchange rate changes on cash and cash equivalents	<u>(30,312)</u>	<u>16,667</u>
Net increase (decrease) in cash and cash equivalents	<u><b>\$ 1,631,506</b></u>	<u><b>2,164,764</b></u>

(l) Property, plant and equipment

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

	<u>Land</u>	<u>Buildings and building improvement</u>	<u>Machinery</u>	<u>Other equipment</u>	<u>Under construction and prepayment for purchase of equipment</u>	<u>Total</u>
Cost:						
Balance on January 1, 2019	\$ 1,772,214	17,020,270	26,201,597	10,642,904	1,003,490	56,640,475
Additions	25,888	382,049	1,956,846	1,900,557	1,561,601	5,826,941
Disposals and derecognitions	(93,905)	(440,934)	(773,288)	(1,003,600)	-	(2,311,727)
Reclassifications	-	221,513	406,831	104,464	(1,007,468)	(274,660)
Effect of movements in exchange rates	<u>1,023</u>	<u>(216,119)</u>	<u>(747,345)</u>	<u>(354,892)</u>	<u>(247,065)</u>	<u>(1,564,398)</u>
Balance on December 31, 2019	<u><b>\$ 1,705,220</b></u>	<u><b>16,966,779</b></u>	<u><b>27,044,641</b></u>	<u><b>11,289,433</b></u>	<u><b>1,310,558</b></u>	<u><b>58,316,631</b></u>
Balance on January 1, 2018	\$ 1,769,326	15,100,906	23,268,462	9,759,017	1,136,868	51,034,579
Additions	-	1,787,027	3,354,838	1,467,955	83,609	6,693,429
Disposals and derecognitions	-	(55,743)	(109,254)	(423,779)	-	(588,776)
Reclassifications	-	5,030	104,891	104,690	(214,611)	-
Effect of movements in exchange rates	<u>2,888</u>	<u>183,050</u>	<u>(417,340)</u>	<u>(264,979)</u>	<u>(2,376)</u>	<u>(498,757)</u>
Balance on December 31, 2018	<u><b>\$ 1,772,214</b></u>	<u><b>17,020,270</b></u>	<u><b>26,201,597</b></u>	<u><b>10,642,904</b></u>	<u><b>1,003,490</b></u>	<u><b>56,640,475</b></u>
Depreciation and impairments loss:						
Balance on January 1, 2019	\$ -	10,105,653	18,441,703	7,674,891	-	36,222,247
Depreciation for the period	-	802,230	2,524,504	1,778,318	-	5,105,052
Disposals and derecognitions	-	(413,292)	(662,693)	(990,010)	-	(2,065,995)
Effect of movements in exchange rates	<u>-</u>	<u>(142,157)</u>	<u>(453,255)</u>	<u>(321,608)</u>	<u>-</u>	<u>(917,020)</u>
Balance on December 31, 2019	<u><b>\$ -</b></u>	<u><b>10,352,434</b></u>	<u><b>19,850,259</b></u>	<u><b>8,141,591</b></u>	<u><b>-</b></u>	<u><b>38,344,284</b></u>
Balance on January 1, 2018	\$ -	9,239,452	17,548,800	6,066,960	-	32,855,212
Depreciation for the period	-	738,622	2,309,302	1,547,601	-	4,595,525
Disposals and derecognitions	-	(22,941)	(95,177)	(399,077)	-	(517,195)
Effect of movements in exchange rates	<u>-</u>	<u>150,520</u>	<u>(1,321,222)</u>	<u>459,407</u>	<u>-</u>	<u>(711,295)</u>
Balance on December 31, 2018	<u><b>\$ -</b></u>	<u><b>10,105,653</b></u>	<u><b>18,441,703</b></u>	<u><b>7,674,891</b></u>	<u><b>-</b></u>	<u><b>36,222,247</b></u>
Carrying amounts:						
Balance on December 31, 2019	<u><b>\$ 1,705,220</b></u>	<u><b>6,614,345</b></u>	<u><b>7,194,382</b></u>	<u><b>3,147,842</b></u>	<u><b>1,310,558</b></u>	<u><b>19,972,347</b></u>
Balance on January 1, 2018	<u><b>\$ 1,769,326</b></u>	<u><b>5,861,454</b></u>	<u><b>5,719,662</b></u>	<u><b>3,692,057</b></u>	<u><b>1,136,868</b></u>	<u><b>18,179,367</b></u>
Balance on December 31, 2018	<u><b>\$ 1,772,214</b></u>	<u><b>6,914,617</b></u>	<u><b>7,759,894</b></u>	<u><b>2,968,013</b></u>	<u><b>1,003,490</b></u>	<u><b>20,418,228</b></u>

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

(m) Right-of-use assets

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

	<u>Land</u>	<u>Buildings</u>	<u>Machinery</u>	<u>Vehicles and Other</u>	<u>Total</u>
Cost:					
Balance on January 1, 2019	\$ -	-	-	-	-
Adjustment on initial application of IFRS 16	<u>891,147</u>	<u>1,934,899</u>	<u>87,482</u>	<u>67,569</u>	<u>2,981,097</u>
Balance on January 1, 2019 per IFRS 16	891,147	1,934,899	87,482	67,569	2,981,097
Additions	245,220	1,142,076	9,460	26,127	1,422,883
Deductions	-	(226,448)	(9,067)	(4,403)	(239,918)
Effect of movements in exchange rates	<u>(25,554)</u>	<u>(40,536)</u>	<u>(1,214)</u>	<u>(581)</u>	<u>(67,885)</u>
Balance on December 31, 2019	<u>\$ 1,110,813</u>	<u>2,809,991</u>	<u>86,661</u>	<u>88,712</u>	<u>4,096,177</u>
Depreciation and impairment loss:					
Balance on January 1, 2019	\$ -	-	-	-	-
Adjustment on initial application of IFRS 16	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance on January 1, 2019 per IFRS 16	-	-	-	-	-
Depreciation for the period	32,106	770,753	22,615	43,834	869,308
Deductions	-	(104,216)	-	(4,403)	(108,619)
Effect of movements in exchange rates	<u>(519)</u>	<u>(7,070)</u>	<u>(345)</u>	<u>(6,750)</u>	<u>(14,684)</u>
Balance on December 31, 2019	<u>\$ 31,587</u>	<u>659,467</u>	<u>22,270</u>	<u>32,681</u>	<u>746,005</u>
Carrying amount:					
Balance on December 31, 2019	<u>\$ 1,079,226</u>	<u>2,150,524</u>	<u>64,391</u>	<u>56,031</u>	<u>3,350,172</u>

The Group leases land, offices, warehouses and factory facilities under an operating lease for the year ended December 31, 2018, please refer to note (6)(s).

(n) Short-term borrowings

The details of short-term borrowings were as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Unsecured bank loans	<u>\$ 60,951,844</u>	<u>72,350,197</u>
Unused credit line for short-term borrowings	<u>\$ 107,077,000</u>	<u>83,720,000</u>
Range of interest rates	<u>0.66%~5.05%</u>	<u>0.45%~5.87%</u>

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

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## (o) Long-term borrowings

The details of long-term borrowings were as follows:

<b>December 31, 2019</b>				
	<b>Currency</b>	<b>Annual range of interest rate</b>	<b>Maturity year</b>	<b>Amount</b>
Unsecured bank loans	TWD	0.73%~1.18%	2020~2023	\$ 25,650,000
Secured bank loans	TWD	1.67%	2022	98,438
Less: current portion				(18,189,375)
Total				<b>\$ 7,559,063</b>
Unused credit lines for long-term borrowings				<b>\$ 12,047,000</b>

<b>December 31, 2018</b>				
	<b>Currency</b>	<b>Annual range of interest rate</b>	<b>Maturity year</b>	<b>Amount</b>
Unsecured bank loans	TWD	0.79%~1.22%	2019~2021	\$ 28,396,250
Secured bank loans	TWD	1.67%	2022	137,813
Less: current portion				(17,535,625)
Total				<b>\$ 10,998,438</b>
Unused credit lines for long-term borrowings				<b>\$ 5,443,000</b>

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

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

## (p) Unsecured convertible corporate bonds

(i) The Company's subsidiary, Arcadyan, issued the first domestic unsecured convertible corporate bonds on June 6, 2019. The details was as follows:

Total convertible corporate bonds issued	\$ 1,000,000
Unamortized discounts on corporate bonds payable	(33,508)
Balance of corporate bonds payable as of December 31, 2019	<b>\$ 966,492</b>
Conversion options included in equity component (classified as capital surplus and non-controlling interests)	<b>\$ 48,667</b>

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	<b>2019</b>
Interest expenses	\$ <u><u>7,919</u></u>

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

(ii) The main terms of issuing the above-mentioned convertible corporate bonds was 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 corporate bonds. Except that the bondholders convert the bonds to Arcadyan's common shares or the bonds are repurchased and cancelled by Arcadyan 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 Arcadyan'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) Conversion price is determined as NT\$98.3 per share upon issuance. Arcadyan paid cash dividends and issued new shares for cash in 2019; therefore, the conversion price has been adjusted to NT\$93 per share.

(q) Lease liabilities

The details of leases liabilities were as follows:

	<b>December</b>
	<b>31, 2019</b>
Current	\$ <u><u>717,021</u></u>
Non-current	\$ <u><u>1,550,067</u></u>

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

The amounts recognized in profit or loss were as follows:

	<u>2019</u>
Interest on lease liabilities	\$ <u>48,758</u>
Variable lease payments not included in the measurement of lease liabilities	\$ <u>4,579</u>
Expenses relating to leases of low-value assets, excluding short-term leases	\$ <u>117,545</u>

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

	<u>2019</u>
Total cash outflow for leases	\$ <u>1,003,697</u>

(i) Real estate leases

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

(ii) Other leases

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

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

(r) Provisions

	<b>Warranties</b>
Balance on January 1, 2019	\$ 426,981
Provisions made during the period	721,303
Provisions used during the period	(305,236)
Provisions reversed during the period	<u>(12,291)</u>
Balance on December 31, 2019	<u>\$ 830,757</u>
Balance on January 1, 2018	\$ 387,147
Provisions made during the period	398,735
Provisions used during the period	(313,832)
Provisions reversed during the period	<u>(45,069)</u>
Balance on December 31, 2018	<u>\$ 426,981</u>

Provisions relate to sales of products are assessed based on historical experience, management's judgment and other known reasons. Such allowances are recognized as a deduction of sales revenue

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in the same period in which sales are made. The aforementioned provisions are expected to settle over the next year.

- (s) Operating lease
- (i) The Group as lessee

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

	<b>December 31, 2018</b>
Less than one year	\$ 569,275
Between one and five years	598,996
More than five years	116,349
	<b>\$ 1,284,620</b>

The Group leased several office areas under operating leases with the leasing terms from 1 to 19 years and had an option to renew the leases when the leases expired.

For the year ended December 31, 2018, expenses recognized in profit or loss under operating leases amounted to \$612,239.

The lease contract includes those of the land and building, with their residual values being assumed by the landlord. The rental is regularly adjusted based on the current market price. Based on the risks and rewards of leased assets not transferred to the Group, the Group recognized the lease as operating lease.

- 2) Long-term prepaid rent – land leasehold rights

The Group acquired land leasehold rights under operating lease and was expensed equally over 50 years. As of December 31, 2018, land leasehold rights accounted as long-term prepaid rents amounted to \$891,147.

For the year ended December 31, 2018, expenses recognized in profit or loss under operating lease amounted to \$13,302.

- (t) Employee benefits
- (i) Defined benefit plans

Reconciliation of defined benefit obligations at present value and plan assets at fair value were as follows:

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	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Present value of defined benefit obligations	\$ (1,486,824)	(1,447,375)
Fair value of plan assets	<u>748,660</u>	<u>737,229</u>
Net defined benefit liabilities	<u>\$ (738,164)</u>	<u>(710,146)</u>

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

1) Composition of plan assets

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

The balance of the Group's labor pension reserve account in the Bank of Taiwan amounted to \$746,865 (excluding the ending balance of interest receivable) as of December 31, 2019. For information on the utilization of the labor pension fund assets including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in the present value of the defined benefit obligations

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

	<u>2019</u>	<u>2018</u>
Defined benefit obligations on January 1	\$ (1,447,375)	(1,418,645)
Benefit paid by the plan	50,196	33,560
Current service costs and interest	(24,942)	(26,745)
Remeasurements of net benefit liabilities	<u>(64,703)</u>	<u>(35,545)</u>
Defined benefit obligations on December 31	<u>\$ (1,486,824)</u>	<u>(1,447,375)</u>

3) Movements of the fair value of defined benefit plan assets

The movements in the fair value of the defined benefit plan assets for the Group were as follows:

	<u>2019</u>	<u>2018</u>
Fair value of plan assets on January 1	\$ 737,229	712,835
Expected return on plan assets	9,432	9,841

(Continued)

**COMPAL ELECTRONICS, INC. AND SUBSIDIARIES**  
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Remeasurements of net benefit plan assets	23,917	19,280
Contributions paid by the employer	28,278	28,833
Benefits paid by the plan	<u>(50,196)</u>	<u>(33,560)</u>
Fair value of plan assets on December 31	<u><u>\$ 748,660</u></u>	<u><u>737,229</u></u>

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss were as follows:

	<u>2019</u>	<u>2018</u>
Current service cost	\$ 6,401	7,023
Net interest on the net defined benefit liability (asset)	<u>9,109</u>	<u>9,881</u>
	<u><u>\$ 15,510</u></u>	<u><u>16,904</u></u>
Cost of sales	\$ 689	817
Selling expenses	812	986
Administrative expenses	3,686	3,880
Research and development expenses	<u>10,323</u>	<u>11,221</u>
	<u><u>\$ 15,510</u></u>	<u><u>16,904</u></u>

5) Actuarial assumptions

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

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Discount rate	0.90%~1.00%	1.30%~1.375%
Future salary increasing rate	3.00%	3.00%

The expected allocation payment made by the Group to the defined benefit plans for the one year period after the reporting date is \$28,677.

The weighted-average lifetime of the defined benefit plan is 9.9~14.74 years.

6) Sensitivity analysis

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

<u>Effects to the defined benefit obligation</u>	
<u>Increased</u>	<u>Decreased</u>
<u>0.25%</u>	<u>0.25%</u>

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**COMPAL ELECTRONICS, INC. AND SUBSIDIARIES**  
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December 31, 2019		
Discount rate	(36,821)	38,220
Future salary increasing rate	37,254	(36,089)
December 31, 2018		
Discount rate	(37,146)	38,572
Future salary increasing rate	37,746	(36,552)

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

The method and assumption used in the sensitivity analysis is consistent with prior period.

(ii) Defined contribution plans

The Group allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of the Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Group allocates the labor pension at a specific percentage to the Bureau of the Labor Insurance without additional legal or constructive obligations.

The Company and all subsidiaries in domestic recognized the pension costs under the defined contribution method amounting to \$413,479 and \$381,455 for the years ended December 31, 2019 and 2018, respectively. Payment was made to the Bureau of Labor Insurance.

Other subsidiaries recognized the pension expenses, basic endowment insurance expenses, and social welfare expenses amounting to \$1,294,677 and \$1,319,260 for the years ended December 31, 2019 and 2018, respectively.

(u) Income taxes

(i) Income tax expenses

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

	<u>2019</u>	<u>2018</u>
Current tax expense		
Recognized during the period	\$ 2,364,140	2,092,686
10% surtax on unappropriated earnings	294,326	27,288
Tax credit of investment	<u>(438,511)</u>	<u>(183,384)</u>
	2,219,955	1,936,590
Deferred tax expense		

(Continued)



**COMPAL ELECTRONICS, INC. AND SUBSIDIARIES**  
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Recognition and reversal of temporary differences	(107,798)	393,967
Adjustment in tax rate	<u>-</u>	<u>(130,273)</u>
	<u>(107,798)</u>	<u>263,694</u>
Income tax expense	<u><b>\$ 2,112,157</b></u>	<u><b>2,200,284</b></u>

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

	<u>2019</u>	<u>2018</u>
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement of the defined benefit obligation	\$ (8,157)	(33,202)
Unrealized gains (losses) on equity instruments at fair value through other comprehensive income	<u>44,004</u>	<u>(42,630)</u>
	<u><b>\$ 35,847</b></u>	<u><b>(75,832)</b></u>

Items that will be reclassified subsequently to profit or loss:		
Foreign currency translation differences of foreign operations	<u><b>\$ (10,678)</b></u>	<u><b>3,293</b></u>

- 3) The income tax expense that was reconciled between the actual income tax expense and profit before tax for the years ended December 31, 2019 and 2018, was as follows:

	<u>2019</u>	<u>2018</u>
Profit before tax	<u><b>\$ 10,007,876</b></u>	<u><b>11,789,585</b></u>
Income tax calculated based on tax rate	\$ 2,743,666	3,454,689
Adjustment in tax rate	-	(130,273)
Estimated tax effect of tax exemption on investment income, net	(155,231)	(984,537)
Realized investment loss	(25,237)	(133,869)
Investment tax credit	(438,511)	(183,384)
Changes in temporary differences	(150,199)	(11,635)
Adjustment of estimated difference	(156,657)	162,005
Surtax on unappropriated earnings	<u>294,326</u>	<u>27,288</u>
	<u><b>\$ 2,112,157</b></u>	<u><b>2,200,284</b></u>

- (ii) Deferred tax assets and liabilities

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**COMPAL ELECTRONICS, INC. AND SUBSIDIARIES**  
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Changes in the amount of deferred tax assets and liabilities for 2019 and 2018 were as follows:

	<u>Refund liabilities</u>	<u>Contract liabilities</u>	<u>Unrealized exchange losses, net</u>	<u>Others</u>	<u>Total</u>
Deferred tax assets:					
Balance on January 1, 2019	\$ 178,025	164,955	163,265	517,703	1,023,948
Recognized in profit or loss	(57,422)	(105,526)	586,948	171,280	595,280
Recognized in other comprehensive income	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,398</u>	<u>18,398</u>
Balance on December 31, 2019	<u>\$ 120,603</u>	<u>59,429</u>	<u>750,213</u>	<u>707,381</u>	<u>1,637,626</u>
Balance on January 1, 2018	\$ 259,546	176,283	411,518	504,024	1,351,371
Recognized in profit or loss	(81,521)	(11,328)	(248,253)	(16,683)	(357,785)
Recognized in other comprehensive income	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,362</u>	<u>30,362</u>
Balance on December 31, 2018	<u>\$ 178,025</u>	<u>164,955</u>	<u>163,265</u>	<u>517,703</u>	<u>1,023,948</u>

	<u>Unrealized exchange gains, net</u>	<u>Others</u>	<u>Total</u>
Deferred tax liabilities:			
Balance on January 1, 2019	\$ -	(478,169)	(478,169)
Recognized in profit or loss	(497,092)	9,610	(487,482)
Recognized in other comprehensive income	<u>-</u>	<u>(43,567)</u>	<u>(43,567)</u>
Balance on December 31, 2019	<u>\$ (497,092)</u>	<u>(512,126)</u>	<u>(1,009,218)</u>
Balance on January 1, 2018	\$ (171,868)	(442,569)	(614,437)
Recognized in profit or loss	171,868	(77,777)	94,091
Recognized in other comprehensive income	<u>-</u>	<u>42,177</u>	<u>42,177</u>
Balance on December 31, 2018	<u>\$ -</u>	<u>(478,169)</u>	<u>(478,169)</u>

(iii) Unrecognized deferred tax assets

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

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Tax effect of deductible temporary differences	<u>\$ 827,365</u>	<u>716,848</u>
Tax effect of loss carryforward	<u>\$ 1,121,433</u>	<u>1,249,171</u>

The Group assesses and considers that some of the income tax reduction items may be unrealized, hence they are not recognized as deferred tax assets. In addition, according to Income Tax Act, the loss carryforward are the losses incurred in past 10 years assessed by ROC tax authorities which can be deducted from the net profit of current year before levied. The items are not recognized as deferred income tax assets due to the fact that the Group may not have sufficient taxable income in the future for the losses.

As of December 31, 2019, the tax effects on loss carryforward that have not been recognized

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**COMPAL ELECTRONICS, INC. AND SUBSIDIARIES**  
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as deferred tax assets were as follows:

<u>Year of loss</u>	<u>Expiry year</u>	<u>Deductible amount</u>
2010 (Assessed)	2020	\$ 14,492
2011 (Assessed)	2021	399,926
2012 (Assessed)	2022	689,013
2013 (Assessed)	2023	228,258
2014 (Assessed)	2024	41,534
2015 (Assessed)	2025	636,827
2016 (Assessed)	2026	1,443,859
2017 (Assessed)	2027	950,585
2018 (Assessed/Filed)	2028	550,579
2019 (Estimated)	2029	652,091
		<u>\$ 5,607,164</u>

(iv) Unrecognized deferred tax assets and liabilities related to investments in subsidiaries

The temporary differences associated with investment in subsidiaries were not recognized as deferred income tax assets and liabilities as the Company has the ability to control the reversal of these temporary differences which are not expected to reverse in the foreseeable future.

As of December 31, 2019 and 2018, the aggregate deductible temporary differences relating to investments in subsidiaries not recognized as deferred tax assets amounted to \$1,894,891 and \$2,162,721, respectively.

As of December 31, 2019 and 2018, the aggregate taxable temporary differences relating to investments in subsidiaries not recognized as deferred tax liabilities amounted to \$53,923,241 and \$54,732,941, respectively.

(v) Examination and approval

The Company's tax returns for the years through 2017 were assessed by the Taipei National Tax Administration.

The ROC tax authorities have assessed the income tax returns of Panpal, Gempal, Hong Jin, Palcom, Acbel Telecom, Ripal, Zhipal, Rayonnant Technology, UCGI, Mactech, RBL, CBN, Unicore, Raycore, TTI, GLB and HengHao through 2017, of HongJi through 2018, of Arcadyan through 2017 except for 2016, and of ATK through November, 2019.

(v) Capital and other equities

As of December 31, 2019 and 2018, the Company's authorized common stock consisting of 6,000,000 thousand shares with a par value of 10 New Taiwan dollar per share amounted to \$60,000,000 of which 4,407,147 thousand shares, were issued. All issued shares were paid up upon issuance.

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**COMPAL ELECTRONICS, INC. AND SUBSIDIARIES**  
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(i) Ordinary shares

In 2015, the Company issued its employee restricted shares amounting to \$493,600, wherein the amount of \$120,450 had been cancelled due to failure in meeting the vested requirements in the year ended December 31, 2018. As of December 31, 2018, the registration procedure had been completed.

(ii) Capital surplus

The balances of capital surplus were as follows:

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Additional paid-in capital	\$ 6,302,490	7,183,919
Treasury share transactions	2,481,885	2,421,864
Difference between consideration and carrying amount arising from acquisition or disposal of subsidiaries	36,766	36,766
Recognition of changes in ownership interests in subsidiaries	59,115	15,642
Changes in equity of associates and joint ventures accounted for using equity method	<u>279,003</u>	<u>274,243</u>
	<b><u>\$ 9,159,259</u></b>	<b><u>9,932,434</u></b>

In accordance with the ROC Company Act, realized capital reserves can only be used to increase the common stock or distributed as cash dividends after offsetting losses. The aforementioned capital reserves include share premiums and donation gains. In accordance with the Securities Offering and Issuance Guidelines, the amount of capital reserves to be reclassified under share capital shall not exceed 10% of the actual share capital amount.

The Company's shareholders' meeting held on June 21, 2019 and June 22, 2018, approved to distribute the cash dividend of \$881,429 (representing 0.2 New Taiwan Dollars per share), by using the additional paid-in-capital.

A resolution was approved during the Board of Directors' meeting held on March 30, 2020 to distribute the cash dividend of \$881,429, with a par value of NTD 0.2 per share, by using the additional paid-in capital. The related information can be accessed through the Market Observation Post system website after the Board of Directors' meeting.

(iii) Retained earnings

Based on the Company's articles of incorporation amended on June 21, 2019, if there is any profit after closing of books in a given year, the Company shall first defray tax due, cover accumulated losses and set aside ten percent of it as legal reserve and then set aside or reverse a special reserve in accordance with laws and regulations. The balance of earnings available for distribution is composed of the remainder of the said profit and the unappropriated retained earnings of previous years. The Board of Directors may set aside a certain amount to cope with the business operation conditions, and shall prepare the proposal for distribution of the balance amount thereof after a resolution has been adopted and then allocated by the Board of Directors. The Company authorizes the Board of Directors to distribute all or part of the

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**COMPAL ELECTRONICS, INC. AND SUBSIDIARIES**  
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dividends and bonuses, capital surplus or legal reserve in cash after a resolution has been adopted by a majority vote at a meeting of the Board of Directors attended by two-thirds of the total number of directors; and in addition thereto a report of such distribution shall be submitted to the General shareholders' meeting.

Based on the Company's articles of incorporation before amended on June 21, 2019, if there is any profit after closing of books in a given year, the Company shall first defray tax due, cover accumulated losses and set aside ten percent of it as legal reserve and then set aside or reverse a special reserve in accordance with laws and regulations. The balance of earnings available for distribution is composed of the remainder of the said profit and the unappropriated retained earnings of previous years. The earnings appropriation proposal to distribute dividend and bonus shall be proposed by the Board of Directors and approved by the General Shareholders Meeting. The rest of the unappropriated retained earnings shall be reserved.

The lifecycle of the industry of the Company is in the growing stage. To consider the need of the Company for the future capital, capital budget, long-term financial planning, domestic and foreign competition, the need of shareholders for cash flow and other factors, if there is any profit after close of books, the dividend and bonus to be distributed to shareholders shall not be less than thirty percent of profit after tax for such year and the cash dividend allocated by the Company each year shall not be lower than ten percent of the total dividend (including cash and share dividend) for such year.

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

1) Legal reverse

When a company incurs no loss, it may, in pursuant to a resolution to be adopted by the shareholders' meeting as required, distribute its legal reserve by issuing new shares and distributing stock dividends or distributing cash to shareholders. Only the portion of the legal reserve which exceeds 25% of the paid-in capital may be distributed.

2) Special reverse

In accordance with Ruling No. 1010012865 issued by the FSC on April 6, 2012, a portion of current earnings and previous unappropriated earnings shall be set aside as a special reserve during earnings distribution. The amount to be set aside should equal the total amount of contra accounts that are accounted for as deductions to other equity interests. A portion of previous unappropriated earnings shall be set aside as a special reserve, which should not be distributed, to account for cumulative changes to other equity interests pertaining to prior periods. The special reserve shall be made available for appropriation when the net deductions of other equity interests are reversed in the subsequent periods.

3) Earnings distribution

Earnings distribution for 2018 and 2017 was approved by the shareholders during their

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**COMPAL ELECTRONICS, INC. AND SUBSIDIARIES**  
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annual meetings held on June 21, 2019 and June 22, 2018, respectively. The relevant information was as follows:

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

Earnings distribution for 2019 was approved by the Board of Directors on March 30, 2020. The relevant information was as follows:

	2019	
	Amount per share	Total amount
Cash dividends distributed to common shareholders from the unappropriated earnings	\$ 1.0	<u>4,407,147</u>

The related information of the earnings distribution for the year ended December 31, 2019, can be accessed through the Market Observation Post System website after the related meeting.

(iv) Treasury stock

The subsidiaries of the Company did not sell the ordinary shares of the Company in the years ended December 31, 2019 and 2018. As of December 31, 2019, Panpal and Gempal, subsidiaries of the Company, held 50,017 thousand shares of ordinary shares of the Company, recorded as the Company's treasury stock, with a book value of 17.6 New Taiwan dollars per share. The total cost was \$881,247. The fair value of the ordinary shares of the Company was 18.85 and 17.45 New Taiwan dollars per share as of December 31, 2019 and 2018, respectively.

Pursuant to the Securities and Exchange Act, the number of treasury shares purchased cannot exceed 10% of the number of shares issued. The total purchase cost cannot exceed the sum of retained earnings, paid-in capital in excess of par value and realized capital surplus. The shares purchased for the purpose of transferring to employees shall be transferred within three years from the date of share repurchase. Those not transferred within the said limit shall be deemed as not issued by the Company and it should be cancelled. Furthermore, treasury stock cannot be pledged for debts, and treasury stock does not carry any shareholder rights until it is transferred.

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

	Exchange differences on transaction of foreign operation financial statements	Unrealized gain (loss) from financial assets at fair value through other comprehensive income	Unearned compensation for restricted employee shares and others	Total
Balance on January 1, 2019	\$ (1,852,952)	(5,606,436)	-	(7,459,388)
The Company	(1,620,812)	4,936,223	-	3,315,411
Subsidiaries	(52,530)	252,170	(1,706)	197,934
Associates	<u>(268,686)</u>	<u>111,280</u>	<u>-</u>	<u>(157,406)</u>
Balance on December 31, 2019	<u>\$ (3,794,980)</u>	<u>(306,763)</u>	<u>(1,706)</u>	<u>(4,103,449)</u>
Balance on January 1, 2018	\$ (3,477,376)	(5,847,823)	(79,856)	(9,405,055)
The Company	1,853,763	(34,596)	79,856	1,899,023
Subsidiaries	(67,150)	401,300	-	334,150
Associates	<u>(162,189)</u>	<u>(125,317)</u>	<u>-</u>	<u>(287,506)</u>
Balance on December 31, 2018	<u>\$ (1,852,952)</u>	<u>(5,606,436)</u>	<u>-</u>	<u>(7,459,388)</u>

(w) Share-based payment

(i) The Company – employee restricted shares

At the meeting held on June 20, 2014, the Company's Shareholders' Meeting adopted a resolution to issue 100,000 thousand new shares of employee restricted shares with no consideration to those full time employees who meet certain requirements. The first issuance of 50,000 thousand shares had been approved by the FSC on October 30, 2014. Moreover, the Company's Board of Directors resolved to issue 49,980 thousand shares on January 22, 2015, and 49,360 thousand shares had actually been issued, in which the effective date of the share issuance was on February 25, 2015.

40%, 30% and 30% of the aforementioned restricted shares are vested, respectively, when the employees continue to provide service for at least 2 year, 3 years and 4 years from the registration and effective date and in the meantime, meet the performance requirement. After the issuance, the restricted shares are kept by a trust, which is appointed by the Company, before they are vested. These restricted shares shall not be sold, pledged, transferred, gifted or by any other means of disposal to third parties during the custody period. The voting rights of these shares are executed by the custodian, and the custodian shall act based on law and regulations. If the shares remain unvested after the vesting period, the Company will purchase all the unvested shares without consideration and cancel the shares thereafter. Restricted shares could receive cash and stock dividends. The aforementioned cash and stock dividends are not considered as restricted.

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

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	<b>2018</b>
Outstanding shares on January 1	23,571
Vested during the period	(11,526)
Canceled during the period	(12,045)
Outstanding shares on December 31	-

For the year ended December 31, 2018, due to the failure in meeting the vested requirements of the employee restricted shares, the Group reversed compensation cost amounted to \$156,219 and capital surplus — employee restricted shares amounted to \$318,209. Besides, due to meet the vested requirements of the employee restricted shares, the Group recognized capital surplus — additional paid-in capital amounted to \$155,601.

(ii) Arcadyan – employee restricted shares

At the meeting held on June 21, 2018, the Arcadyan’s Board of Directors decided to issue 4,500,000 shares of employee restricted shares to Arcadyan’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, and 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.

After the issuance, the restricted shares are kept by a trust, which is appointed by Arcadyan, 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, Arcadyan 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.

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The aforementioned new shares are not considered as restricted shares.

The information of Arcadyan's restricted shares is as follows:

Unit: in thousands of shares

	<u>2019</u>	<u>2018</u>
Outstanding shares on January 1	4,500	-
Granted during the period	-	4,500
Canceled during the period	<u>(84)</u>	<u>-</u>
Outstanding shares on December 31	<u><u>4,416</u></u>	<u><u>4,500</u></u>

As of December 31, 2019 and 2018, the unearned employee benefit was \$119,897 and \$219,616, respectively.

The compensation cost related to the restricted shares amounted to \$99,719 and \$33,240, respectively, for the years ended December 31, 2019 and 2018.

(iii) Arcadyan — cash injection reserved for employees

Arcadyan'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
Recipients	(Note 1)
Vested condition	Vest immediately

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

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

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(iv) TTI – employee stock options

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

	<u>Employee stock options</u>
Grant date	2015.10.29
Granted shares (in thousand)	1,000
Contract period	7 years
Recipients	Employees of TTI
Vested condition	Please refer to the issuance terms of the stock options as follows

The issuance terms of the stock options are as follows:

- 1) Exercise price: NT\$13.5 per share.
- 2) Exercisable duration: The employees who received stock options that exceed two years and meet the performance requirements can exercise a specific percentage in each period as below. The exercisable duration of the options is seven years. No transfer is allowed except for inheritance.

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

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

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

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

The information on total options issued was as follows:

	<u>2019</u>		<u>2018</u>	
	<u>Weighted- average exercise price (NT dollars)</u>	<u>Shares (in thousands)</u>	<u>Weighted- average exercise price (NT dollars)</u>	<u>Shares (in thousands)</u>
Outstanding shares on January 1	13.5	600	13.5	1,000
Canceled during the period	13.5	<u>(300)</u>	13.5	<u>(400)</u>
Outstanding shares on December 31	-	<u><u>300</u></u>	13.5	<u><u>600</u></u>
Exercisable shares on December 31	-	<u><u>-</u></u>	13.5	<u><u>-</u></u>

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

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Exercise price range	13.5	13.5
Weighted average remaining contract period	2.83	3.83

The reverse related to the share-based payment amounted to \$1,326 and \$496 for the

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**COMPAL ELECTRONICS, INC. AND SUBSIDIARIES**  
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years ended December 31, 2019 and 2018, respectively.

(v) CBN—employee stock options

At the meeting held on May 30, 2012, May 26, 2014 and May 17, 2016, CBN's Board of Directors resolved to issue 1,000,000, 800,000 and 1,500,000 units of employee stock options, respectively, with an exercisable right of one share of CBN's ordinary shares per unit. The information on total options issued was as follows:

1) The first employee stock option plan

The employee stock options have been fully exercised in 2017.

2) The second employee stock option plan

	2019		2018	
	Shares	Weighted- average exercise price (NT dollars)	Shares	Weighted- average exercise price (NT dollars)
Outstanding shares on January 1	8,910	\$ 10	283,767	\$ 10
Expired during the period	-	-	(2,565)	10
Exercised during the period	<u>(8,910)</u>	10	<u>(272,292)</u>	10
Outstanding shares on December 31	<u>-</u>	-	<u>8,910</u>	10
Exercisable shares on December 31	<u>-</u>	-	<u>8,910</u>	10

As of December 31, 2018, the weighted-average remaining contractual life of the outstanding options was 2.67 years. The employee stock options above have been fully exercised in 2019.

3) The third employee stock option plan

	2019		2018	
	Shares	Weighted- average exercise price (NT dollars)	Shares	Weighted- average exercise price (NT dollars)
Outstanding shares on January 1	153,600	\$ 10	234,000	\$ 10
Expired during the period	(7,500)	10	-	-
Exercised during the period	<u>(58,300)</u>	10	<u>(80,400)</u>	10
Outstanding shares on December 31	<u>87,800</u>	10	<u>153,600</u>	10
Exercisable shares on December 31	<u>87,800</u>	10	<u>153,600</u>	10

As of December 31, 2019 and 2018, the weighted-average remaining contractual life of the outstanding options was 1.67 and 2.67 years, respectively.

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**COMPAL ELECTRONICS, INC. AND SUBSIDIARIES**  
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The issuance terms of the share options are as follows.

- 1) Exercise price: NT\$10 per share.
- 2) Exercisable duration:
  - a) The first employee stock options plan:

The employees who received share options being granted over two years can exercise a specific percentage in each period as below. The exercisable duration of the options is seven years. No transfer is allowed except for inheritance. After the expiration of the exercisable duration, the unexercised options will be canceled by CBN and not be re-issued anymore.

<b>Period to exercise options</b>	<b>Exercisable percentage (cumulative)</b>
2 years after options received	40 %
3 years after options received	70 %
4 years after options received	100 %

- b) The second employee stock option plan:

The employees who received share options being granted over two years and are still employed by CBN and meet requirements can exercise a specific percentage in each period as stated below. The exercisable duration of the options is seven years. No transfer is allowed except for inheritance. After the expiration of the exercisable duration, the unexercised options will be canceled by CBN and not re-issued anymore.

<b>Period to exercise options</b>	<b>Exercisable percentage (cumulative)</b>
2 years after options received	40 %
3 years after options received	70 %
4 years after options received	100 %

- c) The third employee stock option plan:

The employees who received share options being granted over five months and are still employed by CBN and meet requirements can exercise a specific percentage in each period as stated below. The exercisable duration of the options is five years. No transfer is allowed except for inheritance. After the expiration of the exercisable duration, the unexercised options will be canceled by CBN and not re-issued anymore.

<b>Period to exercise options</b>	<b>Exercisable percentage (cumulative)</b>
5 months after options received	100 %

- d) Exercise method: CBN would issue new shares as the options are exercised.
    - e) Exercise procedure: In accordance with CBN's issuance and exercise rules, after receiving the consideration of share options, the entitlement certification of share

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options exercised is registered as ordinary shares once a quarter.

The compensation cost for the years ended December 31, 2019 and 2018 were \$(112) and \$657, respectively.

CBN adopted the Black-Scholes model to estimate the fair value on the grant date, and the assumptions are summarized as follows:

A. The first employee stock option plan:

Original exercise price (NT dollars)	10
Current price (NT dollars)	25
Expected dividend yield rate	0%
Expected volatility	38.25~38.64%
Risk-free interest rate	0.91~1.02%
Expected life of the option	4.5~5.5 years
Weighted average fair value (NT dollars per share)	16.10~16.49

B. The second employee stock option plan:

Original exercise price (NT dollars)	10
Current price (NT dollars)	37.02
Expected dividend yield rate	0%
Expected volatility	31.07~32.77%
Risk-free interest rate	1.17~1.33%
Expected life of the option	4.5~5.5 years
Weighted average fair value (NT dollars per share)	27.62~27.92

C. The third employee stock option plan:

Original exercise price (NT dollars)	10
Current price (NT dollars)	24.62
Expected dividend yield rate	0%
Expected volatility	35.87%
Risk-free interest rate	0.56%
Expected life of the option	2.55 years
Weighted average fair value (NT dollars per share)	14.96

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(vi) CBN—Cash injection reserved for employees

CBN's Board of Directors resolved to implement cash injection on June 27, 2018, of which 917 thousand shares were reserved for employees. As of December 31, 2019, the relevant information was as follows:

Grant date	2018.11.14
Number of shares granted (in thousands)	917
Recipients	(Note 1)
Vested condition	Vest immediately

(Note 1) Those CBN's full-time employees who meet certain requirements.

The compensation cost recorded as operating expense related to the cash injection reserved for employees amounted to \$1,053 in 2018.

(x) Earnings per share

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

	<u>2019</u>	<u>2018</u>
<b>Basic earnings per share:</b>		
Profit attributable to ordinary shareholders of the Company	<u>6,955,899</u>	<u>8,913,365</u>
Weighted-average number of outstanding ordinary shares (in thousands)	<u>4,357,130</u>	<u>4,356,448</u>
<b>Diluted earnings per share:</b>		
Profit attributable to ordinary shareholders of the Company (after adjustment of potential diluted ordinary shares)	<u>6,955,899</u>	<u>8,913,365</u>
Weighted-average number of outstanding ordinary shares of potential diluted ordinary shares		
Weighted-average number of outstanding ordinary shares (in thousands)	4,357,130	4,356,448
Effect of potential diluted common stock		
Employee compensation (in thousands)	49,860	59,637
Employee restricted shares (in thousands)	<u>-</u>	<u>682</u>
Weighted-average number of ordinary shares (after adjustment of potential diluted ordinary shares) (in thousands)	<u>4,406,990</u>	<u>4,416,767</u>

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## (y) Revenue from contracts with customers

## (i) Disaggregation of revenue

	<b>2019</b>		
	<b>IT Product Segment</b>	<b>Strategically Integrated Product Segment</b>	<b>Total</b>
Primary geographical markets:			
United states	\$ 376,459,888	2,539,578	378,999,466
China	103,116,226	456,189	103,572,415
Netherlands	97,981,478	977,438	98,958,916
United Kingdom	43,967,861	512,219	44,480,080
India	40,566,291	3,853,215	44,419,506
Germany	29,552,389	9,532,350	39,084,739
Others	<u>255,902,806</u>	<u>15,024,418</u>	<u>270,927,224</u>
	<b><u>\$ 947,546,939</u></b>	<b><u>32,895,407</u></b>	<b><u>980,442,346</u></b>
Major products:			
5C related electronics products	\$ 945,416,514	32,478,954	977,895,468
Others	<u>2,130,425</u>	<u>416,453</u>	<u>2,546,878</u>
	<b><u>\$ 947,546,939</u></b>	<b><u>32,895,407</u></b>	<b><u>980,442,346</u></b>
	<b>2018</b>		
	<b>IT Product Segment</b>	<b>Strategically Integrated Product Segment</b>	<b>Total</b>
Primary geographical markets:			
United states	\$ 362,250,918	1,701,587	363,952,505
China	120,591,947	437,494	121,029,441
Netherlands	109,628,794	1,242,067	110,870,861
United Kingdom	43,595,382	2,181,037	45,776,419
Germany	30,999,459	7,269,974	38,269,433
Japan	29,805,482	1,703,425	31,508,907
India	28,181,426	504,966	28,686,392
Others	<u>216,053,198</u>	<u>11,559,255</u>	<u>227,612,453</u>
	<b><u>\$ 941,106,606</u></b>	<b><u>26,599,805</u></b>	<b><u>967,706,411</u></b>
Major products:			
5C related electronics products	\$ 939,105,238	26,112,499	965,217,737
Others	<u>2,001,368</u>	<u>487,306</u>	<u>2,488,674</u>
	<b><u>\$ 941,106,606</u></b>	<b><u>26,599,805</u></b>	<b><u>967,706,411</u></b>

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(ii) Contract balances

	<u>December 31, 2019</u>	<u>December 31, 2018</u>	<u>January 1, 2018</u>
Notes and accounts receivable (including related parties)	\$ 195,665,380	207,794,674	181,487,633
Less: allowance for impairment	<u>(3,928,716)</u>	<u>(4,020,603)</u>	<u>(4,021,894)</u>
Total	<u>\$ 191,736,664</u>	<u>203,774,071</u>	<u>177,465,739</u>
Contract liabilities	<u>\$ 956,455</u>	<u>1,476,304</u>	<u>1,665,321</u>

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

The amount of revenue recognized for the years ended December 31, 2019 and 2018 that were included in the balance of contract liability at the beginning of the period was \$1,419,929 and \$1,633,141, respectively.

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

(z) Employees' and directors' compensations

Based on the Company's articles of incorporation, if there is any profit in a fiscal year, the Company's pre-tax profits in such fiscal year, prior to deduction of compensations to employees and directors, shall be distributed to employees as compensations in an amount of not less than two percent (2%) thereof and to directors as compensations in an amount of not more than two percent (2%) of such profits. In the event that the Company has accumulated losses, the Company shall reserve an amount to offset accumulated losses. The compensations to employees as mentioned above may be distributed in the form of stock or cash. Employees entitled to receive the said stock or cash may include the employees of the Company's subordinate companies pursuant to the Company Act (Employees entitled to receive the said stock or cash may include the employees of the Company's subordinate companies who meet certain conditions after the Company's articles of incorporation amended on June 21, 2019).

The Company accrued and recognized its employee compensation of \$731,322 and \$930,857, and directors' compensation of \$38,672 and \$49,223 for the years ended December 31, 2019 and 2018, respectively. The estimated amounts mentioned above are based on the net profit before tax without the compensations to employees and directors of each respective ending period, multiplied by the percentage of the compensation to employees and directors, which was approved by the management. The estimations are recorded under operating expenses and cost. The differences between the amounts estimated and recognized in the financial statements, if any, are accounted for as changes in accounting estimates and recognized as profit or loss in the distribution year. If the Board of Directors approve to distribute employee compensation in the form of stock, the number of the shares of the employee compensation is based on the closing price of the day before the Board of Directors' meeting, the related information can be accessed through the Market Observation Post System website. There is no differences between the amount approved in the Board of Directors' meeting and those recognized in the financial statements in 2019 and 2018.

There is no differences between the amount estimated and recognized in the financial statements in

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**COMPAL ELECTRONICS, INC. AND SUBSIDIARIES**  
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2018. The related information can be accessed through the Market observation Post System website.

(aa) Non-operating income and expenses

(i) Other income

The other income for the years ended December 31, 2019 and 2018, were as follows:

	<u>2019</u>	<u>2018</u>
Interest income		
Financial assets at amortized cost	\$ 2,992	9,992
Bank deposits	1,656,317	1,448,053
Others	5,494	5,613
Dividend revenue	127,349	279,044
Overdue payable reversed as other income	1,478	41,116
Other revenue	357,727	349,046
	<u>\$ 2,151,357</u>	<u>2,132,864</u>

(ii) Other gains and losses

The other gains and losses for the years ended December 31, 2019 and 2018, were as follows:

	<u>2019</u>	<u>2018</u>
Gains on disposal of investments	\$ 66,837	2,513,207
Gains (losses) on financial assets and liabilities at fair value through profit or loss, net	408,943	640,835
Foreign currency exchange losses, net	(682,207)	(873,855)
Gains (losses) on disposal of property, plant, and equipment, net	40,245	(23,229)
Others	49	-
	<u>\$ (166,133)</u>	<u>2,256,958</u>

(ab) Reclassification of the components of other comprehensive income

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

	<u>2019</u>	<u>2018</u>
Cash flow hedge:		
Gains (losses) from current period	\$ (26,649)	3,655
Less: reclassification of gains and losses included in profit or loss	(21,778)	3,655
Profit (loss) recognized in other comprehensive income	<u>\$ (4,871)</u>	<u>-</u>

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**COMPAL ELECTRONICS, INC. AND SUBSIDIARIES**  
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(ac) Financial instruments

(i) Credit risk

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

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

- 2) Receivables and debt securities

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

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

The movements in the allowance for the year ended December 31, 2019 and 2018 were as follows:

	<b>Other receivables</b>
Balance on January 1, 2019	\$ <u>3,577</u>
Impairment losses reversed	<u>(2,565)</u>
Balance on December 31, 2019	<b>\$ <u>1,012</u></b>
Balance on January 1, 2018	\$ 82,014
Impairment losses reversed	(16,364)
The write-off amount which was not be recovered in the period	(62,071)
Effect of changes in exchange rates	<u>(2)</u>
Balance on December 31, 2018	<b>\$ <u>3,577</u></b>

(ii) Liquidity risk

The following are the contractual maturities of financial liabilities. In addition to excluding estimated interest payments.

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	<u>Carrying Amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1 ~ 2 years</u>	<u>Over 2 years</u>
<b>December 31, 2019</b>					
Non-derivative financial liabilities					
Secured borrowings	\$ 98,438	(98,438)	(39,375)	(39,375)	(19,688)
Unsecured borrowings	86,601,844	(86,601,844)	(79,101,844)	(1,925,000)	(5,575,000)
Lease liabilities – current and non-current	2,267,088	(2,369,246)	(754,412)	(416,167)	(1,198,667)
Notes and accounts payable	144,445,777	(144,445,777)	(144,445,777)	-	-
Other payables	15,414,717	(15,414,717)	(15,414,717)	-	-
Bonds payable	966,492	(1,000,000)	-	-	(1,000,000)
Derivative financial liabilities					
Forward exchange contracts:	5,854				
Outflow		(736,484)	(736,484)	-	-
Inflow		732,377	732,377	-	-
Forward exchange contracts used for hedging:	4,932				
Outflow		(1,423,089)	(1,423,089)	-	-
Inflow		1,433,921	1,433,921	-	-
	<u>\$ 249,805,142</u>	<u>(249,923,297)</u>	<u>(239,749,400)</u>	<u>(2,380,542)</u>	<u>(7,793,355)</u>
<b>December 31, 2018</b>					
Non-derivative financial liabilities					
Secured borrowings	\$ 137,813	(137,813)	(39,375)	(39,375)	(59,063)
Unsecured borrowings	100,746,447	(100,746,447)	(89,846,447)	(8,600,000)	(2,300,000)
Notes and accounts payable	154,276,713	(154,276,713)	(154,276,713)	-	-
Other payables	14,790,757	(14,790,757)	(14,790,757)	-	-
Derivative financial liabilities					
Forward exchange contracts:	26,913				
Outflow		(5,016,249)	(5,016,249)	-	-
Inflow		4,978,708	4,978,708	-	-
	<u>\$ 269,978,643</u>	<u>(269,989,271)</u>	<u>(258,990,833)</u>	<u>(8,639,375)</u>	<u>(2,359,063)</u>

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

(iii) Currency risk

1) Exposure to foreign currency risk

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

	<u>December 31, 2019</u>			<u>December 31, 2018</u>		
	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</u>
Financial assets						
Monetary items						
USD to TWD	\$ 7,070,270	29.98	211,966,695	7,189,719	30.715	220,832,219
USD to CNY	10,525	6.9667	315,540	3,986	6.8672	122,430
EUR to TWD	88,303	33.59	2,966,098	95,397	35.2	3,357,974
CNY to USD	2,577,002	0.1435	11,086,598	1,726,768	0.1456	7,722,286
Non-monetary items						
THB to TWD	446,859	1.0028	448,110	423,027	0.946	400,184

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	December 31, 2019			December 31, 2018		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
Financial liabilities						
Monetary items						
USD to TWD	6,441,501	29.98	193,116,200	7,145,553	30.715	219,475,660
USD to CNY	5,424	6.9667	162,612	5,451	6.8672	167,427
USD to BRL	142,432	3.8322	4,270,111	140,772	3.872	4,323,812
EUR to TWD	42,554	33.59	1,429,389	31,186	35.2	1,097,747
CNY to USD	3,182,008	0.1435	13,689,412	2,778,232	0.1456	12,424,542

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable, other receivables, loans and borrowings, accounts payable, and other payables that are denominated in foreign currency. Assuming all other variable factors remain constant, a strengthening (weakening) 5% of appreciation (depreciation) of the each major foreign currency against Group entities' functional currency as of December 31, 2019 and 2018, would have increased (decreased) 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%	\$ 942,525	67,828
Weakening 5%	(942,525)	(67,828)
USD (against the CNY)		
Strengthening 5%	7,646	(2,250)
Weakening 5%	(7,646)	2,250
USD (against the BRL)		
Strengthening 5%	(213,506)	(216,191)
Weakening 5%	213,506	216,191
EUR (against the TWD)		
Strengthening 5%	76,835	113,011
Weakening 5%	(76,835)	(113,011)
CNY (against the USD)		
Strengthening 5%	(130,141)	(235,113)
Weakening 5%	130,141	235,113

3) Exchange gains and losses of monetary items

As the Group deals with diverse foreign currencies, gains or losses on foreign exchange were summarized as a single amount. For the years ended December 31, 2019 and 2018,

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the foreign exchange losses, including both realized and unrealized, amounted to \$682,207 and \$873,855, respectively.

(iv) Interest rate analysis

The interest risk exposure from financial assets and liabilities has been disclosed in the note of liquidity risk management.

The following sensitivity analysis is based on the risk exposure to interest rate on the derivative and non-derivative financial instruments on the reporting date. Regarding the assets and liabilities with variable interest rates, the analysis is on the basis of the assumption that the amount of assets and liabilities outstanding at the reporting date were outstanding throughout the year. The rate of change is expressed as the interest rate increase or decrease by 0.25%, when reporting to management internally, which also represents the assessment of the Group's management for the reasonably possible interval of interest rate change.

Assuming all other variable factors remaining constant, if the interest rate had increased or decreased by 0.25%, the impact to the net profit before tax would be as follows for the years ended December 31, 2019 and 2018, which would be mainly resulted from the bank savings and borrowings with variable interest rates.

	<u>2019</u>	<u>2018</u>
Interest increased by 0.25%	\$ (13,164)	(10,551)
Interest decreased by 0.25%	13,164	10,551

(v) Fair value information

1) The categories and fair value of financial instruments

The Group's financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income were measured at fair value on a recurring basis. The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It shall not include fair value information of the financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value and investments in equity instruments which do not have any quoted price in an active market in which the fair value cannot be reasonably measured.

	<u>December 31, 2019</u>				
	<u>Book value</u>	<u>Fair Value</u>			<u>Total</u>
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
<b>Financial assets at fair value through profit or loss—current and non-current</b>					
Derivative financial assets for non-hedging	\$ 15,921	-	15,921	-	15,921
Non-derivative financial assets mandatorily measured at fair value through profit or loss	<u>1,445,817</u>	-	1,330,458	115,359	1,445,817
Subtotal	<u>1,461,738</u>				
<b>Financial assets used for hedging</b>	<u>61</u>	-	61	-	61

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	December 31, 2019				
	Book value	Fair Value			Total
	Level 1	Level 2	Level 3		
<b>Financial assets at fair value through other comprehensive income</b>					
Stocks listed on domestic markets	2,055,890	2,055,890	-	-	2,055,890
Stocks listed on foreign markets	448,110	448,110	-	-	448,110
Stocks unlisted on domestic markets	2,246,932	-	-	2,246,932	2,246,932
Stocks unlisted on foreign markets	177,121	-	-	177,121	177,121
Accounts receivable	<u>28,007,745</u>	-	28,007,745	-	28,007,745
Subtotal	<u>32,935,798</u>				
<b>Financial assets measured at amortized cost</b>					
Cash and cash equivalents	66,559,397	-	-	-	-
Notes and accounts receivable, net	163,684,407	-	-	-	-
Notes and accounts receivable due from related parties, net	44,512	-	-	-	-
Other receivables	2,006,113	-	-	-	-
Refundable deposits	<u>335,897</u>	-	-	-	-
Subtotal	<u>232,630,326</u>				
Total	<u><b>\$ 267,027,923</b></u>				
<b>Financial liabilities at fair value through profit or loss</b>					
Derivative financial liabilities for non-hedging	<u>\$ 5,854</u>	-	5,854	-	5,854
<b>Financial liabilities used for hedging</b>	<u>4,932</u>	-	4,932	-	4,932
<b>Financial liabilities measured at amortized cost</b>					
Short-term borrowings	60,951,844	-	-	-	-
Notes and accounts payable	142,940,869	-	-	-	-
Notes and accounts payable to related parties	1,504,908	-	-	-	-
Other payables	15,414,717	-	-	-	-
Bonds payable	966,492	-	-	-	-
Lease liabilities — current and non-current	2,267,088	-	-	-	-
Long-term borrowings current portion	18,189,375	-	-	-	-
Long-term borrowings	7,559,063	-	-	-	-
Deposits received	<u>188,815</u>	-	-	-	-
Subtotal	<u>249,983,171</u>				
Total	<u><b>\$ 249,993,957</b></u>				

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

	December 31, 2018				
	Book value	Fair Value			Total
		Level 1	Level 2	Level 3	
<b>Financial assets at fair value through profit or loss—current and non-current</b>					
Derivative financial assets for non-hedging	\$ 12,213	-	12,213	-	12,213
Non-derivative financial assets mandatorily measured at fair value through profit or loss	<u>4,668,311</u>	633,859	3,965,062	69,390	4,668,311
Subtotal	<u>4,680,524</u>				
<b>Financial assets at fair value through other comprehensive income</b>					
Stocks listed on domestic markets	2,730,648	2,730,648	-	-	2,730,648
Stocks listed on foreign markets	400,184	400,184	-	-	400,184
Stocks unlisted on domestic markets	1,990,100	-	-	1,990,100	1,990,100
Stocks unlisted on foreign markets	51,363	-	-	51,363	51,363
Accounts receivable	<u>23,020,497</u>	-	23,020,497	-	23,020,497
Subtotal	<u>28,192,792</u>				
<b>Financial assets measured at amortized cost</b>					
Cash and cash equivalents	70,296,545	-	-	-	-
Corporate bonds—current	350,000	-	-	-	-
Notes and accounts receivable, net	180,695,468	-	-	-	-
Notes and accounts receivable due from related parties, net	58,106	-	-	-	-
Other receivables	1,665,249	-	-	-	-
Refundable deposits	<u>401,753</u>	-	-	-	-
Subtotal	<u>253,467,121</u>				
Total	<u>\$ 286,340,437</u>				
<b>Financial liabilities at fair value through profit or loss</b>					
Derivative financial liabilities for non-hedging	\$ <u>26,913</u>	-	26,913	-	26,913
<b>Financial liabilities measured at amortized cost</b>					
Short-term borrowings	72,350,197	-	-	-	-
Notes and accounts payable	152,300,093	-	-	-	-
Notes and accounts payable to related parties	1,976,620	-	-	-	-
Other payables	14,790,757	-	-	-	-
Long-term borrowings current portion	17,535,625	-	-	-	-
Long-term borrowings	10,998,438	-	-	-	-
Deposits received	<u>209,354</u>	-	-	-	-
Subtotal	<u>270,161,084</u>				

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**COMPAL ELECTRONICS, INC. AND SUBSIDIARIES**  
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	December 31, 2018				
	Book value	Fair Value			
		Level 1	Level 2	Level 3	Total
Total	<u>\$ 270,187,997</u>				

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

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

- a) Financial liabilities measured at amortized cost

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

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

- a) Non-derivative financial instruments

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

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

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

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

The measurement of fair value of a non-active market financial instruments held by the Group which do not have quoted market prices are based on the comparable market approach, with the use of key assumptions of price-book ratio multiple or earnings multiple of comparable listed companies as its basic measurement. These assumptions have been adjusted for the effect of discount without the marketability

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**COMPAL ELECTRONICS, INC. AND SUBSIDIARIES**  
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of the equity securities.

b) Derivative financial instruments

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

4) Transfer from one level to another

The Group held an investment in equity of Crystalvue Medical Corporation (“Crystalvue”), with a fair value \$18,736 and \$11,287, which were classified as fair value through other comprehensive income as of December 31, 2019 and 2018, respectively. The fair value of the investment was categorized as level 3 as of December 31, 2018, because the shares were not listed on the exchange market and there were no recent observable arm’s length transactions in the shares. In December 2019, Crystalvue listed its equity shares in the exchange market, wherein they are actively traded. Currently, the equity shares have a published price quotation in an active market; therefore, the category was transferred from level 3 to level 1 as of December 31, 2019.

There was no transfer from one level to another in 2018.

5) Changes in level 3

The change in level 3 at fair value in the years ended December 31, 2019 and 2018, were as follow:

	<b>Financial assets at fair value through profit or loss</b>	<b>Financial assets at fair value through other comprehensive income</b>	<b>Total</b>
Balance on January 1, 2019	\$ 69,390	2,041,463	2,110,853
Total gains and losses recognized:			
In profit or loss	(9,627)	-	(9,627)
In other comprehensive income	-	210,191	210,191
Purchased	55,596	208,665	264,261
Disposal	-	(791)	(791)
Proceeds of capital reduction of investment	-	(10,120)	(10,120)
Transferred out from Level 3	-	(20,498)	(20,498)
Effect of changes in exchange rates	-	(4,857)	(4,857)
Balance on December 31, 2019	<u>\$ 115,359</u>	<u>2,424,053</u>	<u>2,539,412</u>
Balance on January 1, 2018	\$ 48,709	2,427,182	2,475,891
Total gains and losses recognized:			
In profit or loss	(3,064)	-	(3,064)
In other comprehensive income	-	(475,442)	(475,442)
Purchased	23,745	107,877	131,622

(Continued)

**COMPAL ELECTRONICS, INC. AND SUBSIDIARIES**  
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	<u>Financial assets at fair value through profit or loss</u>	<u>Financial assets at fair value through other comprehensive income</u>	<u>Total</u>
Proceeds of capital reduction of investment	-	(15,082)	(15,082)
Disposal	-	(3,072)	(3,072)
Balance on December 31, 2018	<u>\$ 69,390</u>	<u>2,041,463</u>	<u>2,110,853</u>

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

	<u>2019</u>	<u>2018</u>
Total gains and losses recognized:		
In profit or loss before tax (as “other gains and losses, net”)	\$ <u>(9,627)</u>	<u>(3,064)</u>
In other comprehensive income (as “other comprehensive income, before tax, equity instruments at fair value through other comprehensive income”)	\$ <u>210,191</u>	<u>(475,442)</u>

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

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

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

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**COMPAL ELECTRONICS, INC. AND SUBSIDIARIES**  
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The quantified information for significant unobservable inputs was as follows:

<u>Item</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Inter-relationships between significant unobservable inputs and fair value</u>
Financial assets at fair value through other comprehensive income – equity investment without an active market	Comparable market approach (Price-Book ratio method and Earnings multiplier method)	Price-Book ratio multiples (1.4~5.64 and 1.33~5.86 respectively, on December 31, 2019 and 2018)	The higher the multiple is, the higher the fair value will be.
		Multiples of earnings (3.12~16.6 and 2.32~14.97 respectively, on December 31, 2019 and 2018)	The higher the multiple is, the higher the fair value will be.
		Lack-of-Marketability discount rate (35%~82% and 40%~82% respectively, on December 31, 2019 and 2018)	The higher the Lack-of-Marketability discount rate is, the lower the fair value will be.
Financial assets at fair value through other comprehensive income	Net asset value method	Net asset value	Inapplicable
Financial assets at fair value through profit or loss – investment in private equity fund	Net asset value method	Net asset value	Inapplicable

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

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

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**COMPAL ELECTRONICS, INC. AND SUBSIDIARIES**  
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	Input	Move up or down	Other comprehensive income	
			Favorable change	Unfavorable change
<b>December 31, 2019</b>				
Financial assets at fair value through other comprehensive income	Price-Book ratio multiples	5%	\$ <u>28,209</u>	<u>27,261</u>
	Multiples of earnings	5%	\$ <u>21,481</u>	<u>19,524</u>
	Lack-of-Marketability discount rate	5%	\$ <u>12,886</u>	<u>12,938</u>
<b>December 31, 2018</b>				
Financial assets at fair value through other comprehensive income	Price-Book ratio multiples	5%	\$ <u>28,137</u>	<u>28,119</u>
	Multiples of earnings	5%	\$ <u>28,210</u>	<u>27,202</u>
	Lack-of-Marketability discount rate	5%	\$ <u>2,093</u>	<u>2,053</u>

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

8) Offsetting financial assets and financial liabilities

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

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

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

December 31, 2019						
Financial assets that are offset which have an exercisable master netting arrangement or similar agreement						
	Gross amounts of recognized financial assets (a)	Gross amounts of financial liabilities offset in the balance sheet (b)	Net amount of financial assets presented in the balance sheet (c)=(a)-(b)	Amounts not offset in the balance sheet (d)		
				Financial instruments	Cash collateral received	Net amount (e)=(c)-(d)
Other current assets	\$ <u>104,757,401</u>	<u>104,757,401</u>	-	-	-	-
	(USD <u>3,494,243</u> )	(USD <u>3,494,243</u> )				

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**COMPAL ELECTRONICS, INC. AND SUBSIDIARIES**  
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December 31, 2019						
Financial liabilities that are offset which have an exercisable master netting arrangement or similar agreement						
	Gross amounts of recognized financial liabilities (a)	Gross amounts of financial assets offset in the balance sheet (b)	Net amount of financial liabilities presented in the balance sheet (c)=(a)-(b)	Amounts not offset in the balance sheet (d)		Net amount (e)=(c)-(d)
				Financial instruments	Cash collateral received	
Short-term borrowings	\$ <u>104,757,401</u>	<u>104,757,401</u>	-	-	-	-
	(USD <u>3,494,243</u> )	(USD <u>3,494,243</u> )				

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

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

(ad) Financial risk management

(i) Overview

The Group is exposed to the following risks arising from financial instruments:

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

In this note expressed the information on risk exposure and objectives, policies and procedures of risk measurement and management of the Group. For detailed information, please refer to the related notes of each risk.

(ii) Structure of risk management

The Group's finance management department provides business services for the overall internal department. It sets the objectives, policies and processes for managing the risk and the methods used to measure the risk arising from both the domestic and international financial

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**COMPAL ELECTRONICS, INC. AND SUBSIDIARIES**  
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market operations.

The Group minimizes the risk exposure through derivative financial instruments. The Board of Directors regulated the use of derivative financial instruments in accordance with the Group's policy about risks arising from financial instruments such as currency risk, interest rate risk, credit risk, the use of derivative and non-derivative financial instruments and the investments of excess liquidity. The internal auditors of the Group continue with the review of the amount of the risk exposure in accordance with the Group's policies and the risk management policies and procedures. The Group has no transactions in financial instruments (including derivative financial instruments) for the purpose of speculation.

(iii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

1) Accounts receivable and other receivables

The Group has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer, and these limits are reviewed periodically.

2) Investments

The credit risks exposure in the bank deposits, investments with fixed income and other financial instruments are measured and monitored by the Group's finance department. Since the Group's transaction counterparties and the contractually obligated counterparties are banks, financial institutes and corporate organizations with good credits, there are no compliance issues, and therefore, no significant credit risk.

3) Guarantees

Pursuant to the Group's policies, it is only permissible to provide financial guarantees to subsidiaries and companies that the Group has business with. As of December 31, 2019 and 2018, the Group did not provide any guarantees to other companies besides its subsidiaries.

(iv) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities which be settled by delivering cash or another financial asset.

The Group manages and maintains sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. The Group's management supervises the banking facilities and ensures in compliance with the terms of the loan agreements. Please refer to notes (6)(n) and (6)(o) for unused credit lines of short-term and

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**COMPAL ELECTRONICS, INC. AND SUBSIDIARIES**  
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long-term borrowings as of December 31, 2019 and 2018.

(v) Market risk

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

1) Currency risk

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

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

2) Interest rate risk

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

3) Other price risk

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

(ae) Capital management

The policy of capital management made by the Board of Directors is to maintain a strong capital base so as to stabilize the confidence of the investors, creditors and the public market and to sustain future development of the business. Capital consists of ordinary shares, capital surplus, retained earnings and non-controlling interests. The Board of Directors monitors the return on capital as well as the level of dividends to ordinary shareholders.

The Group monitors the capital structure by way of periodical review the debt ratio. As of December 31, 2019 and 2018, the debt ratio was as follows:

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Total liabilities	<u>\$ 267,889,075</u>	<u>286,632,975</u>
Total assets	<u>\$ 382,648,419</u>	<u>399,794,823</u>
Debt ratio	<u>70%</u>	<u>72%</u>

The Group could purchase its own shares in the public market in accordance with the corresponding rules and regulations. The timing of the purchases depends on market prices.

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As of December 31, 2019, there were no changes in the Group's approach of capital management.

(af) 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 acquisition of right-of-use assets by leasing, please refer to note (6)(m). There were 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:

	<b>January 1, 2019</b>	<b>Cash flow</b>	<b>Other non-cash changes</b>	<b>December 31, 2019</b>
Short-term borrowings	\$ 72,350,197	(11,398,353)	-	60,951,844
Proceeds from issuance of convertible bonds	-	1,007,240	(40,748)	966,492
Long-term borrowings	28,534,063	(2,785,625)	-	25,748,438
Lease liabilities	2,089,950	(832,815)	1,009,953	2,267,088
Guarantee deposits and others	<u>238,324</u>	<u>(34,005)</u>	<u>41,719</u>	<u>246,038</u>
Total liabilities from financing activities	<u><b>\$ 103,212,534</b></u>	<u><b>(14,043,558)</b></u>	<u><b>1,010,924</b></u>	<u><b>90,179,900</b></u>
	<b>January 1, 2018</b>	<b>Cash flow</b>	<b>December 31, 2018</b>	
Short-term borrowings	\$ 56,515,525	15,834,672	72,350,197	
Long-term borrowings	27,452,888	1,081,175	28,534,063	
Guarantee deposits and others	<u>180,207</u>	<u>58,117</u>	<u>238,324</u>	
Total liabilities from financing activities	<u><b>\$ 84,148,620</b></u>	<u><b>16,973,964</b></u>	<u><b>101,122,584</b></u>	

**(7) Related-party transactions:**

(a) Name and relationship with related parties

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

<u>Name of related party</u>	<u>Relationship with the Group</u>
Compal Precision Module (Jiangsu) Co., Ltd.	An associate
Changbao Electronic Technology (Chongqing) Co., Ltd.	An associate
LCFC (Note 1)	An associate
Avalue Technology Inc. ("Avalue")	An associate
Crownpo Technology Inc. ("Crownpo")	An associate
Allied Circuit Co., Ltd. ("Allied Circuit")	An associate
Kinpo Group Management Consultant Company ("Kinpo Group Management")	An associate

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**COMPAL ELECTRONICS, INC. AND SUBSIDIARIES**  
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<u>Name of related party</u>	<u>Relationship with the Group</u>
LIZ Electronics (Kunshan) Co., Ltd.	An associate
Compal Connector Manufacture Ltd. ("CCM")	A joint venture company
AcBel Polytech Inc. ("AcBel") and its subsidiaries	The same Chairman of the Board with the Company

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

(b) Transactions with key management personnel

Key management personnel remunerations comprised:

	<u>2019</u>	<u>2018</u>
Short-term employee benefits	\$ 671,762	660,609
Post-employment benefits	8,225	7,984
Share-based payments	<u>30,276</u>	<u>(78,216)</u>
	<u>\$ 710,263</u>	<u>590,377</u>

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

(c) Significant related-party transactions

(i) Sale of goods to related parties

The amounts of significant sales transactions between the Group and related parties were as follows:

	<u>2019</u>	<u>2018</u>
Associates	\$ 288,629	323,587
Other related parties	<u>24</u>	<u>4,455</u>
	<u>\$ 288,653</u>	<u>328,042</u>

Sales prices for related parties were similar to those of the third-party customers. The collection period was 60~120 days for related parties.

(ii) Purchase of goods from related parties

The amounts of significant purchase transactions between the Group and related parties were as follows:

	<u>2019</u>	<u>2018</u>
Associates	\$ 3,678,644	4,010,999
Other related parties	1,663,747	1,365,892
Joint venture	<u>31,150</u>	<u>95,900</u>

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

\$ 5,373,541    5,472,791

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

(iii) Receivables due from relate parties

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

<u>Account</u>	<u>Related party categories</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Notes and accounts receivable	Associates	\$ 44,493	56,701
Notes and accounts receivable	Other related parties	19	1,405
Other receivables	Other related parties	62	-
Other receivables	Joint venture	-	120
		<u>\$ 44,574</u>	<u>58,226</u>

(iv) Payables to related parties

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

<u>Account</u>	<u>Related party categories</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Notes and accounts payable	Associates	\$ 764,129	1,245,574
Notes and accounts payable	Other related parties	740,742	705,761
Notes and accounts payable	Joint venture	37	25,285
Other payables	Associates	-	1,019
		<u>\$ 1,504,908</u>	<u>1,977,639</u>

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**COMPAL ELECTRONICS, INC. AND SUBSIDIARIES**  
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**(8) Pledged assets:**

The carrying values of pledged assets were as follows:

<u>Pledged Assets</u>	<u>Subject</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Other current assets	Bail for court mandatory execution	\$ 41,090	41,090
Property, plant and equipment	Long-term borrowings (including current portion) (note)	249,445	715,913
Other non-current assets	Guarantee of post-release duty payment to the customs and guarantee of the customs	<u>500</u>	<u>500</u>
		<u>\$ 291,035</u>	<u>757,503</u>

Note: Part of long-term borrowings had been settled in 2015, and the assets on property—land were no longer pledged as collaterals in 2019.

**(9) Commitments and contingencies:**

The details of commitments and contingencies were as follows:

- (a) On May 17, 2017, Qualcomm Inc. filed a lawsuit to the Southern District Court of California, USA against the Group for not paying the royalties of the patent license agreement. The Group has filed counterclaims against Qualcomm Inc. based on the antitrust law in the same court on July 19, 2017. The lawsuits was settled on April 16, 2019. The Group had compromised and both parties had agreed to drop the lawsuits.
- (b) 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.
- (c) The Group entered into various patent license agreements with third parties, and was required to make royalty payments of a predetermined amount periodically.
- (d) As of December 31, 2019 and 2018, the Group's signed commitments to purchase property, plant and equipment amounted to \$548,202 and \$187,872, respectively.

**(10) Losses due to major disasters: None****(11) Subsequent events: None**

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**(12) Other:**

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

By function By item	2019			2018		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salary	18,163,713	12,202,863	30,366,576	17,181,336	11,515,507	28,696,843
Labor and health insurance	909,916	816,727	1,726,643	826,628	744,593	1,571,221
Pension	1,219,607	504,059	1,723,666	1,242,331	475,288	1,717,619
Others	2,075,648	623,657	2,699,305	2,641,948	578,881	3,220,829
Depreciation	5,029,744	944,616	5,974,360	4,100,520	495,005	4,595,525
Amortization	77,908	367,153	445,061	55,897	289,250	345,147

**(13) Other disclosures:**

## (a) Information on significant transactions

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

- (i) Loans to other parties: Please refer to Table 1
- (ii) Guarantees and endorsements for other parties: Please refer to Table 2
- (iii) Securities held as of December 31, 2019 (excluding investment in subsidiaries, associates and joint ventures): Please refer to Table 3
- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: Please refer to Table 4
- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
- (vi) Disposals of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: Please refer to Table 5
- (viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: Table 6
- (ix) Trading in derivative instruments: Please refer to notes (6)(b) and (6)(d)
- (x) Business relationships and significant intercompany transactions: Please refer to Table 7

(Continued)

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

- (b) Information on investees: Please refer to Table 8  
(c) Information on investment in Mainland China: Please refer to Table 9

**(14) Segment information:**

- (a) General information

The Group's information technology product segment is primarily engaged in the development, manufacture and sale of information technology products and mobile communication products. The strategy integrate product segment is primarily engaged in the research, development, manufacture and sale of networking products.

- (b) Reportable segments and operating segment information

Accounting policies for the operating segments correspond to those stated in note 4. The profit and loss of the operating segment of the Group is measured by earnings before taxes and as the basis for performance measurement. The amount of the Group's reportable segments consistent with the one of the report that the operating decision maker used, and the Group does not allocate assets and liabilities to the reportable segments for the purpose of operating decisions to measure assets and liabilities of segments.

The operating segment information was as follows:

	<b>For the year ended December 31, 2019</b>			
	<b>Information technology product segment</b>	<b>Strategy integrated product segment</b>	<b>Adjustment and elimination</b>	<b>Total</b>
<b>Revenue</b>				
Revenue from external customers	\$ 947,546,939	32,895,407	-	980,442,346
Interest revenue	<u>1,593,904</u>	<u>70,899</u>	-	<u>1,664,803</u>
Total revenue	<u><b>\$ 949,140,843</b></u>	<u><b>32,966,306</b></u>	<u>-</u>	<u><b>982,107,149</b></u>
Interest expense	\$ 2,669,003	56,561	-	2,725,564
Depreciation and amortization	5,991,303	428,118	-	6,419,421
Investment gain (loss)	197,008	-	-	197,008
Other significant non-cash items:				
Impairment of assets	-	-	-	-
<b>Reportable segment profit</b>	<u><b>\$ 8,307,224</b></u>	<u><b>1,700,652</b></u>	<u>-</u>	<u><b>10,007,876</b></u>
<b>Reportable segment assets</b>				\$ 382,648,419
<b>Reportable segment liabilities</b>				\$ 267,889,075

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**COMPAL ELECTRONICS, INC. AND SUBSIDIARIES**  
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	For the year ended December 31, 2018			
	Information technology product segment	Strategy integrated product segment	Adjustment and elimination	Total
<b>Revenue</b>				
Revenue from external customers	\$ 941,106,606	26,599,805	-	967,706,411
Interest revenue	1,420,529	43,129	-	1,463,658
<b>Total revenue</b>	<b>\$ 942,527,135</b>	<b>26,642,934</b>	<b>-</b>	<b>969,170,069</b>
Interest expense	\$ 2,599,996	36,447	-	2,636,443
Depreciation and amortization	4,692,636	248,036	-	4,940,672
Investment gain (loss)	797,368	-	-	797,368
Other significant non-cash items:				
Impairment of assets	-	-	-	-
<b>Reportable segment profit</b>	<b>\$ 10,714,350</b>	<b>1,075,235</b>	<b>-</b>	<b>11,789,585</b>
<b>Reportable segment assets</b>				\$ 399,794,823
<b>Reportable segment liabilities</b>				\$ 286,632,975

## (c) Products information

The information of revenue from external customers:

<b>Products and services</b>	<b>2019</b>	<b>2018</b>
5C related electronic products	\$ 977,895,468	965,217,737
Others	2,546,878	2,488,674
	<b>\$ 980,442,346</b>	<b>967,706,411</b>

## (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:

<b>Country</b>	<b>2019</b>	<b>2018</b>
United States	\$ 378,999,466	363,952,505
China	103,572,415	121,029,441
Netherlands	98,958,916	110,870,861
Others	398,911,549	371,853,604

(Continued)

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

\$ 980,442,346      967,706,411

(ii) Non-current assets:

<u>Country</u>	<u>2019</u>	<u>2018</u>
China	\$ 13,525,794	15,023,523
Taiwan	10,389,632	7,345,390
Others	<u>1,578,056</u>	<u>1,050,542</u>
	<u>\$ 25,493,482</u>	<u>23,419,455</u>

Non-current assets include plant, property, and equipment, intangible assets, and other assets, excluding deferred tax assets.

(e) The details of sales revenue from external customers more than 10% of the amount of consolidated statement of comprehensive income are as follows:

	<u>2019</u>	<u>2018</u>
D Company	\$ 390,210,303	414,474,616
F Company	212,262,458	187,925,666
A Company	96,591,070	128,790,649
E Company	<u>105,890,275</u>	<u>66,783,151</u>
	<u>\$ 804,954,106</u>	<u>797,974,082</u>

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

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

(In Thousands of New Taiwan Dollars)

No.	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits	Maximum limit of fund financing	Note
													Item	Value			
0	The Company	CVC	Other receivables	Y	316,000	-	-	3.20%	Short-term financing	-	Operating demand	-	-	-	21,194,526	42,389,053	(Note 1)
0	The Company	UCGI	Other receivables	Y	500,000	250,000	220,000	1.20%	Short-term financing	-	Operating demand	-	-	-	21,194,526	42,389,053	(Note 1)
0	The Company	HengHao	Other receivables	Y	405,369	200,000	200,000	1.2%-2.82%	Short-term financing	-	Operating demand	-	-	-	21,194,526	42,389,053	(Note 1)
0	The Company	CEB	Other receivables	Y	1,580,000	1,499,000	1,499,000	3.50%	Short-term financing	-	Operating demand	-	-	-	21,194,526	42,389,053	(Note 1)
1	CIH	CEP	Other receivables	Y	110,600	104,930	43,471	3.50%	Short-term financing	-	Operating demand	-	-	-	34,545,521	34,545,521	(Note 2)
2	CPI	CVC	Other receivables	Y	316,000	-	-	3.20%	Short-term financing	-	Operating demand	-	-	-	890,733	890,733	(Note 3)
3	CPC	CDE	Other receivables	Y	1,380,900	1,291,500	1,291,500	2.20%	Short-term financing	-	Operating demand	-	-	-	2,096,417	2,096,417	(Note 4)
3	CPC	CIC	Other receivables	Y	430,500	430,500	-	2.20%	Short-term financing	-	Operating demand	-	-	-	2,096,417	2,096,417	(Note 4)
4	CIT	CCI Nanjing	Other receivables	Y	2,212,000	2,098,600	2,098,600	2.76%	Short-term financing	-	Operating demand	-	-	-	20,539,992	20,539,992	(Note 5)
4	CIT	Rayonnant (Taicang)	Other receivables	Y	69,045	64,575	64,575	4.35%	Short-term financing	-	Operating demand	-	-	-	20,539,992	20,539,992	(Note 5)
5	PFG	CEB	Other receivables	Y	308,950	-	-	2.50%	Short-term financing	-	Operating financing	-	-	-	435,070	435,070	(Note 6)
6	CPO	HengHao Kunshan	Other receivables	Y	644,420	602,700	602,700	4.35%	Short-term financing	-	Operating demand	-	-	-	2,777,160	2,777,160	(Note 7)
6	CPO	CIT	Other receivables	Y	645,750	645,750	-	2.20%	Short-term financing	-	Operating demand	-	-	-	2,777,160	2,777,160	(Note 7)
7	CET	BT	Other receivables	Y	274,800	258,300	64,575	2.20%	Short-term financing	-	Operating demand	-	-	-	4,625,117	4,625,117	(Note 8)
8	Panpal	HengHao	Other receivables	Y	600,000	600,000	600,000	1.20%	Short-term financing	-	Operating demand	-	-	-	5,896,656	5,896,656	(Note 9)
9	Arcadyan	Arcadyan Brasil	Other receivables	Y	246,160	60,040	39,026	1.00%	Short-term financing	-	Operating financing	-	-	-	2,180,945	4,361,890	(Note 10)
9	Arcadyan	Arcadyan UK	Other receivables	Y	219,730	210,140	-	1.00%	Transaction for business between two parties	4,503,000	-	-	-	-	2,180,945	4,361,890	(Note 10)
9	Arcadyan	Arcadyan AU	Other receivables	Y	126,400	-	-	1.00%	Transaction for business between two parties	1,501,000	-	-	-	-	1,200,800	4,361,890	(Note 10)
9	Arcadyan	Arcadyan Vietnam	Other receivables	Y	284,400	270,180	-	1.00%	Transaction for business between two parties	600,400	-	-	-	-	480,320	4,361,890	(Note 10)
10	Zhi-pal	Arcadyan Brasil	Other receivables	Y	34,760	33,022	-	1.00%	Short-term financing	-	Operating financing	-	-	-	41,642	166,568	(Note 11)
11	Arcadyan Holding	CNC	Other receivables	Y	523,940	510,340	510,340	1.00%	Short-term financing	-	Operating financing	-	-	-	2,003,996	2,003,996	(Note 12)

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

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

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

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## COMPAL ELECTRONICS, INC. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

**Table 1 Loans to other parties:**

(December 31, 2019)

- Note 4: According to CPC's Procedures for Lending Funds to Other parties, the total amount of loans to others shall not exceed 40% of the net worth of CPC. When a shortterm financing facility with CPC is necessary, the total amount for lending the borrower shall not exceed 80% of the borrower's net worth, nor shall it exceed 50% of CPC's total amount of capital lent, and shall be combined with the company's endorsements/guarantees for calculation. In addition, when lending to the ultimate parent company's 100% directly or indirectly owned overseas subsidiaries, the total amount of loans is not limited by the two aforesaid restrictions, but the maximum amount shall not exceed the net worth of CPC, and shall be combined with the company's endorsements/guarantees for the borrower when calculating.
- Note 5: According to CIT's Procedures for Lending Funds to Other parties, the total amount of loans to others shall not exceed 40% of the net worth of CIT. When a shortterm financing facility with CIT is necessary, the total amount for lending the borrower shall not exceed 80% of the borrower's net worth, nor shall it exceed 50% of CIT's total amount of capital lent, and shall be combined with the company's endorsements/guarantees for calculation. In addition, when lending to the ultimate parent company's 100% directly or indirectly owned overseas subsidiaries, the total amount of loans is not limited by the two aforesaid restrictions, but the maximum amount shall not exceed the net worth of CIT, and shall be combined with the company's endorsements/guarantees for the borrower when calculating.
- Note 6: According to PFG's Procedures for Lending Funds to Other parties, the total amount of loans to others shall not exceed 40% of the net worth of PFG. When a shortterm financing facility with PFG is necessary, the total amount for lending the borrower shall not exceed 80% of the borrower's net worth, nor shall it exceed 50% of PFG's total amount of lendable capital, and shall be combined with the company's endorsements/guarantees for calculation. In addition, when lending to the ultimate parent company's 100% directly or indirectly owned overseas subsidiaries, the total amount of loans is not limited by the two aforesaid restrictions, but the maximum amount shall not exceed the net worth of PFG, and shall be combined with the company's endorsements/guarantees for the borrower when calculating.
- Note 7: According to CPO's Procedures for Lending Funds to Other parties, the total amount of loans to others shall not exceed 40% of the net worth of CPO. When a shortterm financing facility with CPO is necessary, the total amount for lending the borrower shall not exceed 80% of the borrower's net worth, nor shall it exceed 50% of CPO's total amount of lendable capital, and shall be combined with the company's endorsements/guarantees for calculation. In addition, when lending to the ultimate parent company's 100% directly or indirectly owned overseas subsidiaries, the total amount of loans is not limited by the two aforesaid restrictions, but the maximum amount shall not exceed the net worth of CPO, and shall be combined with the company's endorsements/guarantees for the borrower when calculating.
- Note 8: According to CET's Procedures for Lending Funds to Other parties, the total amount of loans to others shall not exceed 40% of the net worth of CET. When a shortterm financing facility with CET is necessary, the total amount for lending the borrower shall not exceed 80% of the borrower's net worth, nor shall it exceed 50% of CET's total amount of lendable capital, and shall be combined with the company's endorsements/guarantees for calculation. In addition, when lending to the ultimate parent company's 100% directly or indirectly owned overseas subsidiaries, the total amount of loans is not limited by the two aforesaid restrictions, but the maximum amount shall not exceed the net worth of CET, and shall be combined with the company's endorsements/guarantees for the borrower when calculating.
- Note 9: According to Panpal's Procedures for Lending Funds to Other parties, the total amount of loans to others shall not exceed 40% of the net worth of Panpal. When a shortterm financing facility with Panpal is necessary, the total amount for lending the borrower shall not exceed 80% of the borrower's net worth, nor shall it exceed 50% of Panpal's total amount of lendable capital, and shall be combined with the company's endorsements/guarantees for calculation. In addition, when lending to the total amount lendable to 100% directly or indirectly owned subsidiaries by the Company, or the ultimate parent company's 100% directly or indirectly owned overseas subsidiaries, the total amount of loans is not limited by the two aforesaid restrictions of 80%, but the maximum amount shall not exceed the of Panpal, and shall be combined with the company's endorsements/guarantees for the borrower when calculating.
- Note 10: According to Arcadyan's Procedures for Lending Funds to Other parties, the total amount of loans to others shall not exceed 40% of the net worth of Arcadyan. To borrowers having business relationship with Arcadyan, the total amount for lending the borrower shall not exceed 80% of the transaction amount in the last fiscal year or the expecting amount for the current year, nor shall it exceed 20% of the net worth of Arcadyan. Also, the amount shall be combined with the Arcadyan's endorsements/guarantees for the borrower when calculating. When a short-term financing facility is necessary, the borrower should be Arcadyan's investee. The total amount for lending the borrower shall not exceed 80% of the net worth of the borrower, nor shall it exceed 20% of the net worth of Arcadyan, and shall be combined with the Arcadyan's endorsements/guarantees for the borrower when calculating.
- Note 11: 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, and the total amount for lending the borrower shall not exceed 10% of the net worth of the borrower.
- Note 12: According to Arcadyan Holding's Procedures of Lending Funds to Other Parties, the total amount of loans to others shall not exceed the net worth of Arcadyan Holding. When a short-term financing facility is necessary, the borrower should be Arcadyan Holding's investee. The total amount for lending the borrower shall not exceed the net worth of Arcadyan Holding, and shall be combined with the Arcadyan Holding's endorsements/ guarantees for the borrower when calculating.
- Note 13: The transactions had been eliminated in the consolidated financial statements.

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**Table 2 Guarantees and endorsements for other parties:**

(December 31, 2019)

(In Thousands of New Taiwan Dollars)

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements (Note 1) and (Note 4)	Parent company endorsements / guarantees to third parties on behalf of subsidiary	Subsidiary endorsements / guarantees to third parties on behalf of parent company	Endorsements / guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company										
0	The Company	CEB	(Note 3)	26,493,158	63,200	59,960	59,960	-	0.06%	52,986,316	Y	-	-
0	The Company	CEP	(Note 2)	26,493,158	260,766	195,702	195,702	-	0.18%	52,986,316	Y	-	-
1	Arcadyan	Arcadyan Brasil	(Note 5)	1,453,963	246,160	-	-	-	-	4,361,890	Y	-	-

Note 1: According to the Company's Procedures for Endorsement and Guarantee, the total amount of endorsements/ guarantees the Company or the Group is permitted to make shall not exceed 50% of the Company's net worth. Endorsements/ guarantees the Company and the Group are permitted to make for a single company shall not exceed 25% of the Company's net worth. For entities having business relationship with the Company, the amount of endorsements/ guarantees for a single company shall not exceed 80% of the transaction amount in the last fiscal year or the expecting amount of the current year, and shall be combined with the amount lend to others when calculating. The amount of endorsements/ guarantees permitted to make between subsidiaries whose over 90% of its voting shares are owned, directly or indirectly, by the Company shall be no more than 10% of the net worth of the Company. The amount of endorsements/ guarantees permitted to make between directly or indirectly wholly owned subsidiaries is not limited by the aforementioned restriction, only the maximum amount shall be no more than 25% of the net worth of the Company.

Note 2: Subsidiary whose over 50% common stock is directly owned.

Note 3: Subsidiary whose over 50% common stock is indirectly owned.

Note 4: According to Arcadyan's Procedures for Endorsement and Guarantee, the total amount shall not exceed 40% of the net worth for latest financial statements audited or reviewed by Certified Public Accountants, and the amount for a single company shall not exceed 1/3 of the total amount.

Note 5: Subsidiary whose 100% common stock is directly owned by Arcadyan.

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

(In Thousands of shares/ units)

Name of holder	Category and name of security	Relationship with security issuer	Account name	Ending balance				The highest holdings in the period		Note
				Shares/Units (thousands)	Carrying value	Holding percentage (%)	Fair value	Shares/Units (thousands)	Holding percentage (%)	
The Company	Taiwan Star	-	Financial assets at fair value through other comprehensive income-non-current	98,046	680,442	3%	680,442	98,046	3%	
	Kinpo Electronics, Inc. ("Kinpo")	The same chairman of the Company	Financial assets at fair value through other comprehensive income-non-current	124,044	1,593,962	9%	1,593,962	124,044	9%	
	Cal-Comp Electronics (Thailand) Public Co., Ltd.	The same chairman of the Company	Financial assets at fair value through other comprehensive income-non-current	239,631	448,110	5%	448,110	239,631	5%	
	Innolux Corporation ("Innolux")	-	Financial assets at fair value through other comprehensive income-non-current	-	-	-	-	134,877	1%	
	HWA VI Venture Capital Corp.	-	Financial assets at fair value through other comprehensive income-non-current	290	25,397	10%	25,397	290	10%	
	HWA Chi Venture Capital Corp.	-	Financial assets at fair value through other comprehensive income-non-current	842	23,933	11%	23,933	1,053	11%	
	mProbe Ltd.	-	Financial assets at fair value through other comprehensive income-non-current	4,000	40,920	2%	40,920	4,000	3%	
	Global BioPharma, Inc.	-	Financial assets at fair value through other comprehensive income-non-current	2,000	34,260	3%	34,260	2,000	3%	
	Chen Feng Optoelectronics	-	Financial assets at fair value through other comprehensive income-non-current	6,685	97,866	11%	97,866	6,685	13%	
	PrimeSensor Technology Inc.	-	Financial assets at fair value through other comprehensive income-non-current	861	7,266	3%	7,266	1,357	3%	
	Macroblock, Inc.	-	Financial assets at fair value through other comprehensive income-non-current	-	-	-	-	748,656	2%	
	IIH Biomedical Venture Fund	-	Financial assets at fair value through profit or loss-non current	2,500	24,350	8%	24,350	2,500	8%	
	UBS Extendible Money Mkt Cert.	-	Financial assets at fair value through profit or loss-current	-	149,888	-	149,888	-	-	
	Others		Financial assets at fair value through profit or loss and other comprehensive income		113,984					
	Total				<u>3,240,378</u>					
Panpal	Compal Electronics, Inc.	The parent company	Financial assets at fair value through other comprehensive income-non-current	31,648	596,566	1%	596,566	31,648	1%	(Note 1)
	Kinpo	The same chairman of the Company	Financial assets at fair value through other comprehensive income-non-current	23,172	297,766	2%	297,766	23,172	2%	
	CDIB Partners Investment Holding Corp.	-	Financial assets at fair value through other comprehensive income-non-current	54,000	941,220	5%	941,220	54,000	5%	
	AcBel	The same chairman of the Company	Financial assets at fair value through other comprehensive income-non-current	5,677	137,092	1%	137,092	5,677	1%	
	Chipbond Technology Corp.	-	Financial assets at fair value through profit or loss-current	-	-	-	-	5,251	1%	
	Taiwan Biotech Co., Ltd.	-	Financial assets at fair value through other comprehensive income-non-current	4,897	134,085	3%	134,085	4,897	3%	
	Others	-	Financial assets at fair value through other comprehensive income-non-current		103,583					
	Total				<u>2,210,312</u>					
Gempal	Compal Electronics, Inc.	The parent company	Financial assets at fair value through other comprehensive income-non-current	18,369	346,262	-	346,262	18,369	-	(Note 1)
	Lian Hong Art. Co., Ltd.	-	Financial assets at fair value through other comprehensive income-non-current	2,140	65,670	8%	65,670	2,140	8%	
	Global BioPharma, Inc.	-	Financial assets at fair value through other comprehensive income-non-current	2,000	34,265	3%	34,265	2,000	3%	

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

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

(In Thousands of shares/ units)

Name of holder	Category and name of security	Relationship with security issuer	Account name	Ending balance				The highest holdings in the period		Note
				Shares/Units (thousands)	Carrying value	Holding percentage (%)	Fair value	Shares/Units (thousands)	Holding percentage (%)	
Gempal	Others	-	Financial assets at fair value through other comprehensive income-non-current		2,699					
	Total				<u>448,896</u>					
Hong Ji	SUYIN Optronics Co., Ltd. ("SUYIN Optronics")	-	Financial assets at fair value through other comprehensive income-non-current	380	<u>182</u>	1%	182	380	1%	
Hong Jin	SUYIN Optronics	-	Financial assets at fair value through other comprehensive income-non-current	332	<u>160</u>	1%	160	332	1%	
Arcadyan	GeoThings Inc.	-	Financial assets at fair value through profit or loss-non-current	200	-	9%	-	200	9%	(Note 2)
	AirHop Communication Inc.	-	Financial assets at fair value through profit or loss-non-current	1,152	-	5%	-	1,152	7%	(Note 2)
	Adant Technologies Inc.	-	Financial assets at fair value through profit or loss-non-current	349	-	5%	-	349	5%	(Note 2)
	IOT EYE, Inc.	-	Financial assets at fair value through profit or loss-non-current	60	-	14%	-	60	6%	(Note 2)
	TIEF FUND L.P.	-	Financial assets at fair value through profit or loss-non-current	-	44,262	7%	44,262	-	7%	
	Chimei Motor Electronics Co., LTD	-	Financial assets at fair value through other comprehensive income-non-current	1,650	49,500	9%	49,500	1,650	9%	
	Total				<u>93,762</u>					
Mactech	Taichung International Golf Country Club	-	Financial assets at fair value through other comprehensive income-non-current	-	<u>7,530</u>	-	7,530	-	-	
HHB	HWALLAR OPTRONICS (Fuzhou) CO., LTD.	-	Financial assets at fair value through profit or loss-non-current	-	-	19%	-	-	19%	(Note 2)
Mithera	Beyond Limits, Inc.	-	Financial assets at fair value through other comprehensive income-non-current	873	<u>134,910</u>	-	134,910	873	-	
CPC	Structured deposits-SPD Bank Yield Plus Structured Deposit	-	Financial assets at fair value through profit or loss-current	-	<u>394,013</u>	-	394,013	-	-	
CET	Structured deposits-SPD Bank Yield Plus Structured Deposit	-	Financial assets at fair value through profit or loss-current	-	<u>437,840</u>	-	437,840	-	-	
CEC	Structured deposits-Bank of Communications Yun Tong Cai Fu, Structured Deposit	-	Financial assets at fair value through profit or loss-current	-	<u>219,070</u>	-	219,070	-	-	
CEQ	Structured deposits-Bank of Communications Yun Tong Cai Fu, Structured Deposit	-	Financial assets at fair value through profit or loss-current	-	<u>129,647</u>	-	129,647	-	-	

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

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

(Continued)

## COMPAL ELECTRONICS, INC. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

**Table 4 Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock:**  
(For the year ended December 31, 2019)

(In Thousands of New Taiwan Dollars)

Name of company	Category and name of security	Account name	Name of counter-party	Relationship with the company	Beginning Balance		Purchases		Sales			Others		Ending Balance		
					Shares/ Units (thousands)	Amount	Shares/ Units (thousands)	Amount	Shares/ Units (thousands)	Price	Cost	Gain (loss) on disposal	Shares/ Units (thousands)	Amount	Shares/ Units (thousands)	Amount
The Company	Chipbond	Financial assets at fair value through profit or loss-current	-	-	4,593	284,768	-	-	4,593	307,207	307,207	-	-	22,439 (Note 1)	-	-
The Company	Innolux Corporation	Financial assets at fair value through other comprehensive income-non-current	-	-	109,227	1,061,690	-	-	109,227	763,181	763,181	-	-	(298,509) (Note 1)	-	-
Panpal	Chipbond	Financial assets at fair value through profit or loss-current	-	-	5,251	325,560	-	-	5,251	344,843	344,843	-	-	19,283 (Note 1)	-	-
BSH	HSI	Investments accounted for using equity method	Issued for cash	-	-	-	37,000	1,109,260	-	-	-	-	-	-	37,000 (Note 3)	1,109,260
HSI	IUE	Investments accounted for using equity method	Issued for cash	-	30,000	455,400	37,000	1,109,260	-	-	-	-	-	(202,793) (Note 3)	67,000	1,361,867
IUE	CVC	Investments accounted for using equity method	Issued for cash	-	30,000	480,087	37,000	1,109,260	-	-	-	-	-	(203,384) (Note 3)	67,000	1,385,963
CPC	Structured deposits-SPD Bank Yield Plus Structured Deposit	Financial assets at fair value through profit or loss-current	Shanghai Pudong Development Bank	-	-	179,963	-	1,203,551	-	989,834	979,843	9,991 (Note 2)	-	333 (Note 1)	-	394,013
CIT	Structured deposits-Bank of Communications Yun Tong Cai Fu. Structured Deposit	Financial assets at fair value through profit or loss-current	Bank of Communications	-	-	-	-	894,833	-	910,892	894,833	16,059 (Note 2)	-	16,059 (Note 1)	-	-
CIT	Structured deposits-SPD Bank Yield Plus Structured Deposit	Financial assets at fair value through profit or loss-current	Shanghai Pudong Development Bank	-	-	-	-	894,833	-	910,892	894,833	16,059 (Note 2)	-	16,059 (Note 1)	-	-
CEC	Structured deposits-Bank of Communications Yun Tong Cai Fu. Structured Deposit	Financial assets at fair value through profit or loss-current	Bank of Communications	-	-	576,466	-	1,825,461	-	2,196,103	2,174,447	21,656 (Note 2)	-	13,246 (Note 1)	-	219,070
CEQ	Structured deposits-Bank of Communications Yun Tong Cai Fu. Structured Deposit	Financial assets at fair value through profit or loss-current	Bank of Communications	-	-	260,029	-	501,107	-	633,487	626,384	7,103 (Note 2)	-	1,998 (Note 1)	-	129,647
CEQ	Structured deposits-Industrial Bank Structured Deposits	Financial assets at fair value through profit or loss-current	Industrial Bank Co.,Ltd	-	-	259,705	-	259,502	-	526,798	519,004	7,794 (Note 2)	-	7,591 (Note 1)	-	-
CPO	Structured deposits-Bank of Communications Yun Tong Cai Fu. Structured Deposit	Financial assets at fair value through profit or loss-current	Bank of Communications	-	-	448,948	-	-	-	451,877	447,416	4,461 (Note 2)	-	2,929 (Note 1)	-	-
CPO	Structured deposits-SPD Bank Yield Plus Structured Deposit	Financial assets at fair value through profit or loss-current	Shanghai Pudong Development Bank	-	-	480,285	-	-	-	482,449	478,736	3,713 (Note 2)	-	2,164 (Note 1)	-	-
CPO	Structured deposits-The RMB "Open on schedule" Financial Product	Financial assets at fair value through profit or loss-current	Bank of China	-	-	-	-	447,417	-	456,614	447,417	9,197 (Note 2)	-	9,197 (Note 1)	-	-
CIC	Structured deposits-SPD Bank Yield Plus Structured Deposit	Financial assets at fair value through profit or loss-current	Shanghai Pudong Development Bank	-	-	179,699	-	1,073,801	-	1,265,163	1,252,768	12,395 (Note 2)	-	11,663 (Note 1)	-	-
CIC	Structured deposits-Win-win Interest Rate Structure RMB Structural Deposits	Financial assets at fair value through profit or loss-current	China CITIC Bank	-	-	-	-	447,417	-	450,405	447,417	2,988 (Note 2)	-	2,988 (Note 1)	-	-
CET	Structured deposits-Bank of Communications Yun Tong Cai Fu. Structured Deposit	Financial assets at fair value through profit or loss-current	Bank of Communications	-	-	225,651	-	1,118,542	-	1,360,587	1,342,250	18,337 (Note 2)	-	16,394 (Note 1)	-	-
CET	Structured deposits-Agricultural Bank of China "HuiLiFeng" customization RMB structured deposit	Financial assets at fair value through profit or loss-current	Agricultural Bank of China	-	-	676,881	-	447,417	-	1,129,780	1,118,542	11,238 (Note 2)	-	5,482 (Note 1)	-	-
CET	Structured deposits-The RMB "Open on schedule" Financial Product	Financial assets at fair value through profit or loss-current	Bank of China	-	-	451,154	-	223,708	-	667,681	671,125	6,556 (Note 2)	-	2,819 (Note 1)	-	-

(Continued)

## COMPAL ELECTRONICS, INC. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

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

(For the year ended December 31, 2019)

(In Thousands of New Taiwan Dollars)

Name of company	Category and name of security	Account name	Name of counter-party	Relationship with the company	Beginning Balance		Purchases		Sales			Others		Ending Balance	
					Shares/ Units (thousands)	Amount	Shares/ Units (thousands)	Amount	Shares/ Units (thousands)	Price	Cost	Gain (loss) on disposal	Shares/ Units (thousands)	Amount	Shares/ Units (thousands)
CET	Structured deposits-SPD Bank Yield Plus Structured Deposit	Financial assets at fair value through profit or loss-current	Shanghai Pudong Development Bank	-	-	-	1,297,509	-	858,447	850,092	8,355 (Note 2)	-	(1,222) (Note 1)	-	437,840
CET	Structured deposits-Win-win Interest Rate Structure RMB Structural Deposits	Financial assets at fair value through profit or loss-current	China CITIC Bank	-	-	-	1,297,509	-	1,307,480	1,297,509	9,971 (Note 2)	-	9,971 (Note 1)	-	-
Arcadyan	Arcadyan Holding	Investments accounted for using equity method	Issued for cash	-	32,780	1,221,252	27,000	823,505	-	-	-	-	(87,955) (Note 3)	59,780	1,956,802

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

Note 2: Including gains and losses on disposal and foreign exchange gains and losses.

Note 3: Including share of profit (loss) accounted for using equity method and exchange differences on translation of foreign financial statements.

(Continued)

## COMPAL ELECTRONICS, INC. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

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

(In Thousands of New Taiwan Dollars)

Company Name	Counter party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/(Sale)	Amount	Percentage of total purchases/(sales)	Payment terms	Unit price	Payment Terms	Ending Balance	Percentage of total notes/accounts receivable (payable)	
The Company	UCGI	Subsidiaries wholly owned by the Company	Sale	(195,680)	-	120 days	Similar to non-related parties	There is no significant difference	45,158	-	(Note 2)
	CBN	The Company's subsidiaries	Sale	(962,973)	(0.1)%	90 days	Similar to non-related parties	There is no significant difference	330,670	0.2%	(Note 2)
	CIH and its subsidiaries	Subsidiaries wholly owned by the Company	Purchase	189,074,111	21.6%	120 days	Similar to non-related parties	There is no significant difference, and adjustments will be made based on demand for funding if necessary	(51,022,067)	(34.2)%	(Note 2)
	Just and its subsidiaries	Subsidiaries wholly owned by the Company	Purchase	102,586,790	11.7%	120 days	Similar to non-related parties	There is no significant difference, and adjustments will be made based on demand for funding if necessary	(6,799,206)	(4.6)%	(Note 2)
	HSI and its subsidiaries	Subsidiaries wholly owned by the Company	Purchase	4,571,105	0.5%	120 days	Similar to non-related parties	There is no significant difference, and adjustments will be made based on demand for funding if necessary	(2,369,841)	(1.6)%	(Note 2)
	BCI and its subsidiaries	Subsidiaries wholly owned by the Company	Purchase	24,316,409	2.8%	120 days	Markup based on BCI and its subsidiaries's cost	There is no significant difference, and adjustments will be made based on demand for funding if necessary	(7,460,959)	(5.0)%	(Note 2)
	Etrade and its subsidiaries	Subsidiaries wholly owned by the Company	Purchase	19,044,223	2.2%	Net 60 days from purchase	Markup based on Etrade and its subsidiaries's cost	There is no significant difference, and adjustments will be made based on demand for funding if necessary	(5,904,962)	(4.0)%	(Note 2)
	Webtek	Subsidiaries wholly owned by the Company	Purchase	34,469,915	3.9%	Net 60 days from purchase	Markup based on Webtek's cost	There is no significant difference, and adjustments will be made based on demand for funding if necessary	(556,913)	(0.4)%	(Note 2)
	Palcom	Subsidiaries wholly owned by the Company	Sale	(105,081)	-	Net 60 days from delivery	Similar to non-related parties	There is no significant difference	22,720	-	(Note 2)
	Forever	Subsidiaries wholly owned by the Company	Purchase	18,139,071	2.1%	Net 60 days from purchase	Markup based on Forever's cost	There is no significant difference, and adjustments will be made based on demand for funding if necessary	(778,369)	(0.5)%	(Note 2)
Just and its subsidiaries	Webtek	With the same ultimate parent company	Sale	(24,375,017)	(19.0)%	Net 60 days from delivery	According to markup pricing	Adjustments will be made based on demand for funding if necessary	-	-	(Note 2)
	Compal Electronic, Inc.	Parent company	Sale	(102,586,790)	(45.0)%	120 days	Similar to non-related parties	There is no significant difference, and adjustments will be made based on demand for funding if necessary	6,799,206	20.0%	(Note 2)
CIH and its subsidiaries	Forever	With the same ultimate parent company	Sale	(6,892,761)	(34.0)%	Net 60 days from delivery	Similar to non-related parties	Adjustments will be made based on demand for funding if necessary	-	-	(Note 2)
	Compal Electronic, Inc.	Parent company	Sale	(189,320,860)	(77.7)%	120 days	Similar to non-related parties	There is no significant difference, and adjustments will be made based on demand for funding if necessary	51,022,056	37.8%	(Note 2)
	CEB	With the same ultimate parent company	Sale	(196,173)	-	120 days	Similar to non-related parties	There is no significant difference, and adjustments will be made based on demand for funding if necessary	51,912	-	(Note 2)
CBN	Forever	With the same ultimate parent company	Sale	(9,187,778)	(20.1)%	Net 60 days from delivery	According to markup pricing	Adjustments will be made based on demand for funding if necessary	-	-	(Note 2)
	Compal Electronic, Inc.	Parent company	Purchase	959,522	52.0%	Net 90 days from purchase	-	There is no significant difference	(331,111)	(64.0)%	(Note 2)
BCI and its subsidiaries	Compal Electronic, Inc.	Parent company	Sale	(24,324,646)	(84.1)%	120 days	Markup based on BCI and its subsidiaries's cost	Adjustments will be made based on demand for funding if necessary	7,460,959	78.4%	(Note 2)
	CEB	With the same ultimate parent company	Sale	(1,962,595)	(7.0)%	120 days	According to markup pricing	There is no significant difference	772,909	4.7%	(Note 2)
Webtek	Compal Electronic, Inc.	Parent company	Sale	(34,469,915)	(100.0)%	Net 60 days from delivery	According to markup pricing	Adjustments will be made based on demand for funding if necessary	556,913	100.0%	(Note 2)
	Etrade and its subsidiaries	With the same ultimate parent company	Purchase	10,091,875	29.0%	Net 60 days from purchase	According to markup pricing	Adjustments will be made based on demand for funding if necessary	-	-	(Note 2)

(Continued)



## COMPAL ELECTRONICS, INC. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

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

(In Thousands of New Taiwan Dollars)

Company Name	Counter party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/(Sale)	Amount	Percentage of total purchases/(sales)	Payment terms	Unit price	Payment Terms	Ending Balance	Percentage of total notes/accounts receivable (payable)	
Webtek	JUST and its subsidiaries	With the same ultimate parent company	Purchase	24,375,017	71.0%	Net 60 days from purchase	According to markup pricing	Adjustments will be made based on demand for funding	-	-	(Note 2)
CEB	BCI and its subsidiaries	With the same ultimate parent company	Purchase	1,944,054	17.1%	120 days	Similar to non-related parties	There is no significant difference	(765,855)	(47.8)%	(Note 2)
	CIH and its subsidiaries	With the same ultimate parent company	Purchase	202,987	1.8%	120 days	Similar to non-related parties	There is no significant difference	(51,677)	(3.2)%	(Note 2)
Etrade and its subsidiaries	Webtek	With the same ultimate parent company	Sale	(10,091,875)	(35.0)%	Net 60 days from delivery	According to markup pricing	Adjustments will be made based on demand for funding	-	-	(Note 2)
	Compal Electronic, Inc.	Parent company	Sale	(19,044,223)	(65.0)%	Net 60 days from delivery	According to markup pricing	Adjustments will be made based on demand for funding	5,904,962	100.0%	(Note 2)
Forever	Compal Electronic, Inc.	Parent company	Sale	(18,139,071)	(85.0)%	Net 60 days from delivery	According to markup pricing	Adjustments will be made based on demand for funding	778,369	100.0%	(Note 2)
	CIH and its subsidiaries	With the same ultimate parent company	Purchase	9,187,778	43.0%	Net 60 days from purchase	Similar to non-related parties	Adjustments will be made based on demand for funding	-	-	(Note 2)
	JUST and its subsidiaries	With the same ultimate parent company	Purchase	6,892,761	32.0%	Net 60 days from purchase	Similar to non-related parties	Adjustments will be made based on demand for funding	-	-	(Note 2)
UCGI	Compal Electronic, Inc.	Parent company	Purchase	195,680	68.2%	120 days	Similar to non-related parties	There is no significant difference	(45,124)	(86.5)%	(Note 2)
Palcom	Compal Electronic, Inc.	Parent company	Purchase	105,081	100.0%	Net 60 days from purchase	Similar to non-related parties	There is no significant difference	(22,720)	-	(Note 2)
HSI and its subsidiaries	Compal Electronic, Inc.	Parent company	Sale	(4,571,105)	(100.0)%	120 days	Similar to non-related parties	Adjustments will be made based on demand for funding	2,383,869	100.0%	(Note 2)
Arcadyan	Arcadyan Germany	Arcadyan's subsidiary	Sale	(1,465,691)	(5.0)%	Net 120 days from delivery	-	-	392,466	6.0%	(Note 2)
	Arcadyan USA	Arcadyan's subsidiary	Sale	(2,992,401)	(11.0)%	Net 60 days from the end of the month of delivery	-	-	2,683,393	38.0%	(Note 2)
	Arcadyan AU	Arcadyan's subsidiary	Sale	(2,444,741)	(9.0)%	Net 45 days from the end of the month of delivery	-	-	634,154	9.0%	(Note 2)
CNC	CNC	Arcadyan's subsidiary	Purchase	11,451,395	31.0%	Net 45 days from the end of the month of delivery	According to markup pricing	-	(3,117,484)	(44.0)%	(Note 1 · 2)
	Arcadyan Vietnam	Arcadyan's subsidiary	Purchase	1,026,793	(3.0)%	Net 180 days from the end of the month of delivery	According to markup pricing	-	(Note 3)	-	(Note 1 · 2)
	Arcadyan	With the same ultimate parent company	Sale	(11,451,395)	(100.0)%	Net 45 days from the end of the month of delivery	According to markup pricing	-	3,117,484	99.0%	(Note 1 · 2)
	THAC	With the same ultimate parent company	Sale	(158,620)	(1.0)%	Net 90 days from the end of the month of delivery	-	-	23,396	1.0%	(Note 1 · 2)
Arcadyan Vietnam	Arcadyan	With the same ultimate parent company	Sale	(1,026,793)	(100.0)%	Net 180 days from the end of the month of delivery	-	-	(Note 3)	-	(Note 2)
Arcadyan Germany	Arcadyan	With the same ultimate parent company	Purchase	1,465,691	100.0%	Net 120 days from delivery	-	-	(392,466)	(100.0)%	(Note 2)
Arcadyan USA	Arcadyan	With the same ultimate parent company	Purchase	2,992,401	100.0%	Net 60 days from the end of the month of delivery	-	-	(2,683,393)	(100.0)%	(Note 2)
Arcadyan AU	Arcadyan	With the same ultimate parent company	Purchase	2,444,741	100.0%	Net 45 days from the end of the month of delivery	-	-	(634,154)	(100.0)%	(Note 2)
THAC	TTI	With the same ultimate parent company	Sale	(378,225)	(100.0)%	Net 60 days from the end of the month of delivery	According to markup pricing	-	(Note 4)	-	(Note 1 · 2)
	CNC	With the same ultimate parent company	Purchase	158,620	2.0%	Net 90 days from the end of the month of delivery	-	-	(23,396)	(54.0)%	(Note 1 · 2)
TTI	THAC	With the same ultimate parent company	Purchase	378,225	8.0%	Net 60 days from the end of the month of delivery	-	-	(Note 4)	-	(Note 1 · 2)

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

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

Note 3: The amount of other receivables (other payables) on December 31, 2019 is 362,695 thousand dollars.

Note 4: The amount of unearned sales revenue (prepayment for purchases) on December 31, 2019 is 103,079 thousand dollars.

(Continued)

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

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

(In Thousands of New Taiwan Dollars)

Name of Company	Counter-party	Nature of relationship	Ending Balance	Turnover rate	Overdue		Amounts received in subsequent period	Allowance for bad debts
					Amount	Action taken		
The Company	CBN	The Company's subsidiary	330,670	1.80	-	-	238,935 (Note 1)	-
Just and its subsidiaries	Compal Electronic, Inc.	Parent company	6,799,206	28.09	-	-	3,224,612 (Note 1)	-
CIH and its subsidiaries	Compal Electronic, Inc.	Parent company	51,022,056	3.78	-	-	48,763,927 (Note 1)	-
BCI and its subsidiaries	Compal Electronic, Inc.	Parent company	7,460,959	5.92	-	-	7,282,087 (Note 1)	-
BCI and its subsidiaries	CEB	With the same ultimate parent company	772,909	2.94	-	-	197,195 (Note 1)	-
Forever	Compal Electronic, Inc.	Parent company	778,369	1.68	-	-	- (Note 1)	-
Webtek	Compal Electronic, Inc.	Parent company	556,913	9.04	-	-	- (Note 1)	-
Etrade and its subsidiaries	Compal Electronic, Inc.	Parent company	5,904,962	3.42	-	-	5,843,969 (Note 1)	-
HSI and its subsidiaries	Compal Electronic, Inc.	Parent company	2,383,869	3.80	-	-	- (Note 1)	-
Arcadyan	Arcadyan Germany	Arcadyan's subsidiary	392,466	2.45	-	-	75,366 (Note 2)	-
Arcadyan	Arcadyan USA	Arcadyan's subsidiary	2,683,393	2.15	-	-	708,279 (Note 2)	-
Arcadyan	Arcadyan AU	Arcadyan's subsidiary	634,154	3.59	-	-	509,314 (Note 2)	-
Arcadyan	Arcadyan Vietnam	Arcadyan's subsidiary	362,695	2.11	-	-	- (Note 2)	-
Arcadyan	TTI	Arcadyan's subsidiary	55,769 (Note 3)	18.18	-	-	18,864 (Note 2)	-
CNC	Arcadyan	With the same ultimate parent company	3,117,484 (Note 4)	3.51	-	-	450,187 (Note 2)	-

Note 1: Balance as of March 13, 2020.

Note 2: Balance as of February 21, 2020.

Note 3: Other receivables due to processing and sales of raw material.

Note 4: Other receivables due to processing.

(Continued)

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

**Table 7 Business relationships and significant intercompany transactions:**

(For the year ended December 31, 2019)

(In Thousands of New Taiwan Dollars)

No. (Note 1)	Company name	Counter party	Relationship (Note 2)	Intercompany transactions			Percentage of the consolidated net revenue or total assets
				Accounts name	Amount	Terms	
0	The Company	CBN	1	Sale Revenue	962,973	There is no significant difference of price to non-related parties. The credit period is net 90 days.	0.1%
0	The Company	UCGI	1	Accounts Receivable	330,670	"	0.1%
				Sale Revenue	195,680	The price is based on the operating cost. The credit period is net 120 days, and will be adjusted if necessary.	-
1	JUST and its subsidiaries	Webtek	3	Accounts Receivable	45,158	"	-
				Sale Revenue	24,375,017	The price is based on the operating cost. The credit period is net 60 days from delivery, and will be adjusted if necessary.	2.5%
1	JUST and its subsidiaries	Forever	3	Sale Revenue	6,892,761	There is no significant difference of price to non-related parties. The credit period is net 60 days from delivery, and will be adjusted if necessary.	0.7%
1	JUST and its subsidiaries	The Company	2	Sale Revenue	102,586,790	There is no significant difference of price to non-related parties. The credit period is net 120 days, and will be adjusted if necessary.	10.5%
2	CIH and its subsidiaries	The Company	2	Accounts Receivable	6,799,206	"	1.8%
				Sale Revenue	189,320,860	There is no significant difference of price to non-related parties. The credit period is net 120 days, and will be adjusted if necessary.	19.3%
2	CIH and its subsidiaries	Forever	3	Accounts Receivable	51,022,056	"	13.3%
				Sale Revenue	9,187,778	There is no significant difference of price to non-related parties. The credit period is net 60 days from delivery, and will be adjusted if necessary.	0.9%
2	CIH and its subsidiaries	CEB	3	Sale Revenue	196,173	There is no significant difference of price to non-related parties. The credit period is net 60 days from delivery, and will be adjusted if necessary.	-
3	BCI and its subsidiaries	The Company	2	Accounts Receivable	51,912	"	-
				Sale Revenue	24,324,646	There is no significant difference of price to non-related parties. The credit period is net 120 days, and will be adjusted if necessary.	2.5%
3	BCI and its subsidiaries	CEB	3	Accounts Receivable	7,460,959	"	1.9%
				Sale Revenue	1,962,595	There is no significant difference of price to non-related parties. The credit period is net 120 days.	0.2%
4	Webteck	The Company	2	Accounts Receivable	772,909	"	0.2%
				Sale Revenue	34,469,915	The price is based on the operating cost. The credit period is net 60 days from delivery, and will be adjusted if necessary.	3.5%
5	Etrade and its subsidiaries	Webtek	3	Accounts Receivable	556,913	"	0.1%
				Sale Revenue	10,091,875	The price is based on the operating cost. The credit period is net 60 days from delivery, and will be adjusted if necessary.	1.0%
5	Etrade and its subsidiaries	The Company	2	Sale Revenue	19,044,223	The price is based on the operating cost. The credit period is net 60 days from delivery, and will be adjusted if necessary.	1.9%
6	Forever	The Company	2	Accounts Receivable	5,904,962	"	1.5%
				Sale Revenue	18,139,071	The price is based on the operating cost. The credit period is net 60 days from delivery, and will be adjusted if necessary.	1.9%
				Accounts Receivable	778,369	"	0.2%

(Continued)

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

**Table 7 Business relationships and significant intercompany transactions:**

(For the year ended December 31, 2019)

(In Thousands of New Taiwan Dollars)

No. (Note 1)	Company name	Counter party	Relationship (Note 2)	Intercompany transactions			Percentage of the consolidated net revenue or total assets
				Accounts name	Amount	Terms	
7	HSI	The Company	2	Sale Revenue	4,571,105	There is no significant difference of price to non-related parties. The credit period is net 120 days, and will be adjusted if necessary.	0.5%
8	Arcadyan	Arcadyan Germany	3	Accounts Receivable	2,383,869	"	0.6%
				Sale Revenue	1,465,691	There is no significant difference of price to non-related parties. The credit period is net 120 days from delivery.	0.1%
8	Arcadyan	TTI	3	Accounts Receivable	392,466	"	0.1%
				Other Receivable	55,769	The price is based on the operating cost. The credit period is net 90 days from the end of month of delivery.	-
8	Arcadyan	Arcadyan USA	3	Sale Revenue	2,992,401	There is no significant difference of price to non-related parties. The credit period is net 60 days from the end of the month of	0.3%
8	Arcadyan	Arcadyan AU	3	Accounts Receivable	2,683,393	"	0.7%
				Sale Revenue	2,444,741	There is no significant difference of price to non-related parties. The credit period is net 45 days from delivery.	0.2%
8	Arcadyan	Arcadyan Vietnam	3	Accounts Receivable	634,154	"	0.2%
				Other Receivable	362,695	The credit period is net 180 days from the end of the month of invoice date and depended on funding demand.	0.1%
9	CNC	Arcadyan	3	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.	1.2%
9	CNC	THAC	3	Accounts Receivable	3,117,484	"	0.8%
				Processing Revenue	158,620	The price is based on the operating cost. The credit period is net 90 days from the end of month of delivery.	-
10	Arcadyan Vietnam	Arcadyan	3	Accounts Receivable	23,396	"	-
				Processing Revenue	1,026,793	The credit period is net 180 days from the end of the month of invoice date and depended on funding demand.	0.1%
11	THAC	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 and depended on funding demand.	-
				Contract Liability	103,079	"	-

Note 1: The numbers filled in as follows:

1.0 represents the Company.

2. Subsidiaries are sorted in a numerical order starting from 1.

Note 2: Transactions labeled as follows:

1. represents transactions between the parent company and its subsidiaries.

2. represents transactions between the subsidiaries and the parent company.

3. represents transactions between subsidiaries.

(Continued)

## COMPAL ELECTRONICS, INC. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

**Table 8** The following is the information on investees for the year ended December 31, 2019 (excluding information on investees in Mainland China):  
(December 31, 2019)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Ending Balance			The highest holdings in the period		Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2019	December 31, 2018	Shares	Percentage of Ownership	Carrying Value	Shares	Percentage of Ownership			
The Company	Bizcom	Milpitas, USA	Warranty services and marketing of LCD TVs and notebook PCs	36,369	36,369	100	100%	446,195	100	100%	16,485	16,485	(Note 2)
	Just	British Virgin Islands	Investment	1,480,509	1,480,509	48,010	100%	7,954,899	48,010	100%	209,804	209,804	(Note 2)
	CIH	British Virgin Islands	Investment	1,787,680	1,787,680	53,001	100%	34,558,369	53,001	100%	473,752	473,752	(Note 2)
	Panpal	Taipei City	Investment	5,171,837	5,171,837	500,000	100%	5,304,500	500,000	100%	251,199	213,221	(Note 2)
	Gempal	Taipei City	Investment	900,036	900,036	90,000	100%	1,603,518	90,000	100%	96,808	74,765	(Note 2)
	Kinpo Group management consultant company ("Kinpo Group management")	Taipei City	Consultation, training services, etc.	3,000	3,000	300	38%	4,628	300	38%	237	90	
	Ripal	Tainan City	Manufacturing of electric appliance and audiovisual electric products	60,000	60,000	6,000	100%	76,632	6,000	100%	24,978	24,834	(Note 2)
	Unicore	Taipei City	Management&Consultant, rental and leasing business and wholesale and retail of medical equipments	200,000	200,000	20,000	100%	145,664	20,000	100%	(18,865)	(18,984)	(Note 2)
	Lead-Honor Optronics. Co., Ltd. ("Lead-Honor")	Taoyuan City	Manufacturing of electric appliance and audiovisual electric products	42,000	42,000	2,772	42%	-	2,772	42%	-	-	
	CEH	British Virgin Islands	Investment	34	34	1	100%	3,533,243	1	100%	-	-	(Note 2)
	Shennona Taiwan	Taipei City	Management&Consultant, rental and leasing business, wholesale and retail sale of precision instruments and International Trade	6,000	-	600	100%	4,292	600	100%	(1,708)	(1,708)	(Note 2)
	Allied Circuit	Taoyuan City	Production and sales of PCB boards	395,388	395,388	10,158	20%	318,932	10,158	20%	222,022	45,327	
	Maxima Ventures I. Inc. ("Maxima")	Taipei City	Investment	1,260	1,260	126	23%	2,693	126	23%	(201)	37	
	Aco Smartcare	Hsinchu City	Wholesale and retail sale of computer software, software design services, data processing services, wholesale and retail sale of electronic materials, wholesale and retail sale of precision instruments, and biotechnology services	90,000	-	100,000	52%	85,978	100,000	52%	(10,302)	(4,022)	(Note 2)
	Lipo Holding Co., Ltd. ("Lipo")	Cayman Islands	Investment	489,450	489,450	98	49%	508,166	98	49%	(255,302)	(125,098)	
	CPE	The Netherlands	Investment	197,463	197,463	6,427	100%	823,429	6,427	100%	16,394	16,394	(Note 2)
	ATK	Hsinchu City	Design, research & development, and selling of DVD, Combo, CD-RW Drives	202,908	202,908	899	28%	8,545	899	28%	(6,575)	(1,826)	(Note 2)
	Crownpo Technology Inc. ("Crownpo")	Taipei City	Manufacturing, processing, and selling resistor chips, networking chips, diodes, multilayer ceramic capacitors, semiconductor devices, and selling electronic products	149,547	149,547	3,739	33%	55,769	3,739	33%	(49,191)	(16,347)	
	Hong Ji	Taipei City	Investment	1,000,000	1,000,000	100,000	100%	1,078,453	100,000	100%	61,267	61,267	(Note 2)
	Hong Jin	Taipei City	Investment	295,000	295,000	29,500	100%	342,169	29,500	100%	29,774	29,774	(Note 2)
	Mactech	Taichung City	Manufacturing of equipment and lighting, retailing of equipment and international trading	219,601	219,601	21,756	53%	237,496	21,756	53%	25,927	12,703	(Note 2)
	Auscom	Austin, TX USA	R&D of notebook PC related products and components	101,747	101,747	3,000	100%	126,700	3,000	100%	3,919	3,919	(Note 2)
	Arcadyan	Hsinchu City	R&D, manufacturing and sales of wireless network, integrated household electronics, and mobile office products	1,325,132	1,325,132	41,305	20%	2,260,060	41,305	21%	1,313,498	278,206	(Note 2)
	FGH	British Virgin Islands	Investment	2,754,741	2,754,741	89,755	100%	4,462,874	89,755	100%	131,815	131,815	(Note 2)
	Shennona	Delaware, USA	Medical care IOT business	32,665	29,558	2,600	100%	1,372	2,600	100%	(7,150)	(7,150)	(Note 2)
	HSI	British Virgin Islands	Investment	1,346,814	1,346,814	42,700	54%	541,383	42,700	100%	(180,050)	(180,050)	(Note 2)
	CEP	Poland	Maintenance and warranty services of notebook PCs	90,156	90,156	136	100%	17,372	136	100%	2,224	2,224	(Note 2)
	Zhaopal	Taipei City	Investment	-	1,358,000	-	-	-	-	-	1	1	(Note 2)
	Yongpal	Taipei City	Investment	-	1,188,500	-	-	-	-	-	-	-	(Note 2)
	Kaipal	Taipei City	Investment	-	510,500	-	-	-	-	-	-	-	(Note 2)
	Hippo Screen Neurotech Co., Ltd.	Taipei City	Management&Consultant, Rental and Leasing Business, wholesale and retail sale of precision instruments and International Trade	42,000	-	4,200	70%	34,869	4,200	70%	(10,187)	(7,131)	(Note 2)

(Continued)

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

**Table 8** The following is the information on investees for the year ended December 31, 2019 (excluding information on investees in Mainland China):  
(December 31, 2019)

(In Thousands of New Taiwan Dollars/ shares)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Ending Balance			The highest holdings in the period		Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2019	December 31, 2018	Shares	Percentage of Ownership	Carrying Value	Shares	Percentage of Ownership			
The Company	Infinno Technology Corporation ("Infinno")	Hsinchu County	Manufacturing of electronic components, wholesale and retail sale of precision instruments and electronic materials	109,837	109,837	5,650	27%	17,199	5,650	27%	(16,010)	(4,354)	
	HengHao	Taipei City	Manufacturing of PCs, computer periphery devices, and electronic components	5,529,757	5,329,757	20,015	100%	(485,074)	63,815	100%	(569,058)	(569,058)	(Note 2)
	BCI	British Virgin Islands	Investment	2,636,051	2,636,051	90,820	100%	6,181,036	90,820	100%	296,503	296,503	(Note 2)
	CBN	Hsinchu County	R&D and sales of cable modem, digital setup box, and other communication products	284,827	284,827	29,060	43%	734,059	29,060	43%	10,514	4,619	(Note 2)
	Rayonnant	Taipei City	Manufacturing and sales of PCs, computer periphery devices, and electronic components	295,000	295,000	29,500	100%	62,310	29,500	100%	24,012	22,907	(Note 2)
	CRH	British Virgin Islands	Investment	377,328	377,328	12,500	100%	131,698	12,500	100%	27,806	27,806	(Note 2)
	Acendant Private Equity Investment Ltd. ("APE")	British Virgin Islands	Investment	943,922	943,922	31,253	35%	1,061,446	31,253	35%	205,756	71,442	
	Etrade	British Virgin Islands	Investment	1,532,029	1,532,029	46,900	65%	(606,199)	46,900	65%	(354,085)	(311,924)	(Note 2)
	Webtek	British Virgin Islands	Investment	3,340	3,340	100	100%	527,529	100	100%	(39,957)	(39,957)	(Note 2)
	Forever	British Virgin Islands	Investment	1,575	1,575	50	100%	1,453,833	50	100%	1,497	1,497	(Note 2)
	UCGI	Taipei City	Manufacturing and retail sale of computers and electronic components	100,000	100,000	10,000	100%	(459,297)	10,000	100%	(83,034)	(83,034)	(Note 2)
	Palcom	Taipei City	Selling of mobile phones	100,000	100,000	10,000	100%	105,623	10,000	100%	(2,453)	(2,453)	(Note 2)
	Avalue Technology, Inc.	New Taipei City	Manufacturing, processing, and import and export business of industrial motherboards	559,189	559,189	15,024	21%	646,573	15,240	22%	453,494	99,281	
	CORE	British Virgin Islands	Investment	4,318,860	4,318,860	147,000	100%	7,668,192	147,000	100%	232,282	232,282	(Note 2)
	GLB	New Taipei City	Manufacturing and wholesale of medical equipment	246,860	246,860	15,000	50%	305,987	15,000	50%	90,284	45,053	(Note 2)
								<b>81,883,115</b>				<b>1,022,912</b>	
Panpal	Arcadyan	Hsinchu City	Telecommunication equipment and apparatus manufacturing, electronic parts and components manufacturing, restrained telecom radio frequency equipments and materials import and manufacturing	279,202	180,968	8,192	4%	493,017	8,192	4%	1,313,498	Investment gain(losses) recognized by Panpal	(Note 2)
	Allied Circuit	Taoyuan City	Production and selling of PCB boards	148,263	148,263	2,927	6%	91,903	2,927	6%	222,022	Investment gain(losses) recognized by Panpal	
Gempal	Others Arcadyan	Hsinchu City	Telecommunication equipment and apparatus manufacturing, electronic parts and components manufacturing, restrained telecom radio frequency equipments and materials import and manufacturing	306,655	203,500	9,279	4%	582,145 583,444	9,279	4%	1,313,498	Investment gain(losses) recognized by Gempal	(Note 2)
	Allied Circuit	Taoyuan City	Production and selling of PCB boards	53,645	53,645	3,220	6%	101,093	3,220	6%	222,022	Investment gain(losses) recognized by Gempal	
Hong Ji	Others Arcadyan	Hsinchu City	Telecommunication equipment and apparatus manufacturing, electronic parts and components manufacturing, restrained telecom radio frequency equipments and materials import and manufacturing	306,655	203,500	9,279	4%	3,274 583,444	9,279	4%	1,313,498	Investment gain(losses) recognized by Hong Ji	(Note 2) (Note 2)
	Allied Circuit	Taoyuan City	Production and selling of PCB boards	12,274	12,274	1,041	2%	26,724	1,041	2%	222,022	Investment gain(losses) recognized by Hong Ji	
Hong Jin	Arcadyan	Hsinchu City	Telecommunication equipment and apparatus manufacturing, electronic parts and components manufacturing, restrained telecom radio frequency equipments and materials import and manufacturing	131,942	112,569	4,609	2%	274,806	4,609	2%	1,313,498	Investment gain(losses) recognized by Hong Jin	(Note 2)

(Continued)

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

**Table 8** The following is the information on investees for the year ended December 31, 2019 (excluding information on investees in Mainland China):  
(December 31, 2019)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Ending Balance			The highest holdings in the period		Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2019	December 31, 2018	Shares	Percentage of Ownership	Carrying Value	Shares	Percentage of Ownership			
Just	CDH (HK)	Hong Kong	Investment	1,867,679	1,867,679	62,298	100%	5,559,135	62,298	100%	121,268	Investment gain(losses) recognized by Just	(Note 2)
	CII	British Virgin Islands	Investment	277,165	277,165	9,245	100%	252,744	9,245	100%	38,910	Investment gain(losses) recognized by Just	(Note 2)
	CPI	British Virgin Islands	Investment	14,990	14,990	500	100%	887,886	500	100%	12,474	Investment gain(losses) recognized by Just	(Note 2)
CII	Smart	British Virgin Islands	Investment	30	30	1	100%	385	1	100%	(6)	Investment gain(losses) recognized by CII	(Note 2)
	AEI	U.S.A	Sales and maintenance of LCD TVs	29,980	29,980	1,000	100%	48,020	1,000	100%	(256)	Investment gain(losses) recognized by CII	(Note 2)
	MEL	U.S.A	Investment	246,855	246,855	-	100%	204,349	-	100%	(49,788)	Investment gain(losses) recognized by CII	(Note 2)
MEL and MTL	MTL	U.S.A	Investment	30	30	-	100%	30	-	100%	-	Investment gain(losses) recognized by CII	(Note 2)
	CMX	Mexico	Manufacturing, sales and maintenance of LCD TVs	-	241,339	-	-	-	32,903	1	(12,236)	Investment gain(losses) recognized by MEL and MTL	(Note 2)
	CIH (HK)	Hong Kong	Investment	2,242,579	2,242,579	74,803	100%	32,770,648	74,803	100%	597,121	Investment gain(losses) recognized by CIH	(Note 2)
CIH	Jenpal	British Virgin Islands	Investment	220,353	220,353	7,350	100%	105,192	7,350	100%	2,742	Investment gain(losses) recognized by CIH	(Note 2)
	PFG	British Virgin Islands	Investment	30	30	1	100%	435,070	1	100%	24,092	Investment gain(losses) recognized by CIH	(Note 2)
	FWT	British Virgin Islands	Investment	446,702	446,702	14,900	100%	447,152	14,900	100%	152	Investment gain(losses) recognized by CIH	(Note 2)
HSI	CCM	British Virgin Islands	Investment	152,898	152,898	5,100	51%	26,994	5,100	51%	(57,524)	Investment gain(losses) recognized by CIH	(Note 2)
	IUE	British Virgin Islands	Investment	2,008,660	899,400	67,000	100%	1,361,867	67,000	100%	(197,879)	Investment gain(losses) recognized by HSI	(Note 2)
	Goal	British Virgin Islands	Investment	380,746	380,746	12,700	100%	316,738	12,700	100%	17,829	Investment gain(losses) recognized by HSI	(Note 2)
IUE	CVC	Vietnam	R&D, manufacturing, sales, and maintenance of notebook PCs, computer monitors, LCD TVs and electronic components	2,008,660	899,400	67,000	100%	1,385,963	67,000	100%	(197,879)	Investment gain(losses) recognized by IUE	(Note 2)
Goal	CDM	Vietnam	Construction of and investment in infrastructure in Ba-Thien industrial district of Vietnam	380,746	380,746	12,700	100%	373,914	12,700	100%	17,829	Investment gain(losses) recognized by Goal	(Note 2)
BCI	CMI	British Virgin Islands	Investment	2,422,984	2,422,984	80,820	100%	3,855,996	80,820	100%	164,336	Investment gain(losses) recognized by BCI	(Note 2)
	PRI	British Virgin Islands	Investment	299,800	299,800	10,000	100%	2,325,040	10,000	100%	132,167	Investment gain(losses) recognized by BCI	(Note 2)
CORE	BSH	British Virgin Islands	Investment	4,407,060	4,407,060	147,000	100%	7,668,193	147,000	100%	232,282	Investment gain(losses) recognized by CORE	(Note 2)
BSH	Mithera	Cayman Islands	Investment	149,900	-	-	99%	146,594	-	99%	(3,444)	Investment gain(losses) recognized by BSH	(Note 2)
	HSI	British Virgin Islands	Investment	1,109,260	-	37,000	46%	1,109,260	37,000	46%	(180,050)	Investment gain(losses) recognized by BSH	(Note 2)

(Continued)

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

**Table 8** The following is the information on investees for the year ended December 31, 2019 (excluding information on investees in Mainland China):  
(December 31, 2019)

(In Thousands of New Taiwan Dollars/ shares)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Ending Balance			The highest holdings in the period		Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2019	December 31, 2018	Shares	Percentage of Ownership	Carrying Value	Shares	Percentage of Ownership			
Forever	GIA	British Virgin Islands	Selling of mobile phones	-	-	-	100%	-	-	100%	-	Investment gain(losses) recognized by Forever	(Note 2)
Webtek	Etrade	British Virgin Islands	Investment	749,500	749,500	25,000	35%	(205,213)	25,000	35%	(354,085)	Investment gain(losses) recognized by Webtek	(Note 2)
Unicore	Raycore	Taipei City	Animal medication retail and wholesale	25,500	25,500	1,275	51%	17,675	1,275	51%	(9,082)	Investment gain(losses) recognized by Unicore	(Note 2)
Arcadyan	Arcadyan Holding	British Virgin Islands	Investment	2,064,032	1,240,526	59,780	100%	1,956,802	59,780	100%	(24,302)	Investment gain(losses) recognized by Arcadyan	(Note 2)
	Arcadyan USA	U.S.A	Sales of wireless network products	23,055	23,055	1	100%	(250,530)	1	100%	14,289	Investment gain(losses) recognized by Arcadyan	(Note 2)
	Arcadyan Germany	Germany	Technology support and sales of wireless network products	1,125	1,125	0.5	100%	68,318	0.5	100%	7,022	Investment gain(losses) recognized by Arcadyan	(Note 2)
	Arcadyan Korea	Korea	Sales of wireless network products	2,879	2,879	20	100%	7,047	20	100%	(310)	Investment gain(losses) recognized by Arcadyan	(Note 2)
	Zhi-Pal	Taipei City	Investment	48,000	48,000	34,980	100%	416,421	34,980	100%	2,169	Investment gain(losses) recognized by Arcadyan	(Note 2)
	TTI	Taipei City	R&D and sales of household digital products	308,726	308,726	25,028	61%	627,585	25,028	61%	105,625	Investment gain(losses) recognized by Arcadyan	(Note 2)
	AcBel Telecom	Taipei City	Investment	23,000	23,000	4,494	51%	36,163	4,494	51%	4,784	Investment gain(losses) recognized by Arcadyan	(Note 2)
	Arcadyan UK	UK	Technical support of wireless network products	1,988	1,988	50	100%	3,170	50	100%	452	Investment gain(losses) recognized by Arcadyan	(Note 2)
	Arcadyan AU	Australia	Sales of wireless network products	1,161	1,161	50	100%	27,970	50	100%	29,187	Investment gain(losses) recognized by Arcadyan	(Note 2)
	CBN	Hsinchu County	Sales of communication and electronic components	11,925	11,925	533	1%	13,581	533	1%	10,514	Investment gain(losses) recognized by Arcadyan	(Note 2)
Arcadyan	Golden Smart Home Technology Corp.	Taipei City	Selling of hardware and software integration of high-tech systems	15,692	15,692	1,229	11%	-	1,229	11%	(36,152)	Investment gain(losses) recognized by Arcadyan	(Note 2)
Arcadyan and Zhi-pal	Arcadyan Brasil	Brazil	Sales of wireless network products	81,593	81,593	968	100%	(7,767)	968	100%	(22,421)	Investment gain(losses) recognized by Arcadyan	(Note 2)
Arcadyan Holding	Sinoprime	British Virgin Islands	Investment	271,681	271,681	9,050	100%	188,856	9,050	100%	(86,152)	Investment gain(losses) recognized by Arcadyan Holding	(Note 2)
	Arch Holding	British Virgin Islands	Investment	330,550	330,550	35	100%	871,120	35	100%	57,002	Investment gain(losses) recognized by Arcadyan Holding	(Note 2)
TTI	Quest	Samoa	Investment	36,024	36,024	1,200	100%	77,839	1,200	100%	10,673	Investment gain(losses) recognized by TTI	(Note 2)
	TTJC	Japan	Sales of household digital electronic products	4,130	1,341	0.3	100%	2,015	0	100%	(1,550)	Investment gain(losses) recognized by TTI	(Note 2)
Quest	Exquisite	Samoa	Investment	35,123	35,123	1,170	100%	80,994	1,170	100%	10,665	Investment gain(losses) recognized by Quest	(Note 2)
AcBel Telecom	Leading Images	British Virgin Islands	Investment	1,501	1,501	50	100%	13,985	50	100%	4,623	Investment gain(losses) recognized by AcBel Telecom	(Note 2)
Sinoprime	Arcadyan Vietnam	Vietnam	Manufacturing of wireless network products	270,180	-	-	100%	184,443	-	100%	(88,285)	Investment gain(losses) recognized by Sinoprime	(Note 2)

(Continued)



## COMPAL ELECTRONICS, INC. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

**Table 8** The following is the information on investees for the year ended December 31, 2019 (excluding information on investees in Mainland China):  
(December 31, 2019)

(In Thousands of New Taiwan Dollars/ shares)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Ending Balance			The highest holdings in the period		Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2019	December 31, 2018	Shares	Percentage of Ownership	Carrying Value	Shares	Percentage of Ownership			
Leading Images	Astoria GmbH	Germany	Sales of wireless network products	841	841	25	100%	13,599	25	100%	4,637	Investment gain(losses) recognized by Leading Images	(Note 2)
Zhi-Pal	CBN	Hsinchu County	Produces and sales of communication and electronic components	36,272	36,272	13,140	20%	334,669	13,140	20%	10,514	Investment gain(losses) recognized by Zhi-Pal	(Note 2)
Rayonnant	APH	British Virgin Islands	Investment	257,454	257,454	8,651	41%	85,269	8,651	41%	47,050	Investment gain(losses) recognized by Rayonnant	(Note 2)
	Forming Co., Ltd.	Taoyuan City	R&D and manufacturing of electronic materials	27,300	27,300	1,820	21%	-	1,820	21%	-	Investment gain(losses) recognized by Rayonnant	(Note 2)
CRH	APH	British Virgin Islands	Investment	374,750	374,750	12,500	59%	131,698	12,500	59%	47,050	Investment gain(losses) recognized by CRH	(Note 2)
APH	PEL	British Virgin Islands	Investment	94,467	94,467	3,151	100%	36,058	3,151	100%	(16,756)	Investment gain(losses) recognized by APH	(Note 2)
	Rayonnant(HK)	Hong Kong	Investment	539,640	539,640	18,000	100%	172,950	18,000	100%	63,805	Investment gain(losses) recognized by APH	(Note 2)
HHT	HHA	British Virgin Islands	Investment	1,429,235	1,429,235	46,882	100%	(27,044)	46,882	100%	(281,360)	Investment gain(losses) recognized by HHT	(Note 2)
HHA	HHB	British Virgin Islands	Investment	1,405,523	1,405,523	46,882	100%	(9,895)	46,882	100%	(281,375)	Investment gain(losses) recognized by HHA	(Note 2)
HHB	HengHao Trading Co., Ltd.	British Virgin Islands	Marketing and international trade	300	300	10	100%	479	10	100%	90	Investment gain(losses) recognized by HHB	(Note 2)
CBN	Speedlink	British Virgin Islands	Import and export business	-	1,514	-	-	-	-	-	86	Investment gain(losses) recognized by CBN	(Note 2、3)
	CBNB	Belgium	The import and export business of broad band network products and related components, as well as technical support and advisory services	6,842	6,842	20	100%	6,338	-	-	(279)	Investment gain(losses) recognized by CBN	(Note 2)
	CBNN	The Netherlands	The import and export business of broad band network products and related components, as well as technical support and advisory services	7,016	-	20	100%	6,724	-	-	-	Investment gain(losses) recognized by CBN	(Note 2)
FGH	Wah Yuen Technology Holding Ltd. and its subsidiaries	Mauritius	Investment	2,690,870	2,690,870	95,862	37%	4,531,552	95,862	37%	361,173	Investment gain(losses) recognized by FGH	
GLB	Rapha	New Taipei City	Detectors and test strip	6,500	6,500	1,275	100%	298	1,275	100%	(162)	Investment gain(losses) recognized by GLB	(Note 2)
Mactech	Taiwan Intelligent Robotics Company, LTD.	Taipei City City	Manufacturing of equipment	43,200	-	2,160	20%	39,468	2,160	20%	(19,504)	Investment gain(losses) recognized by Mactech	

Note 1: The carrying value had been deducted \$559,812 and \$321,435 of the Company's stock held by Panpal and Gempal, respectively.

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

Note 3: CBN had received the capital returned from Speedlink in November 2019, however, the liquidation procedures of Speedlink has not been completed as of December 31, 2019.

(Continued)

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

**Table 9 Information on investment in Mainland China:**

(December 31, 2019)

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

(In Thousands of New Taiwan Dollars/ shares)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2019	Investment flows		Accumulated outflow of investment from Taiwan as of December 31,	Net income (losses) of the investee	Percentage of ownership	Investment income (losses) (Note 4)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow						
CPC	Manufacturing and sales of monitors	1,109,260	(Note 1)	1,109,260	-	-	1,109,260	108,135	100%	108,135	2,104,710	-
CDT	Manufacturing and sales of notebook PCs, mobile phones, and Digital products	599,600	(Note 2)	599,600	-	-	599,600	(82,463)	100%	(82,463)	111,528	-
CET	Manufacturing of notebook PCs	359,760	(Note 2)	359,760	-	-	359,760	(86,495)	100%	(86,495)	4,633,042	-
CSD	Manufacturing of notebook PCs	258,200	(Note 2)	(Note 3)	-	-	-	50,016	100%	50,016	(194,926)	-
Zheng Ying Electronics (Chongqing) Co., Ltd.	Research & development, and manufacturing latest electronic components, precision cavity mold, design and manufacturing for standard parts for molds, and selling self-produced products	67,890	(Note 2)	(Note 3)	-	-	-	(5,369)	51%	(2,738)	(41,719)	-
BT	Maintenance and warranty service of notebook PCs	29,980	(Note 2)	29,980	-	-	29,980	(49,888)	100%	(49,888)	(241,226)	-
CGS	Production and processing chipresistors, ceramic capacitors, diodes, and other latest electronic components and related precision electronic equipment; selling self-produced products	8,607	(Note 2)	(Note 3)	-	-	-	9,113	100%	9,113	(27,249)	-
LIZ Electronics (Kunshan) Co., Ltd.	Research & development, and manufacturing chip components( chip resistors, ceramic chip diode ; selling self-produced products and providing after-sales service. Performing wholesale and trading business of electronic components, semiconductors, special materials for electronic components, and spare parts	959,360	(Note 1)	399,633	-	-	399,633	(265,239)	43%	(114,530)	372,172	-
LIZ Electronics (Nantong) Co., Ltd.	Research, manufacture and sales of communication devices, mobile phones, electronic computer, smart watch, and provide related technology service	599,600	(Note 1)	44,071	-	-	44,071	(134,637)	48%	(64,155)	362,578	-
CIC	Manufacturing of notebook PCs	359,760	(Note 2)	359,760	-	-	359,760	238,365	100%	238,365	7,523,588	-
CPO	Manufacturing and sales of LCD TVs	362,758	(Note 1)	362,758	-	-	362,758	89,531	100%	89,531	2,777,145	-
CIT	Manufacturing of notebook PCs	719,520	(Note 2)	719,520	-	-	719,520	601,984	100%	601,984	20,539,996	-

(Continued)

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

**Table 9 Information on investment in Mainland China:**

(December 31, 2019)

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

(In Thousands of New Taiwan Dollars/ shares)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2019	Investment flows		Accumulated outflow of investment from Taiwan as of December 31,	Net income (losses) of the investee	Percentage of ownership	Investment income (losses) (Note 4)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow						
CST	International trade and distribution of computers and electronic components	41,972	(Note 2)	41,972	-	-	41,972	(834)	100%	(834)	47,429	-
CIN	Software and hardware R&D of computers, mobile phones and electronic components	59,960	(Note 2)	59,960	-	-	59,960	(2)	-	(2)	-	-
Sheng Bao Precision Electronics (Taicang) Co., Ltd.	Research & development, and manufacturing latest electronic components, precision cavity mold, design and manufacturing for standard parts for molds, and selling self-produced products	299,800	(Note 2)	152,898	-	-	152,898	(52,865)	51%	(26,961)	31,056	-
CIJ	Investment and consulting services	467,688	(Note 2)	467,688	-	-	467,688	(99,921)	100%	(99,921)	832,860	-
CDE	Manufacturing and sales of LCD TVs	449,700	(Note 2)	(Note 3)	-	-	-	(104,887)	100%	(104,887)	799,252	-
CIS	Outward investment and consulting services	2,422,984	(Note 1)	2,422,984	-	-	2,422,984	164,336	100%	164,336	3,855,996	-
CEC	R&D and manufacturing of notebook PCs, tablet PCs, digital products, network switches, wireless AP, and automobile electronic products	2,398,400	(Note 2)	(Note 3)	-	-	-	164,343	100%	164,343	3,825,842	-
CMC	Corporate management consulting, financial and tax consulting, investment consulting, and investment management consulting services	23,984	(Note 2)	(Note 3)	-	-	-	20	100%	20	23,833	-
CEQ	R&D, manufacturing and sales of notebook PCs and related components. Also provides related maintenance and warranty services	299,800	(Note 1)	299,800	-	-	299,800	132,167	100%	132,167	2,325,040	-
Compal Precision Module (Jiangsu) Co., Ltd.	Manufacturing and selling of magnesium alloy injection molding	12,291,800	(Note 2)	2,477,157	-	-	2,477,157	669,692	37%	245,241	5,703,239	-
Changbao Electronic Technology (Chongqing) Co., Ltd.	Production and marketing of magnesium alloy molding	1,798,800	(Note 2)	343,451	-	-	343,451	(273,107)	37%	(100,012)	884,827	-
Rayonnant (Taicang)	Manufacturing and sales of aluminum alloy and magnesium alloy products	539,640	(Note 2)	374,750	-	-	374,750	6,381	100%	6,381	173,536	-
CCI Nanjing	Manufacturing and processing of mobile phones and tablet PCs	659,560	(Note 1)	659,560	-	-	659,560	45,661	100%	45,661	(966,915)	-
CDCN	Manufacturing and processing of mobile phones and tablet PCs	173,884	(Note 1)	173,884	-	-	173,884	1,484	100%	1,484	83,584	-
CWCN	Manufacturing and processing of mobile phones and tablet PCs	1,469,020	(Note 1)	569,620	-	-	569,620	(167,898)	100%	(167,898)	261,396	-

(Continued)

## COMPAL ELECTRONICS, INC. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

**Table 9 Information on investment in Mainland China:**

(December 31, 2019)

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

(In Thousands of New Taiwan Dollars/ shares)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2019	Investment flows		Accumulated outflow of investment from Taiwan as of December 31,	Net income (losses) of the investee	Percentage of ownership	Investment income (losses) (Note 4)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow						
Hanhelt	R&D and manufacturing of electronic communication equipment	59,960	(Note 1)	59,960	-	-	59,960	(31)	100%	(31)	2,998	-
<b>Arcadyan</b> SVA Arcadyan	R&D and sales of wireless network products	393,262	(Note 1)	552,969 (Note 7)	-	-	552,969	5,750	100%	5,750	127,495	-
CNC	Manufacturing and wireless network products	373,749	(Note 1)	330,550 (Note 8)	-	-	330,550	57,002	100%	57,002	871,090	-
THAC	Manufacturing of household electronics products	100,567	(Note 1 & 10)	34,523	-	-	34,523	10,665	100%	10,665	80,484	-
<b>HengHao</b> HengHao Optoelectronic Technology (Kunshan) Co., Ltd. ("HengHao Kunshan")	Production of touch panels and related components	1,199,200	(Note 1)	1,193,294	-	-	1,193,294	(282,492)	100%	(282,492)	(159,874)	-
Lucom Display Technology (Kunshan) Limited ("Lucom")	Manufacturing of notebook PCs and related modules	449,700	(Note 2)	194,841 (Note 12)	-	-	194,841	1,027	100%	1,027	132,650	-

(ii) Limitation on investment in Mainland China:

(In Thousands of USD)

Names of Company	Accumulated Investment in Mainland China as of December 31, 2019	Investment Amounts Authorized by Investment Commission of Ministry of Economic Affairs	Limitation on investment in Mainland China by Investment Commission of Ministry of Economic Affairs
The Company	16,325,219 (US\$544,537) (Note 5)	22,523,344 (US\$751,279)	(Note 6)
Arcadyan	918,042 (US\$30,581)	918,042 (US\$30,581)	6,542,836
HengHao	1,405,223 (US\$46,872)	1,405,223 (US\$46,872)	(Note 13)

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

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

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

Note 4: The investment income (loss) was determined based on the financial report audited by the CPAs.

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

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

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

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

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

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

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

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

Note 13: The net equity of HengHao is negative at December 31, 2019.

(iii) Significant transactions:

For the year ended December 31, 2019, the significant inter-company transactions with the subsidiary in Mainland China, which were eliminated in the preparation of consolidated financial statements, are disclosed in "Information on significant transactions" and "Business relationships and significant intercompany transactions".

**COMPAL ELECTRONICS, INC.**

**Parent Company Only Financial Statements**

**With Independent Auditors' Report  
For the Years Ended December 31, 2019 and 2018**

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

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安侯建業聯合會計師事務所

KPMG

台北市11049信義路5段7號68樓(台北101大樓)  
68F., TAIPEI 101 TOWER, No. 7, Sec. 5,  
Xinyi Road, Taipei City 11049, Taiwan (R.O.C.)

Telephone 電話 + 886 2 8101 6666  
Fax 傳真 + 886 2 8101 6667  
Internet 網址 kpmg.com/tw

## Independent Auditor's Report

To COMPAL ELECTRONICS, INC.:

### Opinion

We have audited the financial statements of COMPAL ELECTRONICS, INC. (the "Company"), which comprise the balance sheets as of December 31, 2019 and 2018, the statement of comprehensive income, changes in equity and cash flows for the years ended December 31, 2019 and 2018, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended December 31, 2019 and 2018, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### Basis for Opinion

We conducted our audit of the financial statements as of and for the year ended December 31, 2019 in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants, Rule No. 1090360805 issued by the Financial Supervisory Commission, and the auditing standards generally accepted in the Republic of China. Furthermore, we conducted our audit of the financial statements as of and for the year ended December 31, 2018 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 Financial Statements section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### 1. Account receivable valuation

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

Description of key audit matters:

The Company devotes to develop new product lines and customers in emerging countries, and the credit risks of these customers are higher than other world leading enterprises. Therefore, valuation of accounts receivable has been identified as a key audit matter.

Our key audit procedures performed in respect of the above area included the following:

In order to evaluate the reasonableness of the Company's estimations for bad debts, our key audit procedures included reviewing if the measurement of impairment loss of accounts receivable is accordance with accounting policy, examining the historical recovery records, analyzing the aging of accounts receivable, and the current credit status of customers, as well as inspecting the amount collected in the subsequent period.

2. Inventory valuation

Please refer to Note (4)(g) and Note (5) for the accounting policy of inventory valuation, as well as the estimation and assumption uncertainty of the valuation of inventory, respectively. Information of estimation of the valuation of inventory are disclosed in Note (6)(g) of the financial statements.

Description of key audit matters:

The inventory is measured at the lower of cost or net realizable value. The short life cycle of electronic products may cause significant changes in customers' demand and sales of related products. Consequently, the book value of inventory may be lower than the net realizable value of inventory. Therefore, the valuation of inventory is one of the key audit matters.

Our key audit procedures performed in respect of the above area included the following:

In order to verify the rationality of assessment of inventory valuation estimated by the Company, our key audit procedures included reviewing the consistency of prior year and accounting policy, inspecting the Company's inventory aging reports, analyzing the change of inventory aging, as well as verifying the inventory aging reports and the calculation of lower of cost or net realizable value.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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



### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion

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

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

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

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

The image shows the letters 'KPMG' written in a stylized, handwritten font. The letters are black and have a slightly irregular, ink-like appearance.

KPMG

Taipei, Taiwan (Republic of China)  
March 30, 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.

**COMPAL ELECTRONICS, INC.**  
**Balance Sheets**  
**December 31, 2019 and 2018**  
**(Expressed in Thousands of New Taiwan Dollars)**

		December 31, 2019		December 31, 2018				December 31, 2019		December 31, 2018	
		Amount	%	Amount	%			Amount	%	Amount	%
<b>Assets</b>											
<b>Current assets:</b>											
1100	Cash and cash equivalents (note (6)(a))	\$ 13,459,969	4.0	20,446,378	5.7	2100	Short-term borrowings (note (6)(l))	\$ 39,363,800	11.7	51,305,682	14.4
1110	Current financial assets at fair value through profit or loss (note (6)(b))	149,888	-	284,768	0.1	2130	Current contract liabilities (note (6)(u))	877,822	0.3	1,405,452	0.4
1136	Current financial assets at amortized cost (note (6)(d))	-	-	350,000	0.1	2170	Notes and accounts payable	74,138,921	21.9	77,050,816	21.7
1170	Notes and accounts receivable, net (note (6)(e))	176,967,731	52.4	189,496,594	53.3	2180	Notes and accounts payable to related parties (note 7)	74,925,238	22.2	78,376,843	22.0
1180	Notes and accounts receivable due from related parties, net (notes (6)(e) and 7)	1,052,131	0.3	1,318,230	0.4	2200	Other payables (note 7)	9,390,399	2.8	8,392,511	2.4
1200	Other receivables, net (notes (6)(f) and 7)	3,110,607	0.9	1,418,750	0.4	2230	Current tax liabilities	2,107,283	0.6	1,787,434	0.5
1310	Inventories (note (6)(g))	50,048,069	14.9	51,517,159	14.5	2280	Current lease liabilities (note (6)(n))	387,499	0.1	-	-
1470	Other current assets	734,434	0.2	541,027	0.1	2300	Other current liabilities	348,480	0.1	587,308	0.2
		245,522,829	72.7	265,372,906	74.6	2365	Current refund liabilities	1,182,501	0.4	1,480,446	0.4
	<b>Non-current assets:</b>					2322	Long-term borrowings, current portion (note (6)(m))	18,150,000	5.3	17,496,250	4.9
1550	Investments accounted for using equity method (note (6)(h))	83,430,169	24.7	83,299,238	23.5			220,871,943	65.4	237,882,742	66.9
1510	Non-current financial assets at fair value through profit or loss (note (6)(b))	71,097	-	23,745	-		<b>Non-Current liabilities:</b>				
1517	Non-current financial assets at fair value through other comprehensive income (note (6)(c))	3,019,393	0.9	3,731,918	1.0	2540	Long-term borrowings(note (6)(m))	7,500,000	2.2	10,900,000	3.0
1600	Property, plant and equipment (note (6)(j))	2,620,638	0.8	2,128,181	0.6	2570	Deferred tax liabilities (note (6)(q))	893,232	0.3	386,555	0.1
1755	Right-of-use assets (note (6)(k))	1,387,615	0.4	-	-	2580	Non-current lease liabilities (note (6)(n))	1,010,933	0.3	-	-
1780	Intangible assets	438,334	0.1	378,745	0.1	2640	Non-current net defined benefit liability (note (6)(p))	643,253	0.2	621,581	0.2
1840	Deferred tax assets (note (6)(q))	1,166,808	0.4	760,580	0.2	2670	Non-current liabilities, others (note (6)(h))	891,494	0.2	298,289	0.1
1990	Other non-current assets	126,605	-	117,500	-			10,938,912	3.2	12,206,425	3.4
		92,260,659	27.3	90,439,907	25.4		<b>Total liabilities</b>	231,810,855	68.6	250,089,167	70.3
	<b>Total assets</b>	\$ 337,783,488	100.0	355,812,813	100.0		<b>Equity (notes (6)(r) and (6)(s)):</b>				
						3110	Ordinary share	44,071,466	13.1	44,071,466	12.4
						3200	Capital surplus	9,159,259	2.7	9,932,434	2.8
						3300	Retained earnings	57,726,604	17.1	60,060,381	16.9
						3400	Other equity interest	(4,103,449)	(1.2)	(7,459,388)	(2.1)
						3500	Treasury shares	(881,247)	(0.3)	(881,247)	(0.3)
							<b>Total equity</b>	105,972,633	31.4	105,723,646	29.7
							<b>Total liabilities and equity</b>	\$ 337,783,488	100.0	355,812,813	100.0

See accompanying notes to financial statements.

**COMPAL ELECTRONICS, INC.**  
**Statements of Comprehensive Income**  
**For the years ended December 31, 2019 and 2018**  
**(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Share)**

		<u>2019</u>		<u>2018</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
4000	Net sales revenue (notes (6)(u) and 7)	\$916,280,028	100.0	911,050,122	100.0
5000	Cost of sales (notes (6)(g), (6)(p), 7 and 12)	<u>891,431,772</u>	<u>97.3</u>	<u>889,171,625</u>	<u>97.6</u>
	<b>Gross profit</b>	24,848,256	2.7	21,878,497	2.4
5910	Less: Unrealized profit (loss) from sales	<u>(893)</u>	<u>-</u>	<u>(2,344)</u>	<u>-</u>
	<b>Gross profit</b>	<u>24,849,149</u>	<u>2.7</u>	<u>21,880,841</u>	<u>2.4</u>
	<b>Operating expenses: (notes (6)(o), (6)(p) and 12)</b>				
6100	Selling expenses	3,532,483	0.4	3,157,897	0.3
6200	Administrative expenses	2,318,452	0.3	2,389,356	0.3
6300	Research and development expenses	<u>10,461,262</u>	<u>1.1</u>	<u>9,396,882</u>	<u>1.0</u>
		<u>16,312,197</u>	<u>1.8</u>	<u>14,944,135</u>	<u>1.6</u>
	<b>Net operating income</b>	<u>8,536,952</u>	<u>0.9</u>	<u>6,936,706</u>	<u>0.8</u>
	<b>Non-operating income and expenses:</b>				
7020	Other gains and losses, net (note (6)(w))	(420,923)	-	(126,030)	-
7050	Finance costs	(1,969,101)	(0.2)	(1,938,044)	(0.2)
7190	Other income (notes (6)(o) and (6)(w))	653,839	0.1	887,354	0.1
7370	Share of profit of associates and joint ventures accounted for using equity method(note (6)(h))	<u>1,022,912</u>	<u>0.1</u>	<u>4,198,330</u>	<u>0.4</u>
	<b>Total non-operating income and expenses</b>	<u>(713,273)</u>	<u>-</u>	<u>3,021,610</u>	<u>0.3</u>
7900	<b>Profit from continuing operations before tax</b>	7,823,679	0.9	9,958,316	1.1
7950	Less: Income tax expenses (note (6)(q))	<u>867,780</u>	<u>0.1</u>	<u>1,044,951</u>	<u>0.1</u>
	<b>Profit</b>	<u>6,955,899</u>	<u>0.8</u>	<u>8,913,365</u>	<u>1.0</u>
8300	<b>Other comprehensive income:</b>				
8310	<b>Components of other comprehensive income (loss) that will not be reclassified to profit or loss</b>				
8311	Gains (losses) on remeasurements of defined benefit plans	(32,645)	-	(20,189)	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	120,897	-	(1,096,846)	(0.1)
8330	Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	359,147	-	(212,493)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	<u>3,056</u>	<u>-</u>	<u>(69,926)</u>	<u>-</u>
	Components of other comprehensive income that will not be reclassified to profit or loss	<u>444,343</u>	<u>-</u>	<u>(1,259,602)</u>	<u>(0.1)</u>
8360	<b>Components of other comprehensive income (loss) that will be reclassified to profit or loss</b>				
8361	Exchange differences on translation of foreign financial statements	(1,620,812)	(0.2)	1,853,763	0.1
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	(322,922)	-	(229,339)	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Components of other comprehensive income that will be reclassified to profit or loss	<u>(1,943,734)</u>	<u>(0.2)</u>	<u>1,624,424</u>	<u>0.1</u>
8300	<b>Other comprehensive income</b>	<u>(1,499,391)</u>	<u>(0.2)</u>	<u>364,822</u>	<u>-</u>
8500	<b>Total comprehensive income</b>	<u>\$ 5,456,508</u>	<u>0.6</u>	<u>9,278,187</u>	<u>1.0</u>
	<b>Earnings per share (note 6(t))</b>				
9750	<b>Basic earnings per share</b>	<u>\$ 1.60</u>		<u>2.05</u>	
9850	<b>Diluted earnings per share</b>	<u>\$ 1.58</u>		<u>2.02</u>	

See accompanying notes to financial statements.

**COMPAL ELECTRONICS, INC.**  
**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						Total equity
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Unearned employee benefit and others	Total other equity interest	Treasury shares	
<b>Balance at January 1, 2018</b>	\$ 44,191,916	10,938,773	18,252,861	4,339,549	34,458,787	57,051,197	(3,477,376)	(5,847,823)	(79,856)	(9,405,055)	(881,247)	101,895,584
Profit for the year ended December 31, 2018	-	-	-	-	8,913,365	8,913,365	-	-	-	-	-	8,913,365
Other comprehensive income	-	-	-	-	14,094	14,094	1,624,424	(1,273,696)	-	350,728	-	364,822
Total comprehensive income	-	-	-	-	8,927,459	8,927,459	1,624,424	(1,273,696)	-	350,728	-	9,278,187
Appropriation and distribution of retained earnings:												
Legal reserve appropriated	-	-	574,953	-	(574,953)	-	-	-	-	-	-	-
Special reserve appropriated	-	-	-	4,491,599	(4,491,599)	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(4,407,147)	(4,407,147)	-	-	-	-	-	(4,407,147)
Cash dividends from capital surplus	-	(881,429)	-	-	-	-	-	-	-	-	-	(881,429)
Changes in ownership interests in subsidiaries	-	(32,706)	-	-	(521,643)	(521,643)	-	489,483	-	489,483	-	(64,866)
Changes in equity of associates and joint ventures accounted for using equity method	-	(459)	-	-	(1,156)	(1,156)	-	1,130	-	1,130	-	(485)
Share-based payments transaction	(120,450)	(151,766)	-	-	36,141	36,141	-	-	79,856	79,856	-	(156,219)
Adjustments of capital surplus for company's cash dividends received by subsidiaries	-	60,021	-	-	-	-	-	-	-	-	-	60,021
Disposal of investments in equity instruments measured at fair value through other comprehensive income	-	-	-	-	(1,024,470)	(1,024,470)	-	1,024,470	-	1,024,470	-	-
Balance at December 31, 2018	44,071,466	9,932,434	18,827,814	8,831,148	32,401,419	60,060,381	(1,852,952)	(5,606,436)	-	(7,459,388)	(881,247)	105,723,646
Profit for the year ended December 31, 2019	-	-	-	-	6,955,899	6,955,899	-	-	-	-	-	6,955,899
Other comprehensive income	-	-	-	-	(30,420)	(30,420)	(1,942,028)	474,763	(1,706)	(1,468,971)	-	(1,499,391)
Total comprehensive income	-	-	-	-	6,925,479	6,925,479	(1,942,028)	474,763	(1,706)	(1,468,971)	-	5,456,508
Appropriation and distribution of retained earnings:												
Legal reserve appropriated	-	-	891,336	-	(891,336)	-	-	-	-	-	-	-
Special reserve appropriated	-	-	-	(1,363,317)	1,363,317	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(4,407,147)	(4,407,147)	-	-	-	-	-	(4,407,147)
Cash dividends from capital surplus	-	(881,429)	-	-	-	-	-	-	-	-	-	(881,429)
Changes in ownership interests in subsidiaries	-	43,473	-	-	-	-	-	-	-	-	-	43,473
Changes in equity of associates and joint ventures accounted for using equity method	-	4,760	-	-	(27,199)	(27,199)	-	-	-	-	-	(22,439)
Adjustments of capital surplus for company's cash dividends received by subsidiaries	-	60,021	-	-	-	-	-	-	-	-	-	60,021
Disposal of investments in equity instruments measured at fair value through other comprehensive income	-	-	-	-	(4,824,910)	(4,824,910)	-	4,824,910	-	4,824,910	-	-
<b>Balance at December 31, 2019</b>	<b>\$ 44,071,466</b>	<b>9,159,259</b>	<b>19,719,150</b>	<b>7,467,831</b>	<b>30,539,623</b>	<b>57,726,604</b>	<b>(3,794,980)</b>	<b>(306,763)</b>	<b>(1,706)</b>	<b>(4,103,449)</b>	<b>(881,247)</b>	<b>105,972,633</b>

See accompanying notes to financial statements.

**COMPAL ELECTRONICS, INC.**  
**Statements of Cash Flows**  
**For the years ended December 31, 2019 and 2018**  
**(Expressed in Thousands of New Taiwan Dollars)**

	<b>2019</b>	<b>2018</b>
<b>Cash flows from (used in) operating activities:</b>		
<b>Profit before tax</b>	\$ 7,823,679	9,958,316
<b>Adjustments:</b>		
<b>Adjustments to reconcile profit (loss):</b>		
Depreciation and amortization	1,017,058	456,117
Increase in expected credit loss	1,537	1,065
Net gain on financial assets or liabilities at fair value through profit or loss	(14,195)	(95,526)
Finance cost	1,969,101	1,938,044
Interest income	(184,607)	(332,905)
Dividend income	(71,778)	(212,129)
Compensation cost of share-based payments	-	(156,219)
Share of profit of subsidiaries, associates and joint ventures accounted for using equity method	(1,022,912)	(4,198,330)
Loss on disposal of investments	(8,990)	-
Others	(48)	-
<b>Total adjustments to reconcile profit (loss)</b>	<b>1,685,166</b>	<b>(2,599,883)</b>
<b>Changes in operating assets and liabilities:</b>		
<b>Changes in operating assets:</b>		
Decrease (increase) in financial assets at fair value through profit or loss	(149,888)	-
Decrease (increase) in notes and accounts receivable	12,793,425	(23,179,534)
Decrease (increase) in other receivables	(316,517)	(629,912)
Decrease (increase) in inventories	1,469,090	(8,531,796)
Decrease (increase) in other current assets	(193,407)	63,537
<b>Total changes in operating assets</b>	<b>13,602,703</b>	<b>(32,277,705)</b>
<b>Changes in operating liabilities:</b>		
Increase (decrease) in notes and accounts payable	(6,363,500)	11,759,347
Increase (decrease) in other payables	1,176,316	1,172,349
Increase (decrease) in refund liabilities	(297,945)	40,154
Increase (decrease) in contract liabilities	(527,630)	(212,174)
Increase (decrease) in other current liabilities	(238,828)	(77,610)
Others	(11,365)	(12,315)
<b>Total changes in operating liabilities</b>	<b>(6,262,952)</b>	<b>12,669,751</b>
<b>Total changes in operating assets and liabilities</b>	<b>7,339,751</b>	<b>(19,607,954)</b>
<b>Total adjustments</b>	<b>9,024,917</b>	<b>(22,207,837)</b>
Cash inflow (outflow) generated from operations	16,848,596	(12,249,521)
Interest received	231,795	314,650
Dividends received	536,175	592,252
Interest paid	(2,147,529)	(1,769,911)
Income taxes paid	(450,537)	(684,300)
<b>Net cash flows from (used in) operating activities</b>	<b>15,018,500</b>	<b>(13,796,830)</b>
<b>Cash flows from (used in) investing activities:</b>		
Redemption from financial assets at amortized cost	350,000	350,000
Acquisition of financial assets at fair value through profit or loss and through other comprehensive income	(74,992)	(131,622)
Proceeds from disposal of financial assets at fair value through profit or loss and through other comprehensive income	1,152,409	865,964
Acquisition of investments accounted for using equity method	(341,107)	(29,558)
Proceeds from disposal of investments accounted for using equity method	18,034	-
Proceeds from capital reduction of investments	22,426	8,054
Acquisition of property, plant and equipment	(761,929)	(203,186)
Increase in other receivables due from related parties	(1,587,080)	(321,840)
Acquisition of intangible assets	(384,816)	(521,722)
Others	(6,244)	(10,572)
<b>Net cash flows from (used in) investing activities</b>	<b>(1,613,299)</b>	<b>5,518</b>
<b>Cash flows from (used in) financing activities:</b>		
Increase (decrease) in short-term borrowings	(11,941,882)	9,919,682
Proceeds from long-term borrowings	66,503,625	34,258,000
Repayments of long-term borrowings	(69,249,875)	(32,994,950)
Payment of lease liabilities	(414,856)	-
Cash dividends paid	(5,288,576)	(5,288,576)
Others	(46)	-
<b>Net cash flows from (used in) financing activities</b>	<b>(20,391,610)</b>	<b>5,894,156</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(6,986,409)</b>	<b>(7,897,156)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>20,446,378</b>	<b>28,343,534</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$ 13,459,969</b>	<b>20,446,378</b>

See accompanying notes to financial statements.

**COMPAL ELECTRONICS, INC.**  
**Notes to the Parent-Company-Only Financial Statements**  
**For the years ended December 31, 2019 and 2018**  
**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

**(1) Company history**

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

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

The accompanying parent-company-only financial statements were authorized for issuance by the Board of Directors and issued on March 30, 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.

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

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

(Continued)

**COMPAL ELECTRONICS, INC.**  
**Notes to Parent-Company-Only Financial Statements**

(i) IFRS 16“Leases”

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

The Company applied IFRS 16 using the modified retrospective approach, there was no effect on retained earnings on January 1, 2019. The details of the changes in accounting policies are disclosed below,

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.

- 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 leases.

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

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

(Continued)



**COMPAL ELECTRONICS, INC.**  
**Notes to Parent-Company-Only Financial Statements**

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

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

3) As a lessor

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

4) Impacts on financial statements

On transition to IFRS 16, the Company recognized additional \$821,816 thousands of right-of-use assets and 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 1.2%.

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:

	<b>January 1, 2019</b>
Operating lease commitment at December 31, 2018 as disclosed in the Company's financial statements	<b>\$ <u>837,450</u></b>
Discounted using the incremental borrowing rate at January 1, 2019	\$ 821,816
Finance lease liabilities recognized as at December 31, 2018	<u>-</u>
Lease liabilities recognized at January 1, 2019	<b>\$ <u>821,816</u></b>

(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:

(Continued)

**COMPAL ELECTRONICS, INC.**  
**Notes to Parent-Company-Only Financial Statements**

<b>New, Revised or Amended Standards and Interpretations</b>	<b>Effective date per IASB</b>
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 above mentioned 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:

<b>New, Revised or Amended Standards and Interpretations</b>	<b>Effective date per IASB</b>
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 above-mentioned 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 parent-company-only financial statements are summarized as follows. The following accounting policies were applied consistently throughout the periods presented in the parent-company-only financial statements.

- (a) Statement of compliance

These parent-company-only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

- (b) Basis of preparation

- (i) Basis of measurement

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

- 1) Financial instruments measured at fair value through profit or loss are measured at fair value;
- 2) Financial instruments measured at fair value through other comprehensive income are measured at fair value;

(Continued)

**COMPAL ELECTRONICS, INC.**  
**Notes to Parent-Company-Only Financial Statements**

- 3) The defined benefit liability (or asset) is recognized as plan assets less the present value of the defined benefit obligation and the effect of the asset ceiling mentioned in note (4)(q).

(ii) Functional and presentation currency

The functional currency of the Company is determined based on the primary economic environment in which the Company operates. The parent-company-only financial statements are presented in New Taiwan Dollar, which is the Company's functional currency. All financial information presented in New Taiwan Dollar has been rounded to the nearest thousand.

(c) Foreign currency

(i) Foreign currency transaction

Transactions in foreign currencies are translated to the respective functional currencies of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between the amortized cost in the functional currency at the beginning of the year adjusted for the effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the reporting date.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of translation.

Foreign currency differences arising on retranslation are recognized in profit or loss, except for the following differences which are recognized in other comprehensive income arising on the retranslation:

- 1) fair value through other comprehensive income financial assets financial assets;
- 2) a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- 3) qualifying cash flow hedges to the extent the hedge is effective

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the Company's functional currency at exchange rates of the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to the Company's functional currency at average rate. Foreign currency differences are recognized in other comprehensive income, and presented in the foreign currency translation differences in equity.

(Continued)

**COMPAL ELECTRONICS, INC.**  
**Notes to Parent-Company-Only Financial Statements**

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

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign currency gains and losses arising from such items are considered to form part of a net investment in the foreign operation and are recognized in other comprehensive income, and presented in the translation reserve in equity.

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

An 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) The liability 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 the issue of equity instruments do not impact its classification.

(e) Cash and cash equivalents

Cash comprise cash on hand and demand deposits. Cash equivalents are subject to an insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments.

(Continued)

**COMPAL ELECTRONICS, INC.**  
**Notes to Parent-Company-Only Financial Statements**

The time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes are reclassified as cash equivalents.

(f) Financial instruments

(i) Financial assets

Financial assets are classified into the following categories: measured at amortized cost, fair value through other comprehensive income (“FVOCI”) and fair value through profit or loss (“FVTPL”).

The Company shall reclassify all affected financial assets only when it changes its business model for managing its financial assets.

1) Financial assets measured at amortized cost

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

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset measured at amortized cost is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses, and impairment loss, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

2) Fair value through other comprehensive income (“FVOCI”)

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

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Some accounts receivables are held within a business model whose objective is achieved by both collecting contractual cash flows and selling by the Company, therefore, those receivables are measured at FVOCI and presented as accounts receivable.

(Continued)

**COMPAL ELECTRONICS, INC.**  
**Notes to Parent-Company-Only Financial Statements**

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

A financial asset measured at FVOCI is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses, and impairment losses, deriving from debt investments are recognized in profit or loss; whereas dividends deriving from equity investments are recognized as income in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses of financial assets measured at FVOCI are recognized in OCI. On derecognition, gains and losses accumulated in OCI of debt investments are reclassified to profit or loss. However, gains and losses accumulated in OCI of equity investments are reclassified to retain earnings instead of profit or loss. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

Dividend income derived from equity investments is recognized on the date that the Company's right to receive payment is established, which in the case of quoted securities is normally the date the shareholders' meeting approved the earning distribution.

3) Fair value through profit or loss ("FVTPL")

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

Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Subsequent changes that are measured at fair value, which take into account any dividend and interest income, are recognized in profit or loss. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

4) Impairment of financial assets

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

**COMPAL ELECTRONICS, INC.**  
**Notes to Parent-Company-Only Financial Statements**

The Company measures loss allowances at an amount equal to lifetime expected credit loss (“ECL”), except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

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

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

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

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

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

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

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

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

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

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**COMPAL ELECTRONICS, INC.**  
**Notes to Parent-Company-Only Financial Statements**

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

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is recognized in other comprehensive income instead of reducing the carrying amount of the asset. The Company recognizes the amount of expected credit losses (or reversal) in profit or loss, as an impairment gain or loss.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

5) Derecognition of financial assets

Financial assets are derecognized when the contractual rights to the cash flows from the assets expire, or when the Company transfers substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a debt instrument in its entirety, the Company recognizes the difference between its carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income and presented in "other equity – unrealized gains or losses on fair value through other comprehensive income", in profit or loss, and presented it in the line item of non-operating income.

(Continued)



**COMPAL ELECTRONICS, INC.**  
**Notes to Parent-Company-Only Financial Statements**

On derecognition of a financial asset other than in its entirety, the Company allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in profit or loss, and presented in the line item of non-operating income and expenses. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt or equity instruments issued by the Company are classified as financial liabilities or equity in accordance with the substance of the contractual agreement.

Equity instruments refer to surplus equities of the assets after the deduction of all the debts for any contracts. Equity instruments issued are recognized as the amount of consideration received, less, the direct cost of issuing.

Interest and loss or gain related to financial liabilities are recognized as profit or loss and are reported under non-operating income and expenses. Financial liabilities are reclassified as equity when converted, and conversions do not generate profit or loss.

2) Financial liabilities at fair value through profit or loss

A financial liability is classified in this category if acquired principally for the purpose of selling in the short term. This type of financial liability is measured at fair value at the time of initial recognition, and attributable transaction costs are recognized in profit or loss as incurred. Financial liabilities at fair value through profit or loss are measured at fair value, and changes therein, which take into account any interest expense, are recognized in profit or loss, and are included in non-operating income or expenses.

3) Other financial liabilities

Financial liabilities not classified as held-for-trading or designated as at fair value through profit or loss, which comprise loans and borrowings, and trade and other payable, are measured at fair value, plus, any directly attributable transaction cost at the time of initial recognition. Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method other than significant interest on short-term loans and payables. Interest expense not capitalized as capital cost is recognized in profit or loss, and is included in non-operating income or expenses.

(Continued)

**COMPAL ELECTRONICS, INC.**  
**Notes to Parent-Company-Only Financial Statements**

4) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligation has been discharged, cancelled or expired. The difference between the carrying amount of a financial liability removed and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss, and is included in non-operating income or expenses.

5) Offsetting of financial assets and liabilities

The Company presents financial assets and liabilities on a net basis when the Company has the legally enforceable right to offset and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

(iii) Derivative financial instruments

The Company holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Derivatives are initially measured at fair value. Any attributable transaction costs thereof are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in profit or loss and are included in the line item of non-operating income. When a derivative is designated as, and effective for, a hedging instrument, its timing of recognition in profit or loss is determined based on the nature of the hedging relationship. When the fair value of a derivative instrument is positive, it is classified as a financial asset, whereas when the fair value is negative, it is classified as a financial liability.

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the non-financial asset's host contract are not closely related to the embedded derivatives and the host contract is not measured at FVTPL.

(g) Inventories

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

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

(h) Investment in associates

Associates are those entities in which the Company has significant influence, but not control or 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.

(Continued)

**COMPAL ELECTRONICS, INC.**  
**Notes to Parent-Company-Only Financial Statements**

The parent-company-only financial statements include the Company's share of the profit or loss and other comprehensive income of equity-accounted investees after adjustments to align the accounting policies with those of the Company from the date that significant influence commences until the date that significant influence ceases. When changes in an associate's equity are not recognized in profit or loss or other comprehensive income of the associate and such changes do not affect the Company's ownership percentage of the associate, the Company recognizes the changes in ownership interests of its associate in capital surplus in proportion to its ownership.

Unrealized profits resulting from the transactions between the Company and an associate are eliminated to the extent of the Company's interest in the associate. Unrealized losses on transactions with associates are eliminated in the same way, except to the extent that the underlying asset is impaired.

When the Company's share of losses exceeds its interest in associates, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Company has an obligation or has made payments on behalf of the investee.

The Company shall discontinue the use of the equity method from the date when its investment ceases to be an associate or a joint venture. The Company shall measure the retained interest at fair value. The difference between the fair value of retained interest and proceeds from disposal, and the carrying amount of the investment at the date the equity method was discontinued is recognized in profit or loss. The Company shall account for all the amounts previously recognized in other comprehensive income in relation to that investment on the same basis as would have been required if the associates had directly disposed of the related assets or liabilities. If a gain or loss previously recognized in other comprehensive income would be reclassified to profit or loss on the disposal of the related assets or liabilities, the entity shall reclassify the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued. If an entity's ownership interest in an associate or a joint venture is reduced while the entity continues to apply the equity method, the entity shall reclassify the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interest to profit or loss.

If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Company shall continue to apply the equity method without remeasuring the retained interest.

When the Company subscribes to additional shares in an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Company's proportionate interest in the net assets of the associate. The Company records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus, however, when the balance of the capital surplus arising from the investment was insufficient, the difference charged or credited to retained earnings. If the Company's ownership interest is reduced due to the additional subscription to the shares of associate by other investors, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate shall be reclassified to profit or loss on the same basis as would be required if the associate had directly disposed of the related assets or liabilities.

- (i) Investment in subsidiaries

(Continued)

**COMPAL ELECTRONICS, INC.**  
**Notes to Parent-Company-Only Financial Statements**

When preparing the parent-company-only financial statements, investment in subsidiaries which are controlled by the Company is accounted for using the equity method. Under the equity method, the amounts of net income, other comprehensive income and equity attributable to shareholders of the Company in the parent-company-only financial statement are equal to those in the consolidated financial statements.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions

(j) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Subsequent cost

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

(iii) Depreciation

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

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

(Continued)

**COMPAL ELECTRONICS, INC.**  
**Notes to Parent-Company-Only Financial Statements**

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

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

- 1) Buildings: 35~50 years
- 2) Building improvement: 8~15 years
- 3) Research equipment: 3 years
- 4) Other equipment: 0.5~5 years

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

(k) Leases

Applicable after 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 Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- 3) the Company has the right to direct the use of the asset when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Company has the right to direct the use of an asset if either:
  - the Company has the right to operate the asset and the providers do not have the right to vary; or
  - the Company designed the asset in a way that predetermines how and for what purpose it will be used.

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-

(Continued)

**COMPAL ELECTRONICS, INC.**  
**Notes to Parent-Company-Only Financial Statements**

lease components as a single lease component.

(ii) As a lessee

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:

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

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

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

(Continued)

**COMPAL ELECTRONICS, INC.**  
**Notes to Parent-Company-Only Financial Statements**

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 machinery and office equipment 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.

(iii) As a lessor

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

Applicable before January 1, 2019

(i) As lessor

Lease income from operating lease is recognized in income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as the lease income. Incentives granted to the lessee to enter into the operating lease are spread over the lease term on a straight-line basis so that the lease income received is reduced accordingly.

(ii) As lessee

Operating leases are not recognized in the Company's balance sheets.

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

(l) Intangible assets

(i) Goodwill

1) Initial recognition

Goodwill arising from acquisition of subsidiaries is included in intangible assets. The

(Continued)

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measurement of initial recognition of goodwill, please refer to note (4)(t).

2) Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses.

Goodwill related to an investment accounted for using equity method is included in the carrying amount of the investment, and not allocated to any asset, including goodwill, forms part of the carrying amount of the investment accounted for using the equity method.

(ii) Research & Development

During the research phase, activities are carried out to obtain and understand new scientific or technical knowledge. Expenditures during this phase are recognized in profit or loss as incurred.

Expenditures arising from the development phase shall be recognized as an intangible asset if all the conditions described below can be demonstrated; otherwise, they will be recognized in profit or loss as incurred.

- 1) The technical feasibility of completing the intangible asset so that it will be available for use or sale.
- 2) Its intention to complete the intangible asset and use or sell it.
- 3) Its ability to use or sell the intangible asset.
- 4) How the intangible asset will generate probable future economic benefits.
- 5) The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
- 6) Its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Capitalized expenditure arising from the development phase is measured at cost less accumulated amortization and accumulated impairment losses.

(iii) Other intangible assets

Other intangible assets that are acquired by the Company are measured at cost, less accumulated amortization and any accumulated impairment losses.

(iv) Subsequent expenditure

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

(v) Amortization

(Continued)



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The amortizable amount is the cost of an asset, or other amount substituted for cost, less its residual value.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill and intangible assets with all indefinite useful life, from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

- 1) Patents: the shorter of contract period and estimated useful lives
- 2) Computer software: 1~3 years

The residual value, the amortization period, and the amortization method for an intangible asset with a finite useful life shall be reviewed at least annually at each fiscal year-end. Any change shall be accounted for as changes in accounting estimates.

(m) Impairment of non-derivative financial assets

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

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

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

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

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

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(n) Provisions

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

(o) Treasury stock

Repurchased shares are recognized under treasury shares (a contra-equity account) based on its repurchase price (including all directly accountable costs), and net of tax. Gains on disposal of treasury shares should be recognized under Capital Reserve – Treasury Shares Transactions; losses on disposal of treasury shares should be offset against existing capital reserves arising from similar types of treasury shares. If there are insufficient capital reserves to be offset against, then such losses should be accounted for under retained earnings. The carrying amount of treasury shares should be calculated using the weighted average different types of repurchase.

During the cancellation of treasury shares, Capital Reserve – Share Premiums and Share Capital should be debited proportionately. Gains on cancellation of treasury shares should be recognized under existing capital reserves arising from similar types of treasury shares; losses on cancellation of treasury shares should be offset against existing capital reserves arising from similar types of treasury shares. If there are insufficient capital reserves to be offset against, then such losses should be accounted for under retained earnings.

(p) Recognition of revenue

(i) 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.

1) Sale of goods

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

The Company assesses sales discounts based on historical experience, management's judgment and other known reasons. Such allowances are recognized as a deduction of

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sales revenue in the same period in which sales are made. The aforementioned provisions are expected to settle over the next year. A refund liability is recognized for expected discounts payable to customers in relation to sales made until the end of the reporting period. No element of financing is deemed present as the sales of electronic products are made with a credit term which is consistent with the market practice.

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

2) Financing components

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

(q) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

(ii) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Company's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation of defined benefit obligation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognized asset is limited to the total of the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Company. An economic benefit is available to the Company if it is realizable during the life of the plan, or on settlement of the plan liabilities.

If the benefits of a plan are improved, the pension cost incurred from the portion of the increased benefit relating to past service by employees, is recognized immediately in profit or loss.

Re-measurement of net defined benefit liability (asset) (including actuarial gains, losses and the return on plan asset and changes in the effect of the asset ceiling, excluding any amounts included in net interest) is recognized in other comprehensive income (loss). The effect of re-

(Continued)

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measurement of the defined benefit plan is charged to retained earnings.

The Company recognizes gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment comprises any resulting change in the fair value of plan assets and change in the present value of defined benefit obligation.

(iii) Short term employee benefits

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

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(r) Share-based payment

The grant-date fair value of share-based payment awards granted to employee is recognized as employee expenses, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of award that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions, and there is no true-up for differences between expected and actual outcomes.

(s) Income taxes

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

Current taxes include tax payables and tax deduction receivables on taxable gains (losses) for the year calculated using the statutory tax rate on the reporting date or the actual legislative tax rate, as well as tax adjustments related to prior years.

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

- (i) Assets and liabilities that are initially recognized but are not related to the business combination and have no effect on net income or taxable gains (losses) during the transaction.
- (ii) Temporary differences arising from equity investments in subsidiaries or joint ventures where there is a high probability that such temporary differences will not reverse.
- (iii) Initial recognition of goodwill.

(Continued)

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

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

- (i) The entity has the legal right to settle tax assets and liabilities on a net basis; and
- (ii) the taxing of deferred tax assets and liabilities fulfill one of the below scenarios:
  - 1) levied by the same taxing authority; or
  - 2) levied by different taxing authorities, but where each such authority intends to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of expected asset realization or debt liquidation, or where the timing of asset realization and debt liquidation is matched.

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

The surtax on unappropriated earnings is recorded as current tax expense in the following year after the resolution to appropriate retained earnings is approved in a stockholders' meeting.

(t) **Business combination**

Goodwill is measured as an aggregation of the consideration transferred (which generally is measured at fair value at the acquisition date) and as an amount of any non-controlling interest in the acquiree, net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed (generally at fair value). If the residual balance is negative, the Company shall re-assess whether it has correctly identified all of the assets acquired and liabilities assumed, and recognize a gain on the bargain purchase thereafter.

All the transaction costs incurred for the business combination are recognized immediately as the Company's expenses when incurred, except for the issuance of debt or equity instruments.

If the business combination is achieved in stages, the Company shall measure any non-controlling equity interest in the acquiree, either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Other non-controlling interest is measured (1) at fair value at the acquisition date or (2) by using other valuation techniques acceptable under the IFRS as endorsed by the FSC.

In a business combination achieved in stages, the Company shall re-measure its previously held equity interest in the acquiree at its acquisition-date fair value and recognize the resulting gain or loss, if any, in profit or loss. In prior reporting periods, the Company may have recognized changes in the value of its equity interest in the acquiree in other comprehensive income. If so, the amount

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that was recognized in other comprehensive income shall be recognized on the same basis as would be required if the Company had disposed directly of the previously held equity interest. If the disposal of the equity interest required a reclassification to profit or loss, such an amount shall be reclassified to profit or loss.

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

(u) Earnings per share

The Company discloses the basic and diluted earnings per share attributable to ordinary equity holders of the Company. The calculation of basic earnings per share is based on the profit attributable to the ordinary shareholder of the Company divided by weighted average number of ordinary shares outstanding. The calculation of diluted earnings per share is based on the profit attributable to ordinary shareholders of the Company divided by weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares. Dilutive potential ordinary shares comprise restricted employee stock and employee compensation not yet approved by the Board of Directors.

(v) Operating segments

The operating segment information is disclosed within the consolidated financial statements but not disclosed in the parent-company-only financial statements.

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

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

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

There are no critical judgments in applying the accounting policies that have significant effect on the amounts recognized in the financial statements. In addition, information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is as follows:

(a) Recognition and measurement of refund liabilities

Because of the sales returns and allowances, the Company records refund liabilities (sales returns and allowances provisions) for estimated returns and other allowances in the same period the related revenue is recorded. The estimate is made based on historical experience, market and economic conditions, and any other known factors using the expected value or the most likely amount, and it

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could be different from actual sales returns and allowances, therefore, the management periodically reviews the adequacy of the estimation used.

(b) Valuation of inventories

As inventories are stated at the lower of cost or net realizable value, the net realizable value of the inventory is mainly determined based on assumptions as to future demand within a specific time horizon. Due to the rapid industrial changes, there may be significant differences in the net realizable value of inventories. Refer to note (6)(g) for further description of the valuation of inventories.

**(6) Explanation of significant accounts:**

(a) Cash and cash equivalents

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Cash on hand	\$ 1,527	1,596
Checking accounts and demand deposits	3,523,187	3,972,558
Time deposits	9,885,255	15,609,214
Bonds purchased under resale agreements	<u>50,000</u>	<u>863,010</u>
	<b><u>\$ 13,459,969</u></b>	<b><u>20,446,378</u></b>

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

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

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
<b>Mandatorily measured at fair value through profit or loss:</b>		
Non-derivative financial assets		
Structured deposits	\$ 149,888	-
Stock listed in domestic markets	-	284,768
Stock unlisted in domestic markets	24,350	-
Fund in domestic or foreign market	<u>46,747</u>	<u>23,745</u>
Total	<b><u>\$ 220,985</u></b>	<b><u>308,513</u></b>
Current	\$ 149,888	284,768
Non-current	<u>71,097</u>	<u>23,745</u>
	<b><u>\$ 220,985</u></b>	<b><u>308,513</u></b>

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

As of December 31, 2019 and 2018, the Company did not provide any aforementioned financial

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assets as collaterals for its loans.

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

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Equity investments at fair value through other comprehensive income:		
Stock listed in domestic markets	\$ 1,614,565	2,383,976
Stock listed in foreign markets	448,110	400,184
Stock unlisted in domestic markets	914,507	896,395
Stock unlisted in foreign markets	<u>42,211</u>	<u>51,363</u>
Total	<u>\$ 3,019,393</u>	<u>3,731,918</u>

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

For the year ended December 31, 2019, the Company had sold all of its shares in PrimeSensor Technology Inc., Macroblock Inc., and Innolux Corporation (“Innolux”), which were measured at fair value through other comprehensive income. The fair value of the shares was \$845,202 when disposed and the cumulative losses amounted to \$4,824,910, which had been transferred to retained earnings from other comprehensive income.

For the year ended December 31, 2018, the Company has sold parts of its shares held in Innolux Corporation measured at fair value through other comprehensive income. The fair value of the shares was \$291,435 when disposed, and the cumulative losses amounted to \$1,024,470, which had been transferred to retained earnings from other comprehensive income.

If there is an increase (decrease) in the market price by 5% on the reporting date of the equity securities hold by the Company, the increase (decrease) in other comprehensive income (pre-tax) for the years ended December 31, 2019 and 2018, will be \$150,970 and \$186,596, respectively. These analyses are performed on the same basis for the period and assume that all other variables remain the same.

The Company’s information of market risk please refer to note (6)(x).

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

(d) Current financial assets measured at amortized costs

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

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

As of December 31, 2018, the Company did not provide the aforementioned financial assets as collaterals for its loans.

(e) Notes and accounts receivable

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Notes receivable from operating activities	\$ 1,104	1,218
Accounts receivable – measured as amortized cost	154,482,480	171,635,955
Accounts receivable – fair value through other comprehensive income	<u>27,170,468</u>	<u>22,896,211</u>
	181,654,052	194,533,384
Less: allowance for uncollectible accounts	<u>(3,634,190)</u>	<u>(3,718,560)</u>
	<b><u>\$ 178,019,862</u></b>	<b><u>190,814,824</u></b>
Notes and accounts receivable	<b><u>\$ 176,967,731</u></b>	<b><u>189,496,594</u></b>
Notes and accounts receivable – related parties	<b><u>\$ 1,052,131</u></b>	<b><u>1,318,230</u></b>

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

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, trade receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information.

The loss allowance provision of the Company were determined as follows:

<b>December 31, 2019</b>				
<b>Credit rating</b>	<b>Carrying amount of notes and accounts receivable</b>	<b>Weighted- average ECL rate</b>	<b>Lifetime ECLs</b>	<b>Credit- impaired</b>
Level A	\$ 173,733,360	0%	-	No
Level B	4,296,955	0.243%	10,453	No
Level C	<u>3,623,737</u>	100%	<u>3,623,737</u>	Yes
	<b><u>\$ 181,654,052</u></b>		<b><u>3,634,190</u></b>	
<b>December 31, 2018</b>				

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<u>Credit rating</u>	<u>Carrying amount of notes and accounts receivable</u>	<u>Weighted-average ECL rate</u>	<u>Lifetime ECLs</u>	<u>Credit-impaired</u>
Level A	\$ 187,485,567	0%	-	No
Level B	3,424,080	2.769%	94,823	No
Level C	<u>3,623,737</u>	100%	<u>3,623,737</u>	Yes
	<u>\$ 194,533,384</u>		<u>3,718,560</u>	

The aging analysis of notes and accounts receivable, were determined as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Overdue 1 to 180 days	<u>\$ 497,543</u>	<u>1,770,814</u>

The movement in the allowance for notes and accounts receivable were as follow:

	<u>2019</u>	<u>2018</u>
Balance at January 1	\$ 3,718,560	3,717,495
Impairment losses recognized	1,537	1,065
Amounts written off	<u>(85,907)</u>	<u>-</u>
Balance at December 31	<u>\$ 3,634,190</u>	<u>3,718,560</u>

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

The Company entered into accounts receivable factoring agreements with banks. As of December 31, 2019 and 2018, except for the amount used under the actual sales amount in thousand accordance with certain agreements, the factoring amount granted by the banks was USD 1,000,000 thousands and USD 950,000 thousands, respectively. Based on the agreements, the Company is not responsible for guaranteeing the ability of the accounts receivable obligor to make payment when it is affected by credit risk. Thus, this is a non-recourse accounts receivable factoring. The Company derecognized the above account receivables because it has transferred substantially all of the risks and rewards of their ownership and it does not have any continuing involvement in them. After the transfer of the accounts receivable, the Company can request partial advanced amount, while the interest calculated at an agreed rate is paid to the bank in the period during the time of receiving advance and the accounts receivable is collected. The remaining amounts with no advance are received when the accounts receivable are settled by the customers. As of December 31, 2019 and 2018, account receivable factored were recovered and derecognized since the conditions of derecognition were met.

The Company, customers, and banks signed the three-party contracts in which the banks purchase

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

The details of the factored accounts receivable at the reporting date were as follows:

December 31, 2019							
Purchaser	Accounts transferred	Amount advanced		Amount recognized in other receivables	Collateral	Amount derecognized	Interest rate
		Unpaid	Paid				
Financial Institution	\$ <u>25,672,764</u>	<u>-</u>	<u>25,672,764</u>	<u>-</u>	-	<u>25,672,764</u>	2.21%~2.80%
December 31, 2018							
Purchaser	Accounts transferred	Amount advanced		Amount recognized in other receivables	Collateral	Amount derecognized	Interest rate
		Unpaid	Paid				
Financial Institution	\$ <u>32,098,074</u>	<u>-</u>	<u>32,098,074</u>	<u>-</u>	-	<u>32,098,074</u>	3.02%~3.52%

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

(f) Other receivables

	December 31, 2019	December 31, 2018
Other receivables - loans to subsidiaries	\$ 1,719,000	301,137
Other receivables - related parties	149,120	144,455
Others	1,242,487	973,158
	<b>\$ 3,110,607</b>	<b>1,418,750</b>

As of December 31, 2019 and 2018, none of other receivables were past due.

(g) Inventories

	December 31, 2019	December 31, 2018
Finished goods	\$ 13,454,860	18,779,873
Work in progress	152,421	44,008
Raw materials	36,440,788	32,693,278
	<b>\$ 50,048,069</b>	<b>51,517,159</b>

(i) During the years ended December 31, 2019 and 2018, inventory cost recognized as cost of  
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sales amounted to \$891,431,772 and \$889,171,625, respectively.

- (ii) The Company reversed its allowance for inventory valuation loss amounting to \$66,336 due to the sale and disposal of its obsolete inventories in the year ended December 31, 2019. The write-down of inventories to net realizable value amounted to \$171,790, in the year ended December 31, 2018.
- (iii) As of December 31, 2019 and 2018, the Company did not provide any inventories as collaterals for its loans.
- (h) Investments accounted for using equity method

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

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Subsidiaries	\$ 79,267,709	79,891,379
Associates	<u>2,615,406</u>	<u>2,619,501</u>
	81,883,115	82,510,880
Plus: Other receivables-related parties	659,296	494,744
Credit balance of investment in equity method (other non-current liability)	891,274	298,023
Less: unrealized profits or losses	<u>(3,516)</u>	<u>(4,409)</u>
	<b><u>\$ 83,430,169</u></b>	<b><u>83,299,238</u></b>

- (i) Subsidiaries

Please refer to the consolidated financial statement for the year ended December 31, 2019.

- (ii) Associates

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

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Allied Circuit Co., Ltd. ("Allied Circuit")	\$ 1,076,719	621,653
Avalue Technology Inc. ("Avalue")	<u>1,147,839</u>	<u>586,743</u>
	<b><u>\$ 2,224,558</u></b>	<b><u>1,208,396</u></b>

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

	<b>2019</b>	<b>2018</b>
The Company's share of the gain of associates	<u>\$ 70,378</u>	<u>483,812</u>

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

(Continued)

**COMPAL ELECTRONICS, INC.**  
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	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Carrying amount of individually immaterial associates	<b><u>\$ 2,615,406</u></b>	<b><u>2,619,501</u></b>
	<b>2019</b>	<b>2018</b>
The Company's share of the net income (loss) of associates:		
Profit from continuing operations	\$ 70,378	483,812
Other comprehensive income (loss)	<u>(158,336)</u>	<u>(97,800)</u>
Total comprehensive income (loss)	<b><u>\$ (87,958)</u></b>	<b><u>386,012</u></b>

4) In October 2019, the Company had sold part of its shares held in Avalue Technology Inc. ("Avalue"), with a consideration (net of costs of disposal) amounting to \$18,034. The transaction has been completed and the price has been fully recovered, wherein the Company recognized a gain of \$8,990, which was accounted for as other gain and loss.

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

(i) Changes in subsidiaries' equity

(i) Changes in ownership interests while retaining control (increase in ownership interest)

The Company's subsidiary, Arcadyan Technology Corp. ("Arcadyan"), purchased shares of other subsidiaries from non-controlling interest amounting to \$634, in 2018.

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

	<b>2018</b>
Acquisition of non-controlling interest (carrying amount)	\$ 631
Consideration paid for the non-controlling interest	<u>(634)</u>
Difference	<b><u>\$ (3)</u></b>
Capital surplus – changes in ownership interests in subsidiaries	<b><u>\$ (3)</u></b>

(ii) Changes in subsidiaries' equity did not result in the Company's loss of control

1) Subsidiaries' employee stock options exercised

Compal Broadband Network Inc. ("CBN") issued 69 thousand and 351 thousand new shares because of its employees' exercised stock options in 2019 and 2018, respectively, resulting in a decrease in the ownership of the Company and its subsidiaries in CBN by 0.07% and 0.41%, respectively.

2) Issuance of new shares for cash of subsidiaries

The Company and its subsidiaries purchased newly issued shares of Arcadyan amounting

(Continued)

**COMPAL ELECTRONICS, INC.**  
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to \$323,917 at a percentage different from its existing ownership percentage in the fourth quarter of 2019, resulting in a decrease in the ownership of the Company and its subsidiaries in Arcadyan by 0.37%.

The Company and its subsidiaries did not purchase newly issued shares of CBN in the fourth quarter of 2018, resulting in a decrease in the ownership of the Company and its subsidiaries in CBN by 7.27%.

3) Issuance and cancellation of subsidiaries' restricted shares

Arcadyan canceled 84 thousand restricted shares and issued 4,500 thousand restricted new shares in the years ended December 31, 2019 and 2018, respectively, resulting in an increase of 0.01% and a decrease of 0.84% interest, respectively, of the ownership of the Company and its subsidiaries in Arcadyan.

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

	<u>2019</u>	<u>2018</u>
Capital surplus – changes in ownership interest in subsidiaries	\$ 43,473	(32,703)
Retained earnings	<u>-</u>	<u>(32,160)</u>
	<u>\$ 43,473</u>	<u>(64,863)</u>

(j) Property, plant and equipment

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

	<u>Land</u>	<u>Buildings and building improvement</u>	<u>Other equipment</u>	<u>Under construction and prepayment for purchase of equipment</u>	<u>Total</u>
Cost:					
Balance on January 1, 2019	\$ 1,047,797	2,194,761	2,112,018	36,487	5,391,063
Additions	-	138,731	343,873	279,325	761,929
Disposals and derecognitions	-	(6,637)	(137,960)	-	(144,597)
Reclassifications	<u>-</u>	<u>63,420</u>	<u>64,147</u>	<u>(127,567)</u>	<u>-</u>
Balance on December 31, 2019	<u>\$ 1,047,797</u>	<u>2,390,275</u>	<u>2,382,078</u>	<u>188,245</u>	<u>6,008,395</u>
Balance on January 1, 2018	\$ 1,047,797	2,173,951	2,002,114	27,007	5,250,869
Additions	-	18,716	124,095	60,375	203,186
Disposals and derecognitions	-	(476)	(62,516)	-	(62,992)
Reclassifications	<u>-</u>	<u>2,570</u>	<u>48,325</u>	<u>(50,895)</u>	<u>-</u>
Balance on December 31, 2018	<u>\$ 1,047,797</u>	<u>2,194,761</u>	<u>2,112,018</u>	<u>36,487</u>	<u>5,391,063</u>
Depreciation and impairments loss:					

(Continued)

**COMPAL ELECTRONICS, INC.**  
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	<u>Land</u>	<u>Buildings and building improvement</u>	<u>Other equipment</u>	<u>Under construction and prepayment for purchase of equipment</u>	<u>Total</u>
Balance on January 1, 2019	\$ -	1,368,955	1,893,927	-	3,262,882
Depreciation for the period	-	80,891	185,219	-	266,110
Disposals and derecognitions	-	(6,112)	(135,123)	-	(141,235)
Balance on December 31, 2019	<u>\$ -</u>	<u>1,443,734</u>	<u>1,944,023</u>	<u>-</u>	<u>3,387,757</u>
Balance on January 1, 2018	\$ -	1,312,069	1,846,528	-	3,158,597
Depreciation for the period	-	57,362	108,965	-	166,327
Disposals and derecognitions	-	(476)	(61,566)	-	(62,042)
Balance on December 31, 2018	<u>\$ -</u>	<u>1,368,955</u>	<u>1,893,927</u>	<u>-</u>	<u>3,262,882</u>
Carrying amounts:					
Balance on December 31, 2019	<u>\$ 1,047,797</u>	<u>946,541</u>	<u>438,055</u>	<u>188,245</u>	<u>2,620,638</u>
Balance on January 1, 2018	<u>\$ 1,047,797</u>	<u>861,882</u>	<u>155,586</u>	<u>27,007</u>	<u>2,092,272</u>
Balance on December 31, 2018	<u>\$ 1,047,797</u>	<u>825,806</u>	<u>218,091</u>	<u>36,487</u>	<u>2,128,181</u>

As of December 31, 2019 and 2018, the Company did not provide property, plant and equipment as collateral for its borrowing.

(k) Right-of-use assets

The Company leases many assets including buildings and vehicles. Information about leases for which the Company as a lessee is presented below:

	<u>Buildings</u>	<u>Vehicles</u>	<u>Total</u>
Cost:			
Balance on January 1, 2019	\$ -	-	-
Adjustment on initial application of IFRS 16	781,756	40,060	821,816
Balance on January 1, 2019 per IFRS 16	781,756	40,060	821,816
Additions	979,422	12,098	991,520
Deductions	(73,832)	(2,038)	(75,870)
Balance on December 31, 2019	<u>\$ 1,687,346</u>	<u>50,120</u>	<u>1,737,466</u>
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	407,103	18,618	425,721
Deductions	(73,832)	(2,038)	(75,870)
Balance on December 31, 2019	<u>\$ 333,271</u>	<u>16,580</u>	<u>349,851</u>
Carrying amount:			
Balance on January 1, 2019	<u>\$ 781,756</u>	<u>40,060</u>	<u>821,816</u>
Balance on December 31, 2019	<u>\$ 1,354,075</u>	<u>33,540</u>	<u>1,387,615</u>

(Continued)

**COMPAL ELECTRONICS, INC.**  
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The Company leases land, offices, warehouses and factory facilities under an operating lease for the year ended December 31, 2018, please refer to note (6)(o).

(l) Short-term borrowings

The details of short-term borrowings were as following:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Unsecured bank loans	<u>\$ 39,363,800</u>	<u>51,305,682</u>
Unused credit line for short-term borrowings	<u>\$ 57,478,000</u>	<u>40,694,000</u>
Range of interest rates	<u>0.66%~2.49%</u>	<u>0.72%~3.56%</u>

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

(m) Long-term borrowings

The details of long-term borrowings were as follows:

<u>December 31, 2019</u>				
	<u>Currency</u>	<u>Annual range of interest rates</u>	<u>Maturity year</u>	<u>Amount</u>
Unsecured bank loans	TWD	0.73%~1.18%	2020~2023	\$ 25,650,000
Less: current portion				<u>(18,150,000)</u>
Total				<u>\$ 7,500,000</u>
Unused credit line for long-term borrowings				<u>\$ 11,807,000</u>
<u>December 31, 2018</u>				
	<u>Currency</u>	<u>Annual range of interest rates</u>	<u>Maturity year</u>	<u>Amount</u>
Unsecured bank loans	TWD	0.79%~1.22%	2019~2021	\$ 28,396,250
Less: current portion				<u>(17,496,250)</u>
Total				<u>\$ 10,900,000</u>
Unused credit line for long-term borrowings				<u>\$ 5,414,750</u>

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

(n) Lease liabilities

Current	<u>December 31, 2019</u>
	<u>\$ 387,499</u>

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Non-current **\$ 1,010,933**

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

The amounts recognized in profit or loss was as follows:

	<b>2019</b>
Interest on lease liabilities	<b>\$ <u>13,549</u></b>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	<b>\$ <u>3,325</u></b>

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

	<b>2019</b>
Total cash outflow for leases	<b>\$ <u>431,730</u></b>

(i) Building leases

The Company leases buildings for its office and factory space, typically run for a period of 1~8 years.

(ii) Other leases

The Company leases vehicles with lease terms of 1~5 years.

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

(o) Operating lease – Company as lessee

The rental payables of the non-cancellable operating lease was as follows:

	<b>December 31, 2018</b>
Less than one year	<b>\$ 264,145</b>
Between one and five years	<b><u>257,020</u></b>
	<b>\$ <u>521,165</u></b>

The Company leased several office areas under operating leases with the leasing terms from 1 to 5 years and had an option to renew the leases when the leases expired.

For the year ended December 31, 2018, expenses recognized in profit or loss under operating leases amounted to \$297,582.

The lease contract includes those of the land and building, with their residual values being assumed by the landlord. The rental is regularly adjusted based on the current market price. Based on the risks and rewards of leased assets not transferred to the Company, the Company recognized the lease as operating lease.

(Continued)

**COMPAL ELECTRONICS, INC.**  
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(p) Employee benefits

(i) Defined benefit plans

Reconciliation of defined benefit obligations at present value and plan assets at fair value were as follows:

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Present value of defined benefit obligations	\$ (1,270,206)	(1,246,221)
Fair value of plan assets	<u>626,953</u>	<u>624,640</u>
Net defined benefit liabilities	<u><b>\$ (643,253)</b></u>	<u><b>(621,581)</b></u>

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

1) Composition of plan assets

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

The balance of the Company's labor pension reserve account in the Bank of Taiwan amounted to \$620,933 (excluding the ending balance of interest receivable) as of December 31, 2019. For information on the utilization of the labor pension fund assets including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in the present value of the defined benefit obligations

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

	<b>2019</b>	<b>2018</b>
Defined benefit obligations on January 1	\$ (1,246,221)	(1,220,613)
Current service costs and interest	(21,108)	(22,168)
Remeasurements of net benefit liabilities	(53,073)	(37,000)
Benefit paid by the plan	<u>50,196</u>	<u>33,560</u>
Defined benefit obligations on December 31	<u><b>\$ (1,270,206)</b></u>	<u><b>(1,246,221)</b></u>

3) Movements of the fair value of defined benefit plan assets

(Continued)

**COMPAL ELECTRONICS, INC.**  
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The movements in the fair value of the defined benefit plan assets for the Company were as follows:

	<u>2019</u>	<u>2018</u>
Fair value of plan assets on January 1	\$ 624,640	608,482
Expected return on plan assets	7,875	8,141
Remeasurements of net benefit plan assets	20,428	16,811
Contributions paid by the employer	24,206	24,766
Benefits paid by the plan	<u>(50,196)</u>	<u>(33,560)</u>
Fair value of plan assets on December 31	<u>\$ 626,953</u>	<u>624,640</u>

4) Expenses recognized in profit or loss

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

	<u>2019</u>	<u>2018</u>
Current service cost	\$ 5,314	5,635
Net interest on the net defined benefit liability (asset)	<u>7,919</u>	<u>8,392</u>
	<u>\$ 13,233</u>	<u>14,027</u>
Cost of sales	\$ 517	436
Selling expenses	631	745
Administrative expenses	3,239	3,395
Research and development expenses	<u>8,846</u>	<u>9,451</u>
	<u>\$ 13,233</u>	<u>14,027</u>

5) Actuarial assumptions

The following were the Company's principal actuarial assumptions at the reporting date:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Discount rate	0.90%	1.30%
Future salary increase rate	3.00%	3.00%

The expected allocation payment made by the Company to the defined benefit plans for the one year period after the reporting date is \$24,554.

The weighted-average lifetime of the defined benefit plan is 9.9 years.

6) Sensitivity analysis

If the main actuarial assumptions had changed, the impact on the present value of the

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**COMPAL ELECTRONICS, INC.**  
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defined benefit obligation shall be as follows:

	<b>Effects to the defined benefit obligation</b>	
	<b>Increased 0.25%</b>	<b>Decreased 0.25%</b>
December 31, 2019		
Discount rate	(30,821)	31,967
Future salary increasing rate	31,239	(30,287)
December 31, 2018		
Discount rate	(31,218)	32,390
Future salary increasing rate	31,779	(30,797)

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

The method and assumption used in the sensitivity analysis is consistent with prior period.

(ii) Defined contribution plans

The Company allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Company allocates the labor pension at a specific percentage to the Bureau of the Labor Insurance without additional legal or constructive obligations.

The Company recognized the pension costs under the defined contribution method amounting to \$335,403 and \$306,912 for the years ended December 31, 2019 and 2018, respectively. Payment was made to the Bureau of Labor Insurance.

(q) Income taxes

(i) Income tax expenses

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

	<b>2019</b>	<b>2018</b>
Current tax expense		
Recognized during the period	\$ 934,581	1,010,943
Undistributed earnings additional tax	274,317	-
Tax credit of investment	(438,511)	(183,384)

(Continued)

**COMPAL ELECTRONICS, INC.**  
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	770,387	827,559
Deferred tax expense		
Recognition and reversal of temporary differences	97,393	292,600
Adjustment in tax rate	<u>-</u>	<u>(75,208)</u>
	<u>97,393</u>	<u>217,392</u>
Income tax expense	<u><u>\$ 867,780</u></u>	<u><u>1,044,951</u></u>

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

	<u>2019</u>	<u>2018</u>
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement of defined benefit obligation	\$ (6,529)	(32,146)
Unrealized gains (losses) on equity instruments at fair value through other comprehensive income	<u>9,585</u>	<u>(37,780)</u>
	<u><u>\$ 3,056</u></u>	<u><u>(69,926)</u></u>

- 3) The income tax expense that was reconciled between the actual income tax expense and profit before tax for the years ended December 31, 2019 and 2018, was as follows:

	<u>2019</u>	<u>2018</u>
Profit before tax	<u><u>\$ 7,823,679</u></u>	<u><u>9,958,316</u></u>
Income tax calculated based on tax rate	\$ 1,564,736	1,991,663
Undistributed earnings additional tax	274,317	-
Adjustment in tax rate	-	(75,208)
Estimated tax effect of tax exemption on investment income, net	(55,294)	(877,600)
Realized investment loss	(25,237)	(133,869)
Investment tax credit	(438,511)	(183,384)
Changes in temporary differences	(211,637)	(56,660)
Adjustment of estimated difference and other	<u>(240,594)</u>	<u>380,009</u>
Income tax expense	<u><u>\$ 867,780</u></u>	<u><u>1,044,951</u></u>

- (ii) Deferred tax assets and liabilities

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

	<u>Exchange differences on translation</u>	<u>Refund liabilities</u>	<u>Contract liabilities</u>	<u>Unrealized exchange losses, net</u>	<u>Others</u>	<u>Total</u>
Deferred tax assets:						
Balance on January 1, 2019	\$ 9,823	178,025	164,955	106,526	301,251	760,580
Recognized in profit or loss	-	(57,422)	(105,526)	563,739	(1,092)	399,699

(Continued)

**COMPAL ELECTRONICS, INC.**  
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Recognized in other						
comprehensive income	-	-	-	-	6,529	6,529
Balance on December 31, 2019	\$ <u>9,823</u>	<u>120,603</u>	<u>59,429</u>	<u>670,265</u>	<u>306,688</u>	<u>1,166,808</u>
Balance on January 1, 2018	\$ 9,823	259,546	176,283	365,646	253,814	1,065,112
Recognized in profit or loss	-	(81,521)	(11,328)	(259,120)	15,291	(336,678)
Recognized in other						
comprehensive income	-	-	-	-	32,146	32,146
Balance on December 31, 2018	\$ <u>9,823</u>	<u>178,025</u>	<u>164,955</u>	<u>106,526</u>	<u>301,251</u>	<u>760,580</u>
		<b>Unrealized</b>				
		<b>exchange</b>				
		<b>gains, net</b>	<b>Others</b>	<b>Total</b>		
Deferred tax liabilities:						
Balance on January 1, 2019	\$ -	(386,555)	(386,555)			
Recognized in profit or loss	(497,092)	-	(497,092)			
Recognized in other						
comprehensive income	-	(9,585)	(9,585)			
Balance on December 31, 2019	\$ <u>(497,092)</u>	<u>(396,140)</u>	<u>(893,232)</u>			
Balance on January 1, 2018	\$ (171,868)	(371,753)	(543,621)			
Recognized in profit or loss	171,868	(52,582)	119,286			
Recognized in other						
comprehensive income	-	37,780	37,780			
Balance on December 31, 2018	\$ <u>-</u>	<u>(386,555)</u>	<u>(386,555)</u>			

(iii) Unrecognized deferred tax assets

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

	<b>December</b>	<b>December</b>
	<b>31, 2019</b>	<b>31, 2018</b>
Tax effect of deductible temporary differences	\$ <u>398,919</u>	<u>362,131</u>

The Company assesses and considers that some of the income tax reduction items may be unrealized, hence they are not recognized as deferred tax assets.

(iv) Unrecognized deferred tax assets and liabilities related to investments in subsidiaries

The temporary differences associated with investment in subsidiaries were not recognized as deferred income tax assets and liabilities as the Company has the ability to control the reversal of these temporary differences which are not expected to reverse in the foreseeable future.

As of December 31, 2019 and 2018, the aggregate deductible temporary differences relating to investments in subsidiaries not recognized as deferred tax assets amounted to \$1,894,891 and \$2,162,721, respectively.

As of December 31, 2019 and 2018, the aggregate taxable temporary differences relating to investments in subsidiaries not recognized as deferred tax liabilities amounted to \$53,620,982

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**COMPAL ELECTRONICS, INC.**  
**Notes to Parent-Company-Only Financial Statements**

and \$54,430,545, respectively.

(v) Examination and approval

The Company's tax returns for the year through 2017 were assessed by the Taipei National Tax Administration.

(r) Capital and other equities

As of December 31, 2019 and 2018, the Company's authorized common stock consisting of 6,000,000 thousand shares with a par value of 10 New Taiwan dollar per share amounted to \$60,000,000 of which 4,407,147 thousand shares were issued. All issued shares were paid up upon issuance.

(i) Ordinary shares

In 2015, the Company issued its employee restricted shares amounting to \$493,600, wherein the amount of \$120,450 had been cancelled due to failure in meeting the vested requirements in the year ended December 31, 2018. As of December 31, 2018, the registration procedure had been completed.

(ii) Capital surplus

The balances of capital surplus were as follows:

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Additional paid-in capital	\$ 6,302,490	7,183,919
Treasury share transactions	2,481,885	2,421,864
Difference between consideration and carrying amount arising from acquisition or disposal of subsidiaries	36,766	36,766
Recognition of changes in ownership interests in subsidiaries	59,115	15,642
Changes in equity of associates and joint ventures accounted for using equity method	<u>279,003</u>	<u>274,243</u>
	<b><u>\$ 9,159,259</u></b>	<b><u>9,932,434</u></b>

In accordance with the ROC Company Act, realized capital reserves can only be used to increase the common stock or distributed as cash dividends after offsetting losses. The aforementioned capital reserves include share premiums and donation gains. In accordance with the Securities Offering and Issuance Guidelines, the amount of capital reserves to be reclassified under share capital shall not exceed 10% of the actual share capital amount.

The Company's shareholders' meeting held on June 21, 2019 and June 22, 2018, approved to distribute the cash dividend of \$881,429 (representing 0.2 New Taiwan dollars per share), by using the additional paid-in capital.

A resolution was approved during the Board of Directors' meeting held on March 30, 2020 to distribute the cash dividend of \$881,429, with representing 0.2 New Taiwan dollars per share,

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**COMPAL ELECTRONICS, INC.**  
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by using the additional paid-in capital. The related information can be accessed through the Market Observation Post system website after the Board of Directors' meeting.

(iii) Retained earnings

Based on the Company's articles of incorporation amended on June 21, 2019, if there is any profit after closing of books in a given year, the Company shall first defray tax due, cover accumulated losses and set aside ten percent of it as legal reserve and then set aside or reverse a special reserve in accordance with laws and regulations. The balance of earnings available for distribution is composed of the remainder of the said profit and the unappropriated retained earnings of previous years. The Board of Directors may set aside a certain amount to cope with the business operation conditions, and shall prepare the proposal for distribution of the balance amount thereof after a resolution has been adopted and then allocated by the Board of Directors. The Company authorizes the Board of Directors to distribute all or part of the dividends and bonuses, capital surplus or legal reserve in cash after a resolution has been adopted by a majority vote at a meeting of the Board of Directors attended by two-thirds of the total number of directors; and in addition thereto a report of such distribution shall be submitted to the General shareholders' meeting.

Based on the Company's articles of incorporation before amended on June 21, 2019, if there is any profit after closing of books in a given year, the Company shall first defray tax due, cover accumulated losses and set aside ten percent of it as legal reserve and then set aside or reverse a special reserve in accordance with laws and regulations. The balance of earnings available for distribution is composed of the remainder of the said profit and the unappropriated retained earnings of previous years. The earnings appropriation proposal to distribute dividend and bonus shall be proposed by the Board of Directors and approved by the General Shareholders Meeting. The rest of the unappropriated retained earnings shall be reserved.

The lifecycle of the industry of the Company is in the growing stage. To consider the need of the Company for the future capital, capital budget, long-term financial planning, domestic and foreign competition, the need of shareholders for cash flow and other factors, if there is any profit after close of books, the dividend and bonus to be distributed to shareholders shall not be less than thirty percent of profit after tax for such year and the cash dividend allocated by the Company each year shall not be lower than ten percent of the total dividend (including cash and share dividend) for such year.

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

1) Legal reverse

When a company incurs no loss, it may, in pursuant to a resolution to be adopted by the shareholders' meeting as required, distribute its legal reserve by issuing new shares and distributing stock dividends or distributing cash to shareholders. Only the portion of the legal reserve which exceeds 25% of the paid-in capital may be distributed.

(Continued)



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2) Special reverse

In accordance with Ruling No. 1010012865 issued by the FSC on April 6, 2012, a portion of current earnings and previous unappropriated earnings shall be set aside as a special reserve during earnings distribution. The amount to be set aside should equal the total amount of contra accounts that are accounted for as deductions to other equity interests. A portion of previous unappropriated earnings shall be set aside as a special reserve, which should not be distributed, to account for cumulative changes to other equity interests pertaining to prior periods. The special reserve shall be made available for appropriation when the net deductions of other equity interests are reversed in the subsequent periods.

3) Earnings distribution

Earnings distribution for 2018 and 2017 was approved by the shareholders during their annual meeting held on June 21, 2019 and June 22, 2018, respectively. The relevant information was as follows:

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

Earnings distribution for 2019 was approved by the Board of Directors on March 30, 2020. The relevant information was as follows:

	2019	
	Amount per share	Total amount
Cash dividends distributed to common shareholders from the unappropriated earnings	\$ 1.0	<u>4,407,147</u>

The related information of the earnings distribution for the year ended December 31, 2019, can be accessed through the Market Observation Post System website after the related meeting.

(iv) Treasury stock

The subsidiaries of the Company did not sell the ordinary shares of the Company in the years ended December 31, 2019 and 2018. As of December 31, 2019, Panpal and Gempal, subsidiaries of the Company, held 50,017 thousand shares of ordinary shares of the Company, recorded as the Company's treasury stock, with a book value of 17.6 New Taiwan dollars per share. The total cost was \$881,247. The fair value of the ordinary shares of the Company was 18.85 and 17.45 New Taiwan dollars per share as of December 31, 2019 and 2018, respectively.

Pursuant to the Securities and Exchange Act, the number of treasury shares purchased cannot exceed 10% of the number of shares issued. The total purchase cost cannot exceed the sum of retained earnings, paid-in capital in excess of par value and realized capital surplus. The shares

(Continued)

**COMPAL ELECTRONICS, INC.**  
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purchased for the purpose of transferring to employees shall be transferred within three years from the date of share repurchase. Those not transferred within the said limit shall be deemed as not issued by the Company and it should be cancelled. Furthermore, treasury stock cannot be pledged for debts, and treasury stock does not carry any shareholder rights until it is transferred.

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

	Exchange differences on transaction of foreign operation financial statements	Unrealized gain (loss) from financial assets at fair value through other comprehensive income	Unearned compensation for restricted employee shares and others	Total
Balance on January 1, 2019	\$ (1,852,952)	(5,606,436)	-	(7,459,388)
The Company	(1,620,812)	4,936,223	-	3,315,411
Subsidiaries	(52,530)	252,170	(1,706)	197,934
Associates	(268,686)	111,280	-	(157,406)
Balance on December 31, 2019	<u>\$ (3,794,980)</u>	<u>(306,763)</u>	<u>(1,706)</u>	<u>(4,103,449)</u>
Balance on January 1, 2018	(3,477,376)	(5,847,823)	(79,856)	(9,405,055)
The Company	1,853,763	(34,596)	79,856	1,899,023
Subsidiaries	(67,150)	401,300	-	334,150
Associates	(162,189)	(125,317)	-	(287,506)
Balance on December 31, 2018	<u>\$ (1,852,952)</u>	<u>(5,606,436)</u>	<u>-</u>	<u>(7,459,388)</u>

(s) Share-based payment

At the meeting held on June 20, 2014, the Company's Shareholders' Meeting adopted a resolution to issue 100,000 thousand new shares of employee restricted stock with no consideration to those full time employees who meet certain requirements. The first issuance of 50,000 thousand shares had been approved by the FSC on October 30, 2014. Moreover, the Company's Board of Directors resolved to issue 49,980 thousand shares on January 22, 2015, and 49,360 thousand shares had actually been issued, in which the effective date of the share issuance was on February 25, 2015.

40%, 30% and 30% of the aforementioned restricted shares are vested, respectively, when the employees continue to provide service for at least 2 years, 3 years and 4 years from the registration and effective date and in the meantime, meet the performance requirement. After the issuance, the restricted shares are kept by a trust, which is appointed by the Company, before they are vested. These restricted shares shall not be sold, pledged, transferred, gifted or by any other means of disposal to third parties during the custody period. The voting rights of these shares are executed by the custodian, and the custodian shall act based on law and regulations. If the shares remain unvested after the vesting period, the Company will purchase all the unvested shares without consideration and cancel the shares thereafter. Restricted shares could receive cash and stock dividends. The aforementioned cash and stock dividends are not considered as restricted.

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**COMPAL ELECTRONICS, INC.**  
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The information of the Company's restricted shares (in thousands) is as follows:

	<b>2018</b>
Outstanding shares on January 1	23,571
Vested during the period	(11,526)
Canceled during the period	(12,045)
Outstanding shares on December 31	-

For the year ended December 31, 2018, due to the failure in meeting the vested requirements of the employee restricted shares, the Company reversed compensation cost amounted to \$156,219 and capital surplus — employee restricted shares amounted to \$318,209. Besides, due to meet the vested requirements of the employee restricted shares, the Company recognized capital surplus—additional paid-in capital amounted to \$155,601.

(t) Earnings per share

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

	<b>2019</b>	<b>2018</b>
<b>Basic earnings per share:</b>		
Profit attributable to ordinary shareholders of the Company	<b>\$ 6,955,899</b>	<b>8,913,365</b>
Weighted-average number of outstanding ordinary shares (in thousands)	<b>4,357,130</b>	<b>4,356,448</b>
<b>Diluted earnings per share:</b>		
Profit attributable to ordinary shareholders of the Company (after adjustment of potential diluted ordinary shares)	<b>\$ 6,955,899</b>	<b>8,913,365</b>
Weighted-average number of outstanding ordinary shares of potential diluted ordinary shares		
Weighted-average number of outstanding ordinary shares (in thousands)	4,357,130	4,356,448
Effect of potential diluted common stock		
Employee compensation (in thousands)	49,860	59,637
Employee restricted shares (in thousands)	-	682
Weighted-average number of ordinary shares (after adjustment of potential diluted ordinary shares) (in thousands)	<b>4,406,990</b>	<b>4,416,767</b>

(u) Revenue from contracts with customers

(i) Disaggregation of revenue

	<b>2019</b>	<b>2018</b>
Primary geographical markets:	<b>IT Product</b>	<b>IT Product</b>
	<b>Segment</b>	<b>Segment</b>
United states	\$ 376,228,186	361,991,920

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Netherlands	98,084,239	109,185,154
China	90,543,393	110,187,798
United Kingdom	43,940,021	43,573,507
Others	<u>307,484,189</u>	<u>286,111,743</u>
	<b><u>\$ 916,280,028</u></b>	<b><u>911,050,122</u></b>
Major products :		
5C related electronic products	\$ 915,421,296	910,647,211
Others	<u>858,732</u>	<u>402,911</u>
	<b><u>\$ 916,280,028</u></b>	<b><u>911,050,122</u></b>

## (ii) Contract balance

	<b><u>December 31, 2019</u></b>	<b><u>December 31, 2018</u></b>	<b><u>January 1, 2018</u></b>
Notes and accounts receivable (including related parties)	\$ 181,654,052	194,553,384	171,353,850
Less: allowance for impairment	<u>(3,634,190)</u>	<u>3,718,560</u>	<u>(3,717,495)</u>
Total	<b><u>\$ 178,019,862</u></b>	<b><u>190,834,824</u></b>	<b><u>167,636,355</u></b>
Contract liabilities	<b><u>\$ 877,822</u></b>	<b><u>1,405,452</u></b>	<b><u>1,617,626</u></b>

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

The amount of revenue recognized for the years ended December 31, 2019 and 2018 that was included in the contract liability balance at the beginning of the period were \$1,405,452 and \$1,585,446, respectively.

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

## (v) Employees' and directors' compensations

Based on the Company's articles of incorporation, if there is any profit in a fiscal year, the Company's pre-tax profits in such fiscal year, prior to deduction of compensations to employees and directors, shall be distributed to employees as compensations in an amount of not less than two percent (2%) thereof and to directors as compensations in an amount of not more than two percent (2%) of such profits. In the event that the Company has accumulated losses, the Company shall reserve an amount to offset accumulated losses. The compensations to employees as mentioned above may be distributed in the form of stock or cash. Employees entitled to receive the said stock or cash may include the employees of the Company's subordinate companies pursuant to the Company Act (Employees entitled to receive the said stock or cash may include the employees of the Company's subordinate companies who meet certain conditions after the Company's articles of incorporation amended on June 21, 2019).

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The Company accrued and recognized its employee compensation of \$731,322 and \$930,857, respectively, and directors' compensation of \$38,672 and \$49,223 for the years ended December 31, 2019 and 2018, respectively. The estimated amounts mentioned above are based on the net profit before tax without the compensations to employees and directors of each respective ending period, multiplied by the percentage of the compensation to employees and directors, which was approved by the management. The estimations are recorded under operating expenses and cost. The differences between the amounts estimated and recognized in the financial statements, if any, are accounted for as changes in accounting estimates and recognized as profit or loss in the distribution year. If the Board of Directors approve to distribute employee compensation in the form of stock, the number of the shares of the employee compensation is based on the closing price of the day before the Board of Directors' meeting, the related information can be accessed through the Market Observation Post System website. There is no differences between the amount approved in the Board of Directors' meeting and those recognized in the financial statements in 2019 and 2018.

There is no differences between the amount estimated and recognized in the financial statements in 2018. The related information can be accessed through the Market observation Post System website.

(w) Non-operating income and expenses

(i) Other income

The other income for the years ended December 31, 2019 and 2018, were as follows:

	<u>2019</u>	<u>2018</u>
Interest income		
Financial assets at amortized cost	\$ 2,992	9,992
Bank deposits	141,195	316,199
Others	40,420	6,714
Dividend revenue	71,778	212,129
Overdue payable reversed as other income	-	37,657
Sale of expensed assets	275,412	162,265
Other revenue	<u>122,042</u>	<u>142,398</u>
	<u>\$ 653,839</u>	<u>887,354</u>

(ii) Other gains and losses

The other gains and losses for the years ended December 31, 2019 and 2018, were as follows:

	<u>2019</u>	<u>2018</u>
Losses on disposal of investments	\$ 8,990	-
Gains (losses) on financial assets and liabilities at fair value through profit or loss, net	55,140	97,682
Foreign currency exchange gains (losses), net	(484,552)	(221,786)
Others	<u>(501)</u>	<u>(1,926)</u>
	<u>\$ (420,923)</u>	<u>(126,030)</u>

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**COMPAL ELECTRONICS, INC.**  
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## (x) Financial instruments

## (i) Credit risk

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

The Company's customers are mainly from the high-tech industry. The Company does not concentrate on a specific customer and the sales regions are widely spread, thus there should be no concern on the significant concentrations of accounts receivable credit risk. And in order to mitigate accounts receivable credit risk, the Company constantly assesses the financial status of the customers.

- 2) Receivables and debt securities

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

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

## (ii) Liquidity risk

The following are the contractual maturities of financial liabilities. In addition to lease liabilities, excluding estimated interest payments.

	<u>Carrying Amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1 ~ 2 years</u>	<u>Over 2 years</u>
<b>December 31, 2019</b>					
Non-derivative financial liabilities					
Unsecured borrowings	\$ 65,013,800	(65,013,800)	(57,513,800)	(1,925,000)	(5,575,000)
Notes and accounts payable	149,064,159	(149,064,159)	(149,064,159)	-	-
Other payables	5,814,027	(5,814,027)	(5,814,027)	-	-
Lease liabilities-current and non-current	<u>1,398,432</u>	<u>(1,444,217)</u>	<u>(402,010)</u>	<u>(306,979)</u>	<u>(735,228)</u>
	<u>\$ 221,290,418</u>	<u>(221,336,203)</u>	<u>(212,793,996)</u>	<u>(2,231,979)</u>	<u>(6,310,228)</u>
<b>December 31, 2018</b>					
Non-derivative financial liabilities					
Unsecured borrowings	\$ 79,701,932	(79,701,932)	(68,801,932)	(8,600,000)	(2,300,000)
Notes and accounts payable	155,427,659	(155,427,659)	(155,427,659)	-	-
Other payables	<u>5,044,541</u>	<u>(5,044,541)</u>	<u>(5,044,541)</u>	<u>-</u>	<u>-</u>
	<u>\$ 240,174,132</u>	<u>(240,174,132)</u>	<u>(229,274,132)</u>	<u>(8,600,000)</u>	<u>(2,300,000)</u>

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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 to TWD	\$ 6,580,212	29.98	197,274,756	6,889,285	30.715	211,604,389
Non-monetary items						
THB to TWD	446,859	1.0028	448,110	423,027	0.946	400,184
Financial liabilities						
Monetary items						
USD to TWD	6,021,076	29.98	180,511,858	6,819,596	30.715	209,463,891

2) Sensitivity analysis

The Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable, other receivables, loans and borrowings, accounts payable, and other payables that are denominated in foreign currency. Assuming all other variable factors remain constant, a strengthening (weakening) 5% of appreciation (depreciation) of the each major foreign currency against the Company's functional currency as of December 31, 2019 and 2018, would have increased (decreased) 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%	\$ 838,145	107,025
Weakening 5%	(838,145)	(107,025)

3) Exchange gains and losses of monetary items

As the Company deals with diverse foreign currencies, gains or losses on foreign exchange were summarized as a single amount. For the years ended December 31, 2019 and 2018, the foreign exchange losses, including both realized and unrealized, amounted to \$484,552 and \$221,786, respectively.

(iv) Interest rate analysis

The interest risk exposure from financial assets and liabilities has been disclosed in the note of

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liquidity risk management.

The following sensitivity analysis is based on the risk exposure to interest rate on the derivative and non-derivative financial instruments on the reporting date. Regarding the assets and liabilities with variable interest rates, the analysis is on the basis of the assumption that the amount of assets and liabilities outstanding at the reporting date were outstanding throughout the year. The rate of change is expressed as the interest rate increase or decrease by 0.25%, when reporting to management internally, which also represents the assessment of the Company's management for the reasonably possible interval of interest rate change.

Assuming all other variable factors remaining constant, if the interest rate had increased or decreased by 0.25%, the impact to the net profit before tax would be as follows for the years ended December 31, 2019 and 2018, which would be mainly resulted from the bank savings and borrowings with variable interest rates.

	<u>2019</u>	<u>2018</u>
Interest increased by 0.25%	\$ (30,454)	(30,511)
Interest decreased by 0.25%	30,454	30,511

(v) Fair value information

1) The categories and fair value of financial instruments

The Company's financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income were measured at fair value on a recurring basis. The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It shall not include fair value information of the financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value and investments in equity instruments which do not have any quoted price in an active market in which the fair value cannot be reasonably measured.

	<u>December 31, 2019</u>				
	<u>Book value</u>	<u>Fair Value</u>			<u>Total</u>
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
<b>Financial assets at fair value through profit or loss—current and non-current</b>					
Non-derivative financial assets mandatorily measured at fair value through profit or loss	\$ 220,985	-	149,888	71,097	220,985
<b>Financial assets at fair value through other comprehensive income</b>					
Stocks listed on domestic markets	1,614,565	1,614,565	-	-	1,614,565
Stocks listed on foreign markets	448,110	448,110	-	-	448,110
Stocks unlisted on domestic markets	914,507	-	-	914,507	914,507
Stocks unlisted on foreign markets	42,211	-	-	42,211	42,211
Accounts receivable	<u>27,170,468</u>	-	27,170,468	-	27,170,468
Subtotal	<u>30,189,861</u>				

(Continued)



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**Financial assets measured at amortized cost**

Cash and cash equivalents	13,459,969	-	-	-	-
Notes and accounts receivable, net	149,797,263	-	-	-	-
Notes and accounts receivable due from related parties, net	1,052,131	-	-	-	-
Other receivables	3,110,607	-	-	-	-
Guarantee deposits	<u>126,605</u>	-	-	-	-
Subtotal	<u>167,546,575</u>				
Total	<u><b>\$ 197,957,421</b></u>				

**Financial liabilities measured at amortized cost**

Short-term borrowings	\$ 39,363,800	-	-	-	-
Notes and accounts payable	74,138,921	-	-	-	-
Notes and accounts payable to related parties	74,925,238	-	-	-	-
Other payables	5,814,027	-	-	-	-
Lease liabilities—current and non-current	1,398,432	-	-	-	-
Long-term borrowings current portion	18,150,000	-	-	-	-
Long-term borrowings	7,500,000	-	-	-	-
Deposits received	<u>220</u>	-	-	-	-
Total	<u><b>\$ 221,290,638</b></u>				

December 31, 2018

	Book value	Fair Value			Total
		Level 1	Level 2	Level 3	
<b>Financial assets at fair value through profit or loss—current and non-current</b>					
Non-derivative financial assets mandatorily measured at fair value through profit or loss	<u>\$ 308,513</u>	284,768	-	23,745	308,513
<b>Financial assets at fair value through other comprehensive income</b>					
Stocks listed on domestic markets	2,383,976	2,383,976	-	-	2,383,976
Stocks listed on foreign markets	400,184	400,184	-	-	400,184
Stocks unlisted on domestic markets	896,395	-	-	896,395	896,395
Stocks unlisted on foreign markets	51,363	-	-	51,363	51,363
Accounts receivable	<u>22,896,211</u>	-	22,896,211	-	22,896,211
Subtotal	<u>26,628,129</u>				
<b>Financial assets measured at amortized cost</b>					
Cash and cash equivalents	20,446,378	-	-	-	-
Corporate bonds—current	350,000	-	-	-	-
Notes and accounts receivable, net	166,600,383	-	-	-	-
Notes and accounts receivable due from related parties, net	1,318,230	-	-	-	-
Other receivables	1,418,750	-	-	-	-

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	December 31, 2018				
	Book value	Fair Value			Total
		Level 1	Level 2	Level 3	
Guarantee deposits	117,500	-	-	-	-
Subtotal	<u>190,251,241</u>				
Total	<u><b>\$ 217,187,883</b></u>				
<b>Financial liabilities measured at amortized cost</b>					
Short-term borrowings	\$ 51,305,682	-	-	-	-
Notes and accounts payable	77,050,816	-	-	-	-
Notes and accounts payable to related parties	78,376,843	-	-	-	-
Other payables	5,044,541	-	-	-	-
Long-term borrowings current portion	17,496,250	-	-	-	-
Long-term borrowings	10,900,000	-	-	-	-
Deposits received	<u>266</u>	-	-	-	-
Total	<u><b>\$ 240,174,398</b></u>				

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

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

- a) Financial assets measured at amortized cost and financial liabilities measured at amortized cost

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

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

- a) Non-derivative financial instruments

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

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

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**COMPAL ELECTRONICS, INC.**  
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The fair value of the listed company is determined by reference to the market quotation.

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

The measurement of fair value of a non-active market financial instruments held by the Company which do not have quoted market prices are based on the comparable market approach, with the use of key assumptions of price-book ratio multiple or earnings multiple of comparable listed companies as its basic measurement. These assumptions have been adjusted for the effect of discount without the marketability of the equity securities.

b) Derivative financial instruments

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

4) Transfer from one level to another

The Company held an investment in equity of Crystalvue Medical Corporation (“Crystalvue”), with a fair value of \$18,736 and \$11,287, which were classified as fair value through other comprehensive income as of December 31, 2019 and 2018, respectively. The investment was categorized as level 3 as of December 31, 2018, because the shares were not listed on the exchange market and was measured by significant unobservable inputs. In December 2019, Crystalvue’s shares were listed in the exchange market, wherein they are actively traded. Currently, the equity shares have a quoted market price in an active market; therefore, the category was transferred from level 3 to level 1 as of December 31, 2019.

There was no transfer from one level to another in 2018.

5) Changes in level 3

The change in level 3 at fair value in the years ended December 31, 2019 and 2018, were as follow:

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**COMPAL ELECTRONICS, INC.**  
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	<b>Financial assets at fair value through profit or loss</b>	<b>Financial assets at fair value through other comprehensive income</b>	<b>Total</b>
Balance on January 1, 2019	\$ 23,745	947,758	971,503
Total gains and losses recognized:			
In profit or loss	(8,244)	-	(8,244)
In other comprehensive income	-	18,468	18,468
Purchased	55,596	19,396	74,992
Disposal	-	(791)	(791)
Proceeds of capital reduction of investment	-	(7,615)	(7,615)
Transferred out form level 3	-	(20,498)	(20,498)
Balance on December 31, 2019	<u>\$ 71,097</u>	<u>956,718</u>	<u>1,027,815</u>
Balance on January 1, 2018	\$ -	1,335,885	1,335,885
Total gains and losses recognized:	-	-	-
In other comprehensive income	-	(487,950)	(487,950)
Purchased	23,745	107,877	131,622
Proceeds of capital reduction of investment	-	(8,054)	(8,054)
Balance on December 31, 2018	<u>\$ 23,745</u>	<u>2,291,697</u>	<u>2,315,442</u>

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

	<u>2019</u>	<u>2018</u>
Total gains and losses recognized:		
In profit or loss before tax (as “other gains and losses, net”)	\$ <u>(8,244)</u>	<u>-</u>
In other comprehensive income (as “other comprehensive income, before tax, equity instruments at fair value through other comprehensive income”)	\$ <u>17,677</u>	<u>(487,950)</u>

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

The Company’s financial instruments that use level 3 input to measure fair values include financial assets at fair value through other comprehensive income – equity instruments, financial assets at fair value through profit or loss – equity securities investment and available-for-sale financial assets – equity investment.

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

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**COMPAL ELECTRONICS, INC.**  
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The quantified information for significant unobservable inputs was as follows:

<u>Item</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Inter-relationships between significant unobservable inputs and fair value</u>
Financial assets at fair value through other comprehensive income — equity investment without an active market	Comparable market approach (Price-Book ratio multiples method and Multiples of earnings method)	Price-Book ratio multiples (1.4~5.64, 1.33~5.86, respectively, on December 31, 2019 and 2018) Multiples of earnings (3.12~11.24, 2.32~2.95, respectively, on December 31, 2019 and 2018) Lack-of-Marketability discount rate (35%~85%, and 40%~82%, respectively, on December 31, 2019 and 2018)	The higher the multiple is, the higher the fair value will be.  The higher the Lack-of-Marketability discount rate is, the lower the fair value will be.
Financial assets at fair value through other comprehensive income	Net asset value method	Net asset value	Inapplicable
Financial assets at fair value through profit or loss — investment in private placement	Net asset value method	Net asset value	Inapplicable

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

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

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**COMPAL ELECTRONICS, INC.**  
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	Input	Move up or down	Other comprehensive income	
			Favorable change	Unfavorable change
<b>December 31, 2019</b>				
Financial assets at fair value through other comprehensive income	Price-Book ratio multiples	5%	<u>\$ 25,552</u>	<u>24,531</u>
	Multiples of earnings	5%	<u>\$ 14,707</u>	<u>12,746</u>
	Lack-of-Marketability discount rate	5%	<u>\$ 6,589</u>	<u>6,548</u>
<b>December 31, 2018</b>				
Financial assets at fair value through other comprehensive income	Price-Book ratio multiples	5%	<u>\$ 24,924</u>	<u>24,935</u>
	Multiples of earnings	5%	<u>\$ 18,629</u>	<u>17,648</u>
	Lack-of-Marketability discount rate	5%	<u>\$ 4,913</u>	<u>4,925</u>

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

(y) Financial risk management

(i) Overview

The Company is exposed to the following risks arising from financial instruments:

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

In this note expressed the information on risk exposure and objectives, policies and procedures of risk measurement and management of the Company. For detailed information, please refer to the related notes of each risk.

(ii) Structure of risk management

The Company's finance management department provides business services for the overall internal department. It sets the objectives, policies and processes for managing the risk and the methods used to measure the risk arising from both the domestic and international financial market operations.

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**COMPAL ELECTRONICS, INC.**  
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The Company minimizes the risk exposure through derivative financial instruments. The Board of Directors regulated the use of derivative financial instruments in accordance with the Company's policy about risks arising from financial instruments such as currency risk, interest rate risk, credit risk, the use of derivative and non-derivative financial instruments and the investments of excess liquidity. The internal auditors of the Company continue with the review of the amount of the risk exposure in accordance with the Company's policies and the risk management policies and procedures. The Company has no transactions in financial instruments (including derivative financial instruments) for the purpose of speculation.

(iii) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investment securities.

1) Accounts receivable and other receivables

The Company has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer, and these limits are reviewed periodically.

2) Investments

The credit risks exposure in the bank deposits, investments with fixed income and other financial instruments are measured and monitored by the Company's finance department. Since the Company's transaction counterparties and the contractually obligated counterparties are banks, financial institutes and corporate organizations with good credits, there are no compliance issues, and therefore, no significant credit risk.

3) Guarantees

Pursuant to the Company's policies, it is only permissible to provide financial guarantees to subsidiaries and companies that the Company has business with. As of December 31, 2019 and 2018, the guarantees provide to the subsidiaries amounted to \$255,662 and \$325,179, respectively.

(iv) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities which be settled by delivering cash or another financial asset.

The Company manages and maintains sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. The Company's management supervises the banking facilities and ensures in compliance with the terms of the loan agreements. Please refer to notes (6)(l) and (6)(m) for unused credit lines of short-term and long-term borrowings as of December 31, 2019 and 2018.

(Continued)

**COMPAL ELECTRONICS, INC.**  
**Notes to Parent-Company-Only Financial Statements**

(v) Market risk

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

1) Currency risk

The Company is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the functional currency of the Company, primarily USD.

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

2) Interest rate risk

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

3) Other price risk

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

(z) Capital management

The policy of capital management made by the Board of Directors is to maintain a strong capital base so as to stabilize the confidence of the investors, creditors and the public market and to sustain future development of the business. Capital consists of ordinary shares, capital surplus and retained earnings. The Board of Directors monitors the return on capital as well as the level of dividends to ordinary shareholders.

The Company monitors the capital structure by way of periodical review the debt ratio. As of December 31, 2019 and 2018, the debt ratio was as follows:

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Total liabilities	<b><u>\$ 231,810,855</u></b>	<b><u>250,089,167</u></b>
Total assets	<b><u>\$ 337,783,488</u></b>	<b><u>355,812,813</u></b>
Debt ratio	<b><u>69%</u></b>	<b><u>70%</u></b>

The Company could purchase its own shares in the public market in accordance with the corresponding rules and regulations. The timing of the purchases depends on market prices.

As of December 31, 2019, there were no changes in the Company's approach of capital

(Continued)



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management.

(aa) 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 acquisition of right-of-use assets by leasing, please refer to note (6)(k).

There were no investing and financing activities which did not affect the current cash flow in the year ended December 31, 2018.

Reconciliation of liabilities arising from financial activities were as follows:

	<b>January 1, 2019</b>	<b>Cash flow</b>	<b>Non-cash changes</b>	<b>December 31, 2019</b>
Short-term borrowings	\$ 51,305,682	(11,941,882)	-	39,363,800
Long-term borrowings	28,396,250	(2,746,250)	-	25,650,000
Lease liabilities	821,816	(414,856)	991,472	1,398,432
Guarantee deposits	266	(46)	-	220
Total liabilities from financing activities	<b><u>\$ 80,524,014</u></b>	<b><u>(15,103,034)</u></b>	<b><u>991,472</u></b>	<b><u>66,412,452</u></b>

	<b>January 1, 2018</b>	<b>Cash flow</b>	<b>Non-cash changes</b>	<b>December 31, 2018</b>
Long-term borrowings	\$ 41,386,000	9,919,682	-	51,305,682
Short-term borrowings	27,133,200	1,263,050	-	28,396,250
Guarantee deposits	266	-	-	266
Total liabilities from financing activities	<b><u>\$ 68,519,466</u></b>	<b><u>11,182,732</u></b>	<b><u>-</u></b>	<b><u>79,702,198</u></b>

**(7) Related-party transactions:**

(a) Name and relationship with related parties

The following are the subsidiaries and entities that have transactions with related party during the periods covered in the parent-company-only financial statements.

<b>Name of related party</b>	<b>Country of incorporation</b>
Panpal Technology Corp. ("Panpal")	The Company's subsidiary
Gempal Technology Corp. ("Gempal")	The Company's subsidiary
Hong Ji Capital Co., Ltd. ("Hong Ji")	The Company's subsidiary
Hong Jin Investment Co., Ltd. ("Hong Jin")	The Company's subsidiary
Zhaopal Investment Co., Ltd. ("Zhaopal")	The Company's subsidiary
Yongpal Investment Co., Ltd. ("Yongpal")	The Company's subsidiary
Kaipal Investment Co., Ltd. ("Kaipal")	The Company's subsidiary

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**COMPAL ELECTRONICS, INC.**  
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<u>Name of related party</u>	<u>Country of incorporation</u>
Accesstek, Inc. (“ATK”)	The Company’s subsidiary
Arcadyan	The Company’s subsidiary
Rayonnant Technology Co., Ltd. (“Rayonnant Technology”)	The Company’s subsidiary
HengHao Technology Co., Ltd. (“HengHao”)	The Company’s subsidiary
Ripal Optortronics Co., Ltd. (“Ripal”)	The Company’s subsidiary
Auscom Engineering Inc. (“Auscom”)	The Company’s subsidiary
Just International Ltd. (“Just”)	The Company’s subsidiary
Compal International Holding Co., Ltd. (“CIH”)	The Company’s subsidiary
Compal Electronics (Holding) Ltd. (“CEH”)	The Company’s subsidiary
Bizcom Electronics, Inc. (“Bizcom”)	The Company’s subsidiary
Flight Global Holding Inc. (“FGH”)	The Company’s subsidiary
High Shine Industrial Corp. (“HSI”)	The Company’s subsidiary
Compal Europe (Poland) Sp. z o.o. (“CEP”)	The Company’s subsidiary
Big Chance International Co., Ltd. (“BCI”)	The Company’s subsidiary
Compal Rayonnant Holdings Limited (“CRH”)	The Company’s subsidiary
Core Profit Holdings Limited (“CORE”)	The Company’s subsidiary
Compalead Electronics B.V. (“CPE”)	The Company’s subsidiary
Compalead Eletronica do Brasil Industria e Comercio Ltda. (“CEB”)	The Company’s subsidiary
Compal Display Holding (HK) Limited (“CDH (HK)”)	The Company’s subsidiary
Compal Electronics International Ltd. (“CII”)	The Company’s subsidiary
Compal International Ltd. (“CPI”)	The Company’s subsidiary
Compal Electronics (China) Co., Ltd. (“CPC”)	The Company’s subsidiary
Compal Optoelectronics (Kunshan) Co., Ltd. (“CPO”)	The Company’s subsidiary
Compal System Trading (Kunshan) Co., Ltd. (“CST”)	The Company’s subsidiary
Smart International Trading Ltd. (“Smart”)	The Company’s subsidiary
Amexcom Electronics Inc. (“AEI”)	The Company’s subsidiary
Mexcom Electronics, LLC (“MEL”)	The Company’s subsidiary
Mexcom Technologies, LLC (“MTL”)	The Company’s subsidiary
CENA Electromex, S.A. de C.V. (“CMX”) (Note)	The Company’s subsidiary
Compal International Holding (HK) Limited (“CIH (HK)”)	The Company’s subsidiary
Jenpal International Ltd. (“Jenpal”)	The Company’s subsidiary
Prospect Fortune Group Ltd. (“PFG”)	The Company’s subsidiary

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**COMPAL ELECTRONICS, INC.**  
**Notes to Parent-Company-Only Financial Statements**

<u>Name of related party</u>	<u>Country of incorporation</u>
Compal Electronics Technology (Kunshan) Co., Ltd. (“CET”)	The Company’s subsidiary
Compal Information (Kunshan) Co., Ltd. (“CIC”)	The Company’s subsidiary
Compal Information Technology (Kunshan) Co., Ltd. (“CIT”)	The Company’s subsidiary
Kunshan Botai Electronics Co., Ltd. (“BT”)	The Company’s subsidiary
Compal Information Research and Development (Nanjing) Co., Ltd. (“CIN”)	The Company’s subsidiary
Compal Digital Technology (Kunshan) Co., Ltd. (“CDT”)	The Company’s subsidiary
Compower Global Service Co., Ltd. (“CGS”)	The Company’s subsidiary
Compal Investment (Jiansu) Co., Ltd. (“CIJ”)	The Company’s subsidiary
Compal Display Electronics (Kunshan) Co., Ltd. (“CDE”)	The Company’s subsidiary
Etrade Management Co., Ltd. (“Etrade”)	The Company’s subsidiary
Webtek Technology Co., Ltd. (“Webtek”)	The Company’s subsidiary
Forever Young Technology Inc. (“Forever”)	The Company’s subsidiary
Unicom Global, Inc. (“UCGI”)	The Company’s subsidiary
Palcom International Corporation (“Palcom”)	The Company’s subsidiary
Compal Communication (Nanjing) Co., Ltd. (“CCI Nanjing”)	The Company’s subsidiary
Compal Digital Communication (Nanjing) Co., Ltd. (“CDCN”)	The Company’s subsidiary
Compal Wireless Communication (Nanjing) Co., Ltd. (“CWCN”)	The Company’s subsidiary
Hanhelt Communication (Nanjing) Co., Ltd. (“Hanhelt”)	The Company’s subsidiary
Giant Rank Trading Ltd. (“GIA”)	The Company’s subsidiary
OptoRite Inc.	The Company’s subsidiary
MSI-ATK Optics Holding Corporation (“MSI-ATK”)	The Company’s subsidiary
Maitek (BVI) Corporation (“Maitek”)	The Company’s subsidiary
Arcadyan Technology N.A. Corp. (“Arcadyan USA”)	The Company’s subsidiary
Arcadyan Germany Technology GmbH (“Arcadyan Germany”)	The Company’s subsidiary
Arcadyan Technology Corporation Korea (“Arcadyan Korea”)	The Company’s subsidiary
Arcadyan Holding (BVI) Corp. (“Arcadyan Holding”)	The Company’s subsidiary
Arcadyan do Brasil Ltda. (“Arcadyan Brasil”)	The Company’s subsidiary
Arcadyan Technology Limited (“Arcadyan UK”)	The Company’s subsidiary
Arcadyan Technology Australia Pty Ltd. (“Arcadyan AU”)	The Company’s subsidiary
Zhi-pal Technology Inc. (“Zhi-pal”)	The Company’s subsidiary
Tatung Technology Inc. (“TTI”)	The Company’s subsidiary
AcBel Telecom Inc. (“AcBel Telecom”)	The Company’s subsidiary

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**COMPAL ELECTRONICS, INC.**  
**Notes to Parent-Company-Only Financial Statements**

<u>Name of related party</u>	<u>Country of incorporation</u>
CBN	The Company's subsidiary
Speedlink Tradings Limited ("Speedlink")	The Company's subsidiary
Compal Broadband Networks Belgium BVBA ("CBNB")	The Company's subsidiary
Compal Broadband Networks Netherlands B.V. ("CBNN")	The Company's subsidiary
Sinoprime Global Inc. ("Sinoprime")	The Company's subsidiary
Arcadyan Technology (Vietnam) Co., Ltd. ("Arcadyan Vietnam")	The Company's subsidiary
Arcadyan Technology (Shanghai) corp. ("SVA Arcadyan")	The Company's subsidiary
Arch Holding (BVI) Corp. ("Arch Holding")	The Company's subsidiary
Compal Networking (Kunshan) Co., Ltd. ("CNC")	The Company's subsidiary
Leading Images Ltd. ("Leading Images")	The Company's subsidiary
Astoria Networks GmbH ("Astoria GmbH")	The Company's subsidiary
Quest International Group Co., Ltd. ("Quest")	The Company's subsidiary
Exquisite Electronic Co., Ltd. ("Exquisite")	The Company's subsidiary
Tatung Home Appliances (Wujiang) Co., Ltd. ("THAC")	The Company's subsidiary
Tatung Technology of Japan Co., Ltd.	The Company's subsidiary
Intelligent Universal Enterprise Ltd. ("IUE")	The Company's subsidiary
Goal Reach Enterprises Ltd. ("Goal")	The Company's subsidiary
Compal (Vietnam) Co., Ltd. ("CVC")	The Company's subsidiary
Compal Development & Management (Vietnam) Co., Ltd. ("CDM")	The Company's subsidiary
Allied Power Holding Corp. ("APH")	The Company's subsidiary
Primetek Enterprises Limited ("PEL")	The Company's subsidiary
Rayonnant Technology (HK) Co., Ltd. ("Rayonnant Technology (HK)")	The Company's subsidiary
Rayonnant Technology (Taicang) Co., Ltd. ("Rayonnant Technology (Taicang)")	The Company's subsidiary
HengHao Holdings A Co., Ltd. ("HHA")	The Company's subsidiary
HengHao Holdings B Co., Ltd. ("HHB")	The Company's subsidiary
HengHao Trading Co., Ltd.	The Company's subsidiary
HengHao Optoelectronics Technology (Kunshan) Co., Ltd.	The Company's subsidiary
LUCOM Display Technology (Kunshan) Limited ("Lucom")	The Company's subsidiary
Center Mind International Co., Ltd. ("CMI")	The Company's subsidiary
Prisco International Co., Ltd. ("PRI")	The Company's subsidiary
Compal Electronic (Sichuan) Co., Ltd. ("CIS")	The Company's subsidiary
Compal Electronic (Chongqing) Co., Ltd. ("CEQ")	The Company's subsidiary

(Continued)

**COMPAL ELECTRONICS, INC.**  
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<u>Name of related party</u>	<u>Country of incorporation</u>
Compal Electronic (Chengdu) Co., Ltd. (“CEC”)	The Company’s subsidiary
Compal Management (Chengdu) Co., Ltd. (“CMC”)	The Company’s subsidiary
Compal Smart Device (Chongqing) Co., Ltd. (“CSD”)	The Company’s subsidiary
Billion Sea Holdings Limited (“BSH”)	The Company’s subsidiary
Mithera Capital Io LP (“Mithera”)	The Company’s subsidiary
Fortune Way Technology Corp. (“FWT”)	The Company’s subsidiary
General Life Biotechnology Co., Ltd. (“GLB”)	The Company’s subsidiary
Mactech Co., Ltd. (“Mactech”)	The Company’s subsidiary
Rapha Bio Ltd. (“Rapha”)	The Company’s subsidiary
Compal Electronics India Private Limited (“CEIN”)	The Company’s subsidiary
Shennona Corporation (“Shennona”)	The Company’s subsidiary
Unicore BioMedical Co., Ltd. (“Unicore”)	The Company’s subsidiary
Raycore Biotech Co., Ltd. (“Raycore”)	The Company’s subsidiary
Hippo Screen Neurotech Co., Ltd. (“Hippo Screen”)	The Company’s subsidiary
Shennona Co., Ltd. (“Shennona TW”)	The Company’s subsidiary
Aco Smartcare Co., Ltd. (“Aco Smartcare”)	The Company’s subsidiary
AcBel Polytech Inc. (AcBel) and its subsidiaries (“AcBel”)	The same Chairman of the Board with the Company
Avalue	An associate
Crownpo Technology Inc (“Crownpo”)	An associate
Kinpo Group Management Consultant Company (“Kinpo Group Management”)	An associate
Allied Circuit	An associate
LIZ Electronics (Kunshan) Co., Ltd. (“LIZ”)	An associate
Compal Connector Manufacture Ltd. (“CCM”)	A joint venture company

Note: Since the disposal of CMX in August 2019, CMX is no longer a subsidiary of the Company.

(b) Transactions with key management personnel

Key management personnel remunerations comprised:

	<b>2019</b>	<b>2018</b>
Short-term employee benefits	\$ 482,308	487,007
Post-employment benefits	6,130	5,913
Share-based payments	-	(91,809)
	<b>\$ 488,438</b>	<b>401,111</b>

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

(c) Significant related-party transactions

(i) Sale of goods to related parties

The amounts of significant sales transactions between the Company and related parties were as follows:

	<u>2019</u>	<u>2018</u>
Subsidiaries	\$ 1,432,433	2,649,187
Associates	<u>179</u>	<u>246</u>
	<u>\$ 1,432,612</u>	<u>2,649,433</u>

Sales prices for related parties were similar to those of the third-party customers. The collection period was 45~180 days for related parties.

(ii) Purchase of goods from related parties

The amounts of significant purchase transactions between the Company and related parties were as follows:

	<u>2019</u>	<u>2018</u>
Subsidiaries		
CSD	\$ 96,242,404	-
Others	<u>296,062,338</u>	<u>287,509,094</u>
	392,304,742	287,509,094
Associates	410	40
Other related parties	65,573	9,194
Joint venture	<u>467</u>	<u>370</u>
	<u>\$ 392,371,192</u>	<u>287,518,698</u>

Purchase prices and payment period from related parties were similar to those from third-party suppliers. The payment period was 60~120 days for related parties.

(iii) Product warranty service expenses

The product warranty service expenses paid to subsidiaries for the years ended December 31, 2019 and 2018, amounted to \$292,959 and \$278,993, respectively. As of December 31, 2019 and 2018, the unpaid warranty service expenses were recorded as other payables.

(iv) Technical service expense

The Company engaged its subsidiaries to research and develop of notebooks, and the related technical service expenses for the years ended December 31, 2019 and 2018, amounted to \$170,657 and \$154,412, respectively. As of December 31, 2019 and 2018, the unpaid technical service expenses were recorded as other payables.

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(v) Receivable due from relate parties

The receivables arising from the transactions mentioned above, the sale of machinery and equipment to related parties, and the purchasing of machinery, equipment and others on behalf of the related parties as of December 31, 2019 and 2018, were as follows:

<u>Account</u>	<u>Related party categories</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Notes and accounts receivable	Subsidiaries	\$ 1,052,131	1,318,230
Other receivables	Subsidiaries - UCGI	581,199	502,320
Other receivables	Subsidiaries - Others	27,155	18,278
Other receivables	Other related parties	62	-
Other receivables	Joint venture	-	120
		<u>1,660,547</u>	<u>1,838,948</u>
Less: Credit balance of investments accounted for using equity method		<u>(459,296)</u>	<u>(376,263)</u>
		<u>\$ 1,201,251</u>	<u>1,462,685</u>

As of December 31, 2019 and 2018, the Company's investment accounted for using the equity method in subsidiaries was a credit balance, recorded as a deduction from other receivable (other receivables) – related party. Please refer to note (6)(h).

(vi) Payable to related parties

The payables to related parties as of December 31, 2019 and 2018, were as follows:

<u>Account</u>	<u>Related party categories</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Notes and accounts payable	Subsidiaries - CIT	\$ 31,847,665	161,883
Notes and accounts payable	Subsidiaries - Others	43,055,746	78,205,643
Notes and accounts payable	Associates	259	11
Notes and accounts payable	Other related parties	21,568	9,146
Notes and accounts payable	Joint venture	-	160
Other payables	Subsidiaries	339,318	199,328
Other payables	Associates	-	745
Other payables	Other related parties	-	274
		<u>\$ 75,264,556</u>	<u>78,577,190</u>

(vii) Loan to related parties

The interest rate of unsecured loans to subsidiaries was 1.20%~3.50%, and the Company had assessed that no bad debt expenses should be recognized. As of December 31, 2019 and 2018, the loans due to related parties were recorded as other receivables.

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**COMPAL ELECTRONICS, INC.**  
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<u>Account</u>	<u>Related party categories</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Other receivables	Subsidiaries - CEB	\$ 1,499,000	-
Other receivables	Subsidiaries - HengHao	200,000	199,618
Other receivables	Subsidiaries - UCGI	220,000	220,000
Less: Credit balance of investments accounted for using the equity method		<u>(200,000)</u>	<u>(118,481)</u>
		<u>\$ 1,719,000</u>	<u>301,137</u>

As of December 31, 2019 and 2018, the Company's investment accounted for using the equity method in some subsidiaries was a credit balance, recorded as a deduction from other receivables – related parties (classified as other receivables). Please refer to note (6)(h).

(viii) Guarantees

As of December 31, 2019 and 2018, the guarantees provided to subsidiaries were \$255,662 and \$325,179, respectively.

**(8) Pledged assets: None.**

**(9) Commitments and contingencies:**

The details of commitments and contingencies were as follows:

- (a) On May 17, 2017, Qualcomm Inc. filed a lawsuit to the Southern District Court of California, USA against the 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 Company had compromised and both parties had agreed to drop the lawsuits.
- (b) In August 2019, Inventec Corporation filed a lawsuit to the Taiwan Taipei District Prosecutors Office against the Company concerning its former employees who joined the Company. This is deemed as an act of violation according to the Trade Secret Law and Copyright Law. The Company engaged lawyers to defend its right on this matter. Currently, the case is still in progress; therefore, the Company cannot make any reasonable estimation regarding the possible impact on its business operation.
- (c) The Company entered into various patent license agreements with third parties, and was required to make royalty payments of a predetermined amount periodically.

**(10) Losses due to major disasters: None**

**(11) Subsequent events: None**

**(12) Other:**

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

(Continued)



**COMPAL ELECTRONICS, INC.**  
**Notes to Parent-Company-Only Financial Statements**

follows:

By function By item	2019			2018		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salary	677,649	8,450,610	9,128,259	322,825	8,227,841	8,550,666
Labor and health insurance	51,188	571,822	623,010	27,602	517,757	545,359
Pension	17,972	330,664	348,636	12,469	308,470	320,939
Remuneration of directors	-	48,630	48,630	-	59,182	59,182
Others	136,787	402,952	539,739	48,089	385,959	434,048
Depreciation	93,277	598,554	691,831	15,342	150,985	166,327
Amortization	5,980	319,247	325,227	40,050	249,740	289,790

For the years ended December 31, 2019 and 2018, the information on the number of employees and employee benefit expense of the Company is as follows:

	<u>2019</u>	<u>2018</u>
Number of employees (Average salaries)	<u>7,682</u>	<u>6,903</u>
Number of directors (non-employees)	<u>11</u>	<u>11</u>
Average benefit expense of employees	<u>\$ 1,387</u>	<u>1,429</u>
Average salary expense of employees	<u>\$ 1,190</u>	<u>1,241</u>
Percentage of change in average salary expense of employees	<u>(4.11)%</u>	

**(13) Other disclosures:**

(a) Information on significant transactions

The following were the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Company for the year ended December 31, 2019:

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

(Continued)

**COMPAL ELECTRONICS, INC.**  
**Notes to Consolidated Financial Statements**

(vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: Please refer to Table 5

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

(ix) Trading in derivative instruments: None.

(b) Information on investees: Please refer to Table 7

(c) Information on investment in Mainland China: Please refer to Table 8

**(14) Segment information:**

Please refer to the consolidated financial report of 2019.

**COMPAL ELECTRONICS, INC.**  
**Notes to Parent-Company-Only Financial Statements**

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

(In Thousands of New Taiwan Dollars)

No.	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits	Maximum limit of fund financing	Note
													Item	Value			
0	The Company	CVC	Other receivables	Y	316,000	-	-	3.20%	Short-term financing	-	Operating demand	-	-	-	21,194,526	42,389,053	(Note 1)
0	The Company	UCGI	Other receivables	Y	500,000	250,000	220,000	1.20%	Short-term financing	-	Operating demand	-	-	-	21,194,526	42,389,053	(Note 1)
0	The Company	HengHao	Other receivables	Y	405,369	200,000	200,000	1.2%~2.82%	Short-term financing	-	Operating demand	-	-	-	21,194,526	42,389,053	(Note 1)
0	The Company	CEB	Other receivables	Y	1,580,000	1,499,000	1,499,000	3.50%	Short-term financing	-	Operating demand	-	-	-	21,194,526	42,389,053	(Note 1)
1	CIH	CEP	Other receivables	Y	110,600	104,930	43,471	3.50%	Short-term financing	-	Operating demand	-	-	-	34,545,521	34,545,521	(Note 2)
2	CPI	CVC	Other receivables	Y	316,000	-	-	3.20%	Short-term financing	-	Operating demand	-	-	-	890,733	890,733	(Note 3)
3	CPC	CDE	Other receivables	Y	1,380,900	1,291,500	1,291,500	2.20%	Short-term financing	-	Operating demand	-	-	-	2,096,417	2,096,417	(Note 4)
3	CPC	CIC	Other receivables	Y	430,500	430,500	-	2.20%	Short-term financing	-	Operating demand	-	-	-	2,096,417	2,096,417	(Note 4)
4	CIT	CCI Nanjing	Other receivables	Y	2,212,000	2,098,600	2,098,600	2.76%	Short-term financing	-	Operating demand	-	-	-	20,539,992	20,539,992	(Note 5)
4	CIT	Rayonnant (Taicang)	Other receivables	Y	69,045	64,575	64,575	4.35%	Short-term financing	-	Operating demand	-	-	-	20,539,992	20,539,992	(Note 5)
5	PFG	CEB	Other receivables	Y	308,950	-	-	2.50%	Short-term financing	-	Operating financing	-	-	-	435,070	435,070	(Note 6)
6	CPO	HengHao Kunshan	Other receivables	Y	644,420	602,700	602,700	4.35%	Short-term financing	-	Operating demand	-	-	-	2,777,160	2,777,160	(Note 7)
6	CPO	CIT	Other receivables	Y	645,750	645,750	-	2.20%	Short-term financing	-	Operating demand	-	-	-	2,777,160	2,777,160	(Note 7)
7	CET	BT	Other receivables	Y	274,800	258,300	64,575	2.20%	Short-term financing	-	Operating demand	-	-	-	4,625,117	4,625,117	(Note 8)
8	Panpal	HengHao	Other receivables	Y	600,000	600,000	600,000	1.20%	Short-term financing	-	Operating demand	-	-	-	5,896,656	5,896,656	(Note 9)
9	Arcadyan	Arcadyan Brasil	Other receivables	Y	246,160	60,040	39,026	1.00%	Short-term financing	-	Operating financing	-	-	-	2,180,945	4,361,890	(Note 10)
9	Arcadyan	Arcadyan UK	Other receivables	Y	219,730	210,140	-	1.00%	Transaction for business between two parties	4,503,000	-	-	-	-	2,180,945	4,361,890	(Note 10)
9	Arcadyan	Arcadyan AU	Other receivables	Y	126,400	-	-	1.00%	Transaction for business between two parties	1,501,000	-	-	-	-	1,200,800	4,361,890	(Note 10)
9	Arcadyan	Arcadyan Vietnam	Other receivables	Y	284,400	270,180	-	1.00%	Transaction for business between two parties	600,400	-	-	-	-	480,320	4,361,890	(Note 10)
10	Zhi-pal	Arcadyan Brasil	Other receivables	Y	34,760	33,022	-	1.00%	Short-term financing	-	Operating financing	-	-	-	41,642	166,568	(Note 11)
11	Arcadyan Holding	CNC	Other receivables	Y	523,940	510,340	510,340	1.00%	Short-term financing	-	Operating financing	-	-	-	2,003,996	2,003,996	(Note 12)

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

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

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

(Continued)

## COMPAL ELECTRONICS, INC.

### Notes to Parent-Company-Only Financial Statements

**Table 1 Loans to other parties:**

(December 31, 2019)

- Note 4: According to CPC's Procedures for Lending Funds to Other parties, the total amount of loans to others shall not exceed 40% of the net worth of CPC. When a shortterm financing facility with CPC is necessary, the total amount for lending the borrower shall not exceed 80% of the borrower's net worth, nor shall it exceed 50% of CPC's total amount of capital lent, and shall be combined with the company's endorsements/guarantees for calculation. In addition, when lending to the ultimate parent company's 100% directly or indirectly owned overseas subsidiaries, the total amount of loans is not limited by the two aforesaid restrictions, but the maximum amount shall not exceed the net worth of CPC, and shall be combined with the company's endorsements/guarantees for the borrower when calculating.
- Note 5: According to CIT's Procedures for Lending Funds to Other parties, the total amount of loans to others shall not exceed 40% of the net worth of CIT. When a shortterm financing facility with CIT is necessary, the total amount for lending the borrower shall not exceed 80% of the borrower's net worth, nor shall it exceed 50% of CIT's total amount of capital lent, and shall be combined with the company's endorsements/guarantees for calculation. In addition, when lending to the ultimate parent company's 100% directly or indirectly owned overseas subsidiaries, the total amount of loans is not limited by the two aforesaid restrictions, but the maximum amount shall not exceed the net worth of CIT, and shall be combined with the company's endorsements/guarantees for the borrower when calculating.
- Note 6: According to PFG's Procedures for Lending Funds to Other parties, the total amount of loans to others shall not exceed 40% of the net worth of PFG. When a shortterm financing facility with PFG is necessary, the total amount for lending the borrower shall not exceed 80% of the borrower's net worth, nor shall it exceed 50% of PFG's total amount of lendable capital, and shall be combined with the company's endorsements/guarantees for calculation. In addition, when lending to the ultimate parent company's 100% directly or indirectly owned overseas subsidiaries, the total amount of loans is not limited by the two aforesaid restrictions, but the maximum amount shall not exceed the net worth of PFG, and shall be combined with the company's endorsements/guarantees for the borrower when calculating.
- Note 7: According to CPO's Procedures for Lending Funds to Other parties, the total amount of loans to others shall not exceed 40% of the net worth of CPO. When a shortterm financing facility with CPO is necessary, the total amount for lending the borrower shall not exceed 80% of the borrower's net worth, nor shall it exceed 50% of CPO's total amount of lendable capital, and shall be combined with the company's endorsements/guarantees for calculation. In addition, when lending to the ultimate parent company's 100% directly or indirectly owned overseas subsidiaries, the total amount of loans is not limited by the two aforesaid restrictions, but the maximum amount shall not exceed the net worth of CPO, and shall be combined with the company's endorsements/guarantees for the borrower when calculating.
- Note 8: According to CET's Procedures for Lending Funds to Other parties, the total amount of loans to others shall not exceed 40% of the net worth of CET. When a shortterm financing facility with CET is necessary, the total amount for lending the borrower shall not exceed 80% of the borrower's net worth, nor shall it exceed 50% of CET's total amount of lendable capital, and shall be combined with the company's endorsements/guarantees for calculation. In addition, when lending to the ultimate parent company's 100% directly or indirectly owned overseas subsidiaries, the total amount of loans is not limited by the two aforesaid restrictions, but the maximum amount shall not exceed the net worth of CET, and shall be combined with the company's endorsements/guarantees for the borrower when calculating.
- Note 9: According to Panpal's Procedures for Lending Funds to Other parties, the total amount of loans to others shall not exceed 40% of the net worth of Panpal. When a shortterm financing facility with Panpal is necessary, the total amount for lending the borrower shall not exceed 80% of the borrower's net worth, nor shall it exceed 50% of Panpal's total amount of lendable capital, and shall be combined with the company's endorsements/guarantees for calculation. In addition, when lending to the total amount lendable to 100% directly or indirectly owned subsidiaries by the Company, or the ultimate parent company's 100% directly or indirectly owned overseas subsidiaries, the total amount of loans is not limited by the two aforesaid restrictions of 80%, but the maximum amount shall not exceed the of Panpal, and shall be combined with the company's endorsements/guarantees for the borrower when calculating.
- Note 10: According to Arcadyan's Procedures for Lending Funds to Other parties, the total amount of loans to others shall not exceed 40% of the net worth of Arcadyan. To borrowers having business relationship with Arcadyan, the total amount for lending the borrower shall not exceed 80% of the transaction amount in the last fiscal year or the expecting amount for the current year, nor shall it exceed 20% of the net worth of Arcadyan. Also, the amount shall be combined with the Arcadyan's endorsements/guarantees for the borrower when calculating. When a short-term financing facility is necessary, the borrower should be Arcadyan's investee. The total amount for lending the borrower shall not exceed 80% of the net worth of the borrower, nor shall it exceed 20% of the net worth of Arcadyan, and shall be combined with the Arcadyan's endorsements/guarantees for the borrower when calculating.
- Note 11: 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, and the total amount for lending the borrower shall not exceed 10% of the net worth of the borrower.
- Note 12: According to Arcadyan Holding's Procedures of Lending Funds to Other Parties, the total amount of loans to others shall not exceed the net worth of Arcadyan Holding. When a short-term financing facility is necessary, the borrower should be Arcadyan Holding's investee. The total amount for lending the borrower shall not exceed the net worth of Arcadyan Holding, and shall be combined with the Arcadyan Holding's endorsements/guarantees for the borrower when calculating.

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**COMPAL ELECTRONICS, INC.**  
**Notes to Parent-Company-Only Financial Statements**

**Table 2 Guarantees and endorsements for other parties:**

(December 31, 2019)

(In Thousands of New Taiwan Dollars)

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements (Note 1) and (Note 4)	Parent company endorsements/guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/guarantees to third parties on behalf of parent company	Endorsements / guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company										
0	The Company	CEB	(Note 3)	26,493,158	63,200	59,960	59,960	-	0.06%	52,986,316	Y	-	-
0	The Company	CEP	(Note 2)	26,493,158	260,766	195,702	195,702	-	0.18%	52,986,316	Y	-	-
1	Arcadyan	Arcadyan Brasil	(Note 5)	1,453,963	246,160	-	-	-	-	4,361,890	Y	-	-

Note 1: According to the Company's Procedures for Endorsement and Guarantee, the total amount of endorsements/ guarantees the Company or the Group is permitted to make shall not exceed 50% of the Company's net worth. Endorsements/ guarantees the Company and the Group are permitted to make for a single company shall not exceed 25% of the Company's net worth. For entities having business relationship with the Company, the amount of endorsements/ guarantees for a single company shall not exceed 80% of the transaction amount in the last fiscal year or the expecting amount of the current year, and shall be combined with the amount lend to others when calculating. The amount of endorsements/ guarantees permitted to make between subsidiaries whose over 90% of its voting shares are owned, directly or indirectly, by the Company shall be no more than 10% of the net worth of the Company. The amount of endorsements/ guarantees permitted to make between directly or indirectly wholly owned subsidiaries is not limited by the aforementioned restriction, only the maximum amount shall be no more than 25% of the net worth of the Company.

Note 2: Subsidiary whose over 50% common stock is directly owned.

Note 3: Subsidiary whose over 50% common stock is indirectly owned.

Note 4: According to Arcadyan's Procedures for Endorsement and Guarantee, the total amount shall not exceed 40% of the net worth for latest financial statements audited or reviewed by Certified Public Accountants, and the amount for a single company shall not exceed 1/3 of the total amount.

Note 5: Subsidiary whose 100% common stock is directly owned by Arcadyan.

(Continued)

**COMPAL ELECTRONICS, INC.**  
**Notes to Parent-Company-Only Financial Statements**

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

(In Thousands of shares/ units)

Name of holder	Category and name of security	Relationship with security issuer	Account name	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Holding percentage (%)	Fair value	
The Company	Taiwan Star	-	Financial assets at fair value through other comprehensive income-non-current	98,046	680,442	3%	680,442	
	Kinpo Electronics, Inc. ("Kinpo")	The same chairman of the Company	Financial assets at fair value through other comprehensive income-non-current	124,044	1,593,962	9%	1,593,962	
	Cal-Comp Electronics (Thailand) Public Co., Ltd.	The same chairman of the Company	Financial assets at fair value through other comprehensive income-non-current	239,631	448,110	5%	448,110	
	HWA VI Venture Capital Corp.	-	Financial assets at fair value through other comprehensive income-non-current	290	25,397	10%	25,397	
	HWA Chi Venture Capital Corp.	-	Financial assets at fair value through other comprehensive income-non-current	842	23,933	11%	23,933	
	mProbe Ltd.	-	Financial assets at fair value through other comprehensive income-non-current	4,000	40,920	2%	40,920	
	Global BioPharma, Inc.	-	Financial assets at fair value through other comprehensive income-non-current	2,000	34,260	3%	34,260	
	Chen Feng Optoelectronics	-	Financial assets at fair value through other comprehensive income-non-current	6,685	97,866	11%	97,866	
	PrimeSensor Technology Inc.	-	Financial assets at fair value through other comprehensive income-non-current	861	7,266	3%	7,266	
	IIH Biomedical Venture Fund	-	Financial assets at fair value through profit or loss-non current	2,500	24,350	8%	24,350	
	UBS Extendible Money Mkt Cert.	-	Financial assets at fair value through profit or loss-current	-	149,888	-	149,888	
	Others		Financial assets at fair value through profit or loss and other comprehensive income		113,984			
	Total				<u>3,240,378</u>			
Panpal	Compal Electronics, Inc.	The parent company	Financial assets at fair value through other comprehensive income-non-current	31,648	596,566	1%	596,566	
	Kinpo	The same chairman of the Company	Financial assets at fair value through other comprehensive income-non-current	23,172	297,766	2%	297,766	
	CDIB Partners Investment Holding Corp.	-	Financial assets at fair value through other comprehensive income-non-current	54,000	941,220	5%	941,220	
	AcBel	The same chairman of the Company	Financial assets at fair value through other comprehensive income-non-current	5,677	137,092	1%	137,092	
	Taiwan Biotech Co., Ltd.	-	Financial assets at fair value through other comprehensive income-non-current	4,897	134,085	3%	134,085	
	Others	-	Financial assets at fair value through other comprehensive income-non-current		103,583			
	Total				<u>2,210,312</u>			
Gempal	Compal Electronics, Inc.	The parent company	Financial assets at fair value through other comprehensive income-non-current	18,369	346,262	-	346,262	
	Lian Hong Art. Co., Ltd.	-	Financial assets at fair value through other comprehensive income-non-current	2,140	65,670	8%	65,670	

(Continued)

**COMPAL ELECTRONICS, INC.**  
**Notes to Parent-Company-Only Financial Statements**

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

(December 31, 2019)

(In Thousands of shares/ units)

Name of holder	Category and name of security	Relationship with security issuer	Account name	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Holding percentage (%)	Fair value	
Gempal	Global BioPharma, Inc.	-	Financial assets at fair value through other comprehensive income-non-current	2,000	34,265	3%	34,265	
	Others	-	Financial assets at fair value through other comprehensive income-non-current		2,699			
	Total				<u>448,896</u>			
Hong Ji	SUYIN Optronics Co., Ltd. ("SUYIN Optronics")	-	Financial assets at fair value through other comprehensive income-non-current	380	<u>182</u>	1%	182	
Hong Jin	SUYIN Optronics	-	Financial assets at fair value through other comprehensive income-non-current	332	<u>160</u>	1%	160	
Arcadyan	GeoThings Inc.	-	Financial assets at fair value through profit or loss-non-current	200	-	9%	-	(Note 1)
	AirHop Communication Inc.	-	Financial assets at fair value through profit or loss-non-current	1,152	-	5%	-	(Note 1)
	Adant Technologies Inc.	-	Financial assets at fair value through profit or loss-non-current	349	-	5%	-	(Note 1)
	IOT EYE, Inc.	-	Financial assets at fair value through profit or loss-non-current	60	-	14%	-	(Note 1)
	TIEF FUND L.P.	-	Financial assets at fair value through profit or loss-non-current	-	44,262	7%	44,262	
	Chimei Motor Electronics Co., LTD	-	Financial assets at fair value through other comprehensive income-non-current	1,650	49,500	9%	49,500	
	Total					<u>93,762</u>		
Mactech	Taichung International Golf Country Club	-	Financial assets at fair value through other comprehensive income-non-current	-	<u>7,530</u>	-	7,530	
HHB	HWALLAR OPTRONICS (Fuzhou) CO., LTD.	-	Financial assets at fair value through profit or loss-non-current		-	19%	-	(Note 1)
Mithera	Beyond Limits, Inc.	-	Financial assets at fair value through other comprehensive income-non-current	873	<u>134,910</u>	-	134,910	
CPC	Structured deposits-SPD Bank Yield Plus Structured Deposit	-	Financial assets at fair value through profit or loss-current	-	<u>394,013</u>	-	394,013	
CET	Structured deposits-SPD Bank Yield Plus Structured Deposit	-	Financial assets at fair value through profit or loss-current	-	<u>437,840</u>	-	437,840	
CEC	Structured deposits-Bank of Communications Yun Tong Cai Fu, Structured Deposit	-	Financial assets at fair value through profit or loss-current	-	<u>219,070</u>	-	219,070	
CEQ	Structured deposits-Bank of Communications Yun Tong Cai Fu, Structured Deposit	-	Financial assets at fair value through profit or loss-current	-	<u>129,647</u>	-	129,647	

Note 1: The carrying value is the remaining amount after deducting accumulated impairment.

(Continued)

**COMPAL ELECTRONICS, INC.**  
**Notes to Parent-Company-Only Financial Statements**

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

(For the year ended December 31, 2019)

(In Thousands of New Taiwan Dollars)

Name of company	Category and name of security	Account name	Name of counter-party	Relationship with the company	Beginning Balance		Purchases		Sales			Others		Ending Balance		
					Shares/ Units (thousands)	Amount	Shares/ Units (thousands)	Amount	Shares/ Units (thousands)	Price	Cost	Gain (loss) on disposal	Shares/ Units (thousands)	Amount	Shares/ Units (thousands)	Amount
The Company	Chipbond	Financial assets at fair value through profit or loss-current	-	-	4,593	284,768	-	-	4,593	307,207	307,207	-	-	22,439 (Note 1)	-	-
The Company	Innolux Corporation	Financial assets at fair value through other comprehensive income-non-current	-	-	109,227	1,061,690	-	-	109,227	763,181	763,181	-	-	(298,509) (Note 1)	-	-
Panpal	Chipbond	Financial assets at fair value through profit or loss-current	-	-	5,251	325,560	-	-	5,251	344,843	344,843	-	-	19,283 (Note 1)	-	-
BSH	HSI	Investments accounted for using equity method	Issued for cash	-	-	-	37,000	1,109,260	-	-	-	-	-	-	37,000 (Note 3)	1,109,260
HSI	IUE	Investments accounted for using equity method	Issued for cash	-	30,000	455,400	37,000	1,109,260	-	-	-	-	-	(202,793) (Note 3)	67,000 (Note 3)	1,361,867
IUE	CVC	Investments accounted for using equity method	Issued for cash	-	30,000	480,087	37,000	1,109,260	-	-	-	-	-	(203,384) (Note 3)	67,000 (Note 3)	1,385,963
CPC	Structured deposits-SPD Bank Yield Plus Structured Deposit	Financial assets at fair value through profit or loss-current	Shanghai Pudong Development Bank	-	-	179,963	-	1,203,551	-	989,834	979,843	9,991 (Note 2)	-	333 (Note 1)	-	394,013
CIT	Structured deposits-Bank of Communications Yun Tong Cai Fu. Structured Deposit	Financial assets at fair value through profit or loss-current	Bank of Communications	-	-	-	-	894,833	-	910,892	894,833	16,059 (Note 2)	-	16,059 (Note 1)	-	-
CIT	Structured deposits-SPD Bank Yield Plus Structured Deposit	Financial assets at fair value through profit or loss-current	Shanghai Pudong Development Bank	-	-	-	-	894,833	-	910,892	894,833	16,059 (Note 2)	-	16,059 (Note 1)	-	-
CEC	Structured deposits-Bank of Communications Yun Tong Cai Fu. Structured Deposit	Financial assets at fair value through profit or loss-current	Bank of Communications	-	-	576,466	-	1,825,461	-	2,196,103	2,174,447	21,656 (Note 2)	-	13,246 (Note 1)	-	219,070
CEQ	Structured deposits-Bank of Communications Yun Tong Cai Fu. Structured Deposit	Financial assets at fair value through profit or loss-current	Bank of Communications	-	-	260,029	-	501,107	-	633,487	626,384	7,103 (Note 2)	-	1,998 (Note 1)	-	129,647
CEQ	Structured deposits-Industrial Bank Structured Deposits	Financial assets at fair value through profit or loss-current	Industrial Bank Co.,Ltd	-	-	259,705	-	259,502	-	526,798	519,004	7,794 (Note 2)	-	7,591 (Note 1)	-	-
CPO	Structured deposits-Bank of Communications Yun Tong Cai Fu. Structured Deposit	Financial assets at fair value through profit or loss-current	Bank of Communications	-	-	448,948	-	-	-	451,877	447,416	4,461 (Note 2)	-	2,929 (Note 1)	-	-
CPO	Structured deposits-SPD Bank Yield Plus Structured Deposit	Financial assets at fair value through profit or loss-current	Shanghai Pudong Development Bank	-	-	480,285	-	-	-	482,449	478,736	3,713 (Note 2)	-	2,164 (Note 1)	-	-
CPO	Structured deposits-The RMB "Open on schedule" Financial Product	Financial assets at fair value through profit or loss-current	Bank of China	-	-	-	-	447,417	-	456,614	447,417	9,197 (Note 2)	-	9,197 (Note 1)	-	-
CIC	Structured deposits-SPD Bank Yield Plus Structured Deposit	Financial assets at fair value through profit or loss-current	Shanghai Pudong Development Bank	-	-	179,699	-	1,073,801	-	1,265,163	1,252,768	12,395 (Note 2)	-	11,663 (Note 1)	-	-
CIC	Structured deposits-Win-win Interest Rate Structure RMB Structural Deposits	Financial assets at fair value through profit or loss-current	China CITIC Bank	-	-	-	-	447,417	-	450,405	447,417	2,988 (Note 2)	-	2,988 (Note 1)	-	-
CET	Structured deposits-Bank of Communications Yun Tong Cai Fu. Structured Deposit	Financial assets at fair value through profit or loss-current	Bank of Communications	-	-	225,651	-	1,118,542	-	1,360,587	1,342,250	18,337 (Note 2)	-	16,394 (Note 1)	-	-
CET	Structured deposits-Agricultural Bank of China "HuiLiFeng" customization RMB structured deposit	Financial assets at fair value through profit or loss-current	Agricultural Bank of China	-	-	676,881	-	447,417	-	1,129,780	1,118,542	11,238 (Note 2)	-	5,482 (Note 1)	-	-

(Continued)



**COMPAL ELECTRONICS, INC.**  
**Notes to Parent-Company-Only Financial Statements**

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

(For the year ended December 31, 2019)

(In Thousands of New Taiwan Dollars)

Name of company	Category and name of security	Account name	Name of counter-party	Relationship with the company	Beginning Balance		Purchases		Sales			Others		Ending Balance		
					Shares/ Units (thousands)	Amount	Shares/ Units (thousands)	Amount	Shares/ Units (thousands)	Price	Cost	Gain (loss) on disposal	Shares/ Units (thousands)	Amount	Shares/ Units (thousands)	Amount
CET	Structured deposits-The RMB "Open on schedule" Financial Product	Financial assets at fair value through profit or loss-current	Bank of China	-	-	451,154	-	223,708	-	667,681	671,125	6,556 (Note 2)	-	2,819 (Note 1)	-	-
CET	Structured deposits-SPD Bank Yield Plus Structured Deposit	Financial assets at fair value through profit or loss-current	Shanghai Pudong Development Bank	-	-	-	-	1,297,509	-	858,447	850,092	8,355 (Note 2)	-	(1,222) (Note 1)	-	437,840
CET	Structured deposits-Win-win Interest Rate Structure RMB Structural Deposits	Financial assets at fair value through profit or loss-current	China CITIC Bank	-	-	-	-	1,297,509	-	1,307,480	1,297,509	9,971 (Note 2)	-	9,971 (Note 1)	-	-
Arcadyan	Arcadyan Holding	Investments accounted for using equity method	Issued for cash	-	32,780	1,221,252	27,000	823,505	-	-	-	-	-	(87,955) (Note 3)	59,780	1,956,802

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

Note 2: Including gains and losses on disposal and foreign exchange gains and losses.

Note 3: Including share of profit (loss) accounted for using equity method and exchange differences on translation of foreign financial statements.

(Continued)

**COMPAL ELECTRONICS, INC.**  
**Notes to Parent-Company-Only Financial Statements**

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

(In Thousands of New Taiwan Dollars)

Company Name	Counter party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/(Sale)	Amount	Percentage of total purchases/(sales)	Payment terms	Unit price	Payment Terms	Ending Balance	Percentage of total notes/accounts receivable (payable)	
The Company	UCGI	Subsidiaries wholly owned by the Company	Sale	(195,680)	-	120 days	Similar to non-related parties	There is no significant difference	45,158	-	
	CBN	The Company's subsidiaries	Sale	(962,973)	(0.1)%	90 days	Similar to non-related parties	There is no significant difference	330,670	0.2%	
	CIH and its subsidiaries	Subsidiaries wholly owned by the Company	Purchase	189,074,111	21.6%	120 days	Similar to non-related parties	There is no significant difference, and adjustments will be made based on demand for funding if necessary	(51,022,067)	(34.2)%	
	Just and its subsidiaries	Subsidiaries wholly owned by the Company	Purchase	102,586,790	11.7%	120 days	Similar to non-related parties	There is no significant difference, and adjustments will be made based on demand for funding if necessary	(6,799,206)	(4.6)%	
	HSI and its subsidiaries	Subsidiaries wholly owned by the Company	Purchase	4,571,105	0.5%	120 days	Similar to non-related parties	There is no significant difference, and adjustments will be made based on demand for funding if necessary	(2,369,841)	(1.6)%	
	BCI and its subsidiaries	Subsidiaries wholly owned by the Company	Purchase	24,316,409	2.8%	120 days	Markup based on BCI and its subsidiaries's cost	There is no significant difference, and adjustments will be made based on demand for funding if necessary	(7,460,959)	(5.0)%	
	Etrade and its subsidiaries	Subsidiaries wholly owned by the Company	Purchase	19,044,223	2.2%	Net 60 days from purchase	Markup based on Etrade and its subsidiaries's cost	There is no significant difference, and adjustments will be made based on demand for funding if necessary	(5,904,962)	(4.0)%	
	Webtek	Subsidiaries wholly owned by the Company	Purchase	34,469,915	3.9%	Net 60 days from purchase	Markup based on Webtek's cost	There is no significant difference, and adjustments will be made based on demand for funding if necessary	(556,913)	(0.4)%	
	Palcom	Subsidiaries wholly owned by the Company	Sale	(105,081)	-	Net 60 days from delivery	Similar to non-related parties	There is no significant difference	22,720	-	
	Forever	Subsidiaries wholly owned by the Company	Purchase	18,139,071	2.1%	Net 60 days from purchase	Markup based on Forever's cost	There is no significant difference, and adjustments will be made based on demand for funding if necessary	(778,369)	(0.5)%	
Just and its subsidiaries	Webtek	With the same ultimate parent company	Sale	(24,375,017)	(19.0)%	Net 60 days from delivery	According to markup pricing	Adjustments will be made based on demand for funding	-	-	
	Compal Electronic, Inc.	Parent company	Sale	(102,586,790)	(45.0)%	120 days	Similar to non-related parties	There is no significant difference, and adjustments will be made based on demand for funding if necessary	6,799,206	20.0%	
CIH and its subsidiaries	Forever	With the same ultimate parent company	Sale	(6,892,761)	(34.0)%	Net 60 days from delivery	Similar to non-related parties	Adjustments will be made based on demand for funding	-	-	
	Compal Electronic, Inc.	Parent company	Sale	(189,320,860)	(77.7)%	120 days	Similar to non-related parties	There is no significant difference, and adjustments will be made based on demand for funding if necessary	51,022,056	37.8%	
	CEB	With the same ultimate parent company	Sale	(196,173)	-	120 days	Similar to non-related parties	There is no significant difference, and adjustments will be made based on demand for funding if necessary	51,912	-	
CBN	Forever	With the same ultimate parent company	Sale	(9,187,778)	(20.1)%	Net 60 days from delivery	According to markup pricing	Adjustments will be made based on demand for funding	-	-	
	Compal Electronic, Inc.	Parent company	Purchase	959,522	52.0%	Net 90 days from purchase	-	There is no significant difference	(331,111)	(64.0)%	
BCI and its subsidiaries	Compal Electronic, Inc.	Parent company	Sale	(24,324,646)	(84.1)%	120 days	Markup based on BCI and its subsidiaries's cost	Adjustments will be made based on demand for funding	7,460,959	78.4%	
	CEB	With the same ultimate parent company	Sale	(1,962,595)	(7.0)%	120 days	According to markup pricing	There is no significant difference	772,909	4.7%	

(Continued)

## COMPAL ELECTRONICS, INC.

### Notes to Parent-Company-Only Financial Statements

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

(In Thousands of New Taiwan Dollars)

Company Name	Counter party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/(Sale)	Amount	Percentage of total purchases/(sales)	Payment terms	Unit price	Payment Terms	Ending Balance	Percentage of total notes/accounts receivable (payable)	
Webtek	Compal Electronic, Inc.	Parent company	Sale	(34,469,915)	(100.0)%	Net 60 days from delivery	According to markup pricing	Adjustments will be made based on demand for funding	556,913	100.0%	
	Etrade and its subsidiaries	With the same ultimate parent company	Purchase	10,091,875	29.0%	Net 60 days from purchase	According to markup pricing	Adjustments will be made based on demand for funding	-	-	
	JUST and its subsidiaries	With the same ultimate parent company	Purchase	24,375,017	71.0%	Net 60 days from purchase	According to markup pricing	Adjustments will be made based on demand for funding	-	-	
CEB	BCI and its subsidiaries	With the same ultimate parent company	Purchase	1,944,054	17.1%	120 days	Similar to non-related parties	There is no significant difference	(765,855)	(47.8)%	
	CIH and its subsidiaries	With the same ultimate parent company	Purchase	202,987	1.8%	120 days	Similar to non-related parties	There is no significant difference	(51,677)	(3.2)%	
Etrade and its subsidiaries	Webtek	With the same ultimate parent company	Sale	(10,091,875)	(35.0)%	Net 60 days from delivery	According to markup pricing	Adjustments will be made based on demand for funding	-	-	
	Compal Electronic, Inc.	Parent company	Sale	(19,044,223)	(65.0)%	Net 60 days from delivery	According to markup pricing	Adjustments will be made based on demand for funding	5,904,962	100.0%	
Forever	Compal Electronic, Inc.	Parent company	Sale	(18,139,071)	(85.0)%	Net 60 days from delivery	According to markup pricing	Adjustments will be made based on demand for funding	778,369	100.0%	
	CIH and its subsidiaries	With the same ultimate parent company	Purchase	9,187,778	43.0%	Net 60 days from purchase	Similar to non-related parties	Adjustments will be made based on demand for funding	-	-	
	JUST and its subsidiaries	With the same ultimate parent company	Purchase	6,892,761	32.0%	Net 60 days from purchase	Similar to non-related parties	Adjustments will be made based on demand for funding	-	-	
UCGI	Compal Electronic, Inc.	Parent company	Purchase	195,680	68.2%	120 days	Similar to non-related parties	There is no significant difference	(45,124)	(86.5)%	
Palcom	Compal Electronic, Inc.	Parent company	Purchase	105,081	100.0%	Net 60 days from purchase	Similar to non-related parties	There is no significant difference	(22,720)	-	
HSI and its subsidiaries	Compal Electronic, Inc.	Parent company	Sale	(4,571,105)	(100.0)%	120 days	Similar to non-related parties	Adjustments will be made based on demand for funding	2,383,869	100.0%	
Arcadyan	Arcadyan Germany	Arcadyan's subsidiary	Sale	(1,465,691)	(5.0)%	Net 120 days from delivery	-	-	392,466	6.0%	
	Arcadyan USA	Arcadyan's subsidiary	Sale	(2,992,401)	(11.0)%	Net 60 days from the end of the month of delivery	-	-	2,683,393	38.0%	
	Arcadyan AU	Arcadyan's subsidiary	Sale	(2,444,741)	(9.0)%	Net 45 days from the end of the month of delivery	-	-	634,154	9.0%	
	CNC	Arcadyan's subsidiary	Purchase	11,451,395	31.0%	Net 45 days from the end of the month of delivery	According to markup pricing	-	(3,117,484)	(44.0)%	(Note 1)
	Arcadyan Vietnam	Arcadyan's subsidiary	Purchase	1,026,793	(3.0)%	Net 180 days from the end of the month of delivery	According to markup pricing	-	(Note 2)	-	(Note 1)
CNC	Arcadyan	With the same ultimate parent company	Sale	(11,451,395)	(100.0)%	Net 45 days from the end of the month of delivery	According to markup pricing	-	3,117,484	99.0%	(Note 1)
	THAC	With the same ultimate parent company	Sale	(158,620)	(1.0)%	Net 90 days from the end of the month of delivery	-	-	23,396	1.0%	(Note 1)
Arcadyan Vietnam	Arcadyan	With the same ultimate parent company	Sale	(1,026,793)	(100.0)%	Net 180 days from the end of the month of delivery	-	-	(Note 2)	-	
Arcadyan Germany	Arcadyan	With the same ultimate parent company	Purchase	1,465,691	100.0%	Net 120 days from delivery	-	-	(392,466)	(100.0)%	
Arcadyan USA	Arcadyan	With the same ultimate parent company	Purchase	2,992,401	100.0%	Net 60 days from the end of the month of delivery	-	-	(2,683,393)	(100.0)%	
Arcadyan AU	Arcadyan	With the same ultimate parent company	Purchase	2,444,741	100.0%	Net 45 days from the end of the month of delivery	-	-	(634,154)	(100.0)%	
THAC	TTI	With the same ultimate parent company	Sale	(378,225)	(100.0)%	Net 60 days from the end of the month of delivery	According to markup pricing	-	(Note 3)	-	(Note 1)
	CNC	With the same ultimate parent company	Purchase	158,620	2.0%	Net 90 days from the end of the month of delivery	-	-	(23,396)	(54.0)%	(Note 1)
TTI	THAC	With the same ultimate parent company	Purchase	378,225	8.0%	Net 60 days from the end of the month of delivery	-	-	(Note 3)	-	(Note 1)

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

Note 2: The amount of other receivables (other payables) on December 31, 2019 is 362,695 thousand dollars.

Note 3: The amount of unearned sales revenue (prepayment for purchases) on December 31, 2019 is 103,079 thousand dollars.

(Continued)

**COMPAL ELECTRONICS, INC.**  
**Notes to Parent-Company-Only Financial Statements**

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

(In Thousands of New Taiwan Dollars)

Name of Company	Counter-party	Nature of relationship	Ending Balance	Turnover rate	Overdue		Amounts received in subsequent period	Allowance for bad debts
					Amount	Action taken		
The Company	CBN	The Company's subsidiary	330,670	1.80	-	-	238,935 (Note 1)	-
Just and its subsidiaries	Compal Electronic, Inc.	Parent company	6,799,206	28.09	-	-	3,224,612 (Note 1)	-
CIH and its subsidiaries	Compal Electronic, Inc.	Parent company	51,022,056	3.78	-	-	48,763,927 (Note 1)	-
BCI and its subsidiaries	Compal Electronic, Inc.	Parent company	7,460,959	5.92	-	-	7,282,087 (Note 1)	-
BCI and its subsidiaries	CEB	With the same ultimate parent company	772,909	2.94	-	-	197,195 (Note 1)	-
Forever	Compal Electronic, Inc.	Parent company	778,369	1.68	-	-	- (Note 1)	-
Webtek	Compal Electronic, Inc.	Parent company	556,913	9.04	-	-	- (Note 1)	-
Etrade and its subsidiaries	Compal Electronic, Inc.	Parent company	5,904,962	3.42	-	-	5,843,969 (Note 1)	-
HSI and its subsidiaries	Compal Electronic, Inc.	Parent company	2,383,869	3.80	-	-	- (Note 1)	-
Arcadyan	Arcadyan Germany	Arcadyan's subsidiary	392,466	2.45	-	-	75,366 (Note 2)	-
Arcadyan	Arcadyan USA	Arcadyan's subsidiary	2,683,393	2.15	-	-	708,279 (Note 2)	-
Arcadyan	Arcadyan AU	Arcadyan's subsidiary	634,154	3.59	-	-	509,314 (Note 2)	-
Arcadyan	Arcadyan Vietnam	Arcadyan's subsidiary	362,695	2.11	-	-	- (Note 2)	-
Arcadyan	TTI	Arcadyan's subsidiary	55,769 (Note 3)	18.18	-	-	18,864 (Note 2)	-
CNC	Arcadyan	With the same ultimate parent company	3,117,484 (Note 4)	3.51	-	-	450,187 (Note 2)	-

Note 1: Balance as of March 13, 2020.

Note 2: Balance as of February 21, 2020.

Note 3: Other receivables due to processing and sales of raw material.

Note 4: Other receivables due to processing.

(Continued)

**COMPAL ELECTRONICS, INC.**  
**Notes to Parent-Company-Only Financial Statements**

**Table 7** The following is the information on investees for the year ended December 31, 2019 (excluding information on investees in Mainland China):  
(December 31, 2019)

(In Thousands of New Taiwan Dollars/ shares)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Ending Balance			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2019	December 31, 2018	Shares	Percentage of Ownership	Carrying Value			
The Company	Bizcom	Milpitas, USA	Warranty services and marketing of LCD TVs and notebook PCs	36,369	36,369	100	100%	446,195	16,485	16,485	
	Just	British Virgin Islands	Investment	1,480,509	1,480,509	48,010	100%	7,954,899	209,804	209,804	
	CIH	British Virgin Islands	Investment	1,787,680	1,787,680	53,001	100%	34,558,369	473,752	473,752	
	Panpal	Taipei City	Investment	5,171,837	5,171,837	500,000	100%	5,304,500 (Note 1)	251,199	213,221	
	Gempal	Taipei City	Investment	900,036	900,036	90,000	100%	1,603,518 (Note 1)	96,808	74,765	
	Kinpo Group management consultant company ("Kinpo Group management")	Taipei City	Consultation, training services, etc.	3,000	3,000	300	38%	4,628	237	90	
	Ripal	Tainan City	Manufacturing of electric appliance and audiovisual electric products	60,000	60,000	6,000	100%	76,632	24,978	24,834	
	Unicore	Taipei City	Management&Consultant, rental and leasing business and wholesale and retail of medical equipments	200,000	200,000	20,000	100%	145,664	(18,865)	(18,984)	
	Lead-Honor Optronics. Co., Ltd. ("Lead-Honor")	Taoyuan City	Manufacturing of electric appliance and audiovisual electric products	42,000	42,000	2,772	42%	-	-	-	
	CEH	British Virgin Islands	Investment	34	34	1	100%	3,533,243	-	-	
	Shennona Taiwan	Taipei City	Management&Consultant, rental and leasing business, wholesale and retail sale of precision instruments and International Trade	6,000	-	600	100%	4,292	(1,708)	(1,708)	
	Allied Circuit	Taoyuan City	Production and sales of PCB boards	395,388	395,388	10,158	20%	318,932	222,022	45,327	
	Maxima Ventures I, Inc. ("Maxima")	Taipei City	Investment	1,260	1,260	126	23%	2,693	(201)	37	
	Aco Smartcare	Hsinchu City	Wholesale and retail sale of computer software, software design services, data processing services, wholesale and retail sale of electronic materials, wholesale and retail sale of precision instruments, and biotechnology services	90,000	-	100,000	52%	85,978	(10,302)	(4,022)	
	Lipo Holding Co., Ltd. ("Lipo")	Cayman Islands	Investment	489,450	489,450	98	49%	508,166	(255,302)	(125,098)	
	CPE	The Netherlands	Investment	197,463	197,463	6,427	100%	823,429	16,394	16,394	
	ATK	Hsinchu City	Design, research & development, and selling of DVD, Combo, CD-RW Drives	202,908	202,908	899	28%	8,545	(6,575)	(1,826)	
	Crownpo Technology Inc. ("Crownpo")	Taipei City	Manufacturing, processing, and selling resistor chips, networking chips, diodes, multilayer ceramic capacitors, semiconductor devices, and selling electronic products	149,547	149,547	3,739	33%	55,769	(49,191)	(16,347)	
	Hong Ji	Taipei City	Investment	1,000,000	1,000,000	100,000	100%	1,078,453	61,267	61,267	
	Hong Jin	Taipei City	Investment	295,000	295,000	29,500	100%	342,169	29,774	29,774	
	Mactech	Taichung City	Manufacturing of equipment and lighting, retailing of equipment and international trading	219,601	219,601	21,756	53%	237,496	25,927	12,703	
	Auscom	Austin, TX USA	R&D of notebook PC related products and components	101,747	101,747	3,000	100%	126,700	3,919	3,919	
	Arcadyan	Hsinchu City	R&D, manufacturing and sales of wireless network, integrated household electronics, and mobile office products	1,325,132	1,325,132	41,305	20%	2,260,060	1,313,498	278,206	
	FGH	British Virgin Islands	Investment	2,754,741	2,754,741	89,755	100%	4,462,874	131,815	131,815	
	Shennona	Delaware, USA	Medical care IOT business	32,665	29,558	2,600	100%	1,372	(7,150)	(7,150)	
	HSI	British Virgin Islands	Investment	1,346,814	1,346,814	42,700	54%	541,383	(180,050)	(180,050)	
	CEP	Poland	Maintenance and warranty services of notebook PCs	90,156	90,156	136	100%	17,372	2,224	2,224	

(Continued)

**COMPAL ELECTRONICS, INC.**  
**Notes to Parent-Company-Only Financial Statements**

**Table 7** The following is the information on investees for the year ended December 31, 2019 (excluding information on investees in Mainland China):  
(December 31, 2019)

(In Thousands of New Taiwan Dollars/ shares)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Ending Balance			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2019	December 31, 2018	Shares	Percentage of Ownership	Carrying Value			
The Company	Zhaopal	Taipei City	Investment	-	1,358,000	-	-	-	1	1	
	Yongpal	Taipei City	Investment	-	1,188,500	-	-	-	-	-	
	Kaipal	Taipei City	Investment	-	510,500	-	-	-	-	-	
	Hippo Screen Neurotech Co., Ltd.	Taipei City	Management&Consultant, Rental and Leasing Business, wholesale and retail sale of precision instruments and International Trade	42,000	-	4,200	70%	34,869	(10,187)	(7,131)	
	Infinno Technology Corporation ("Infinno")	Hsinchu County	Manufacturing of electronic components, wholesale and retail sale of precision instruments and electronic materials	109,837	109,837	5,650	27%	17,199	(16,010)	(4,354)	
	HengHao	Taipei City	Manufacturing of PCs, computer periphery devices, and electronic components	5,529,757	5,329,757	20,015	100%	(485,074)	(569,058)	(569,058)	
	BCI	British Virgin Islands	Investment	2,636,051	2,636,051	90,820	100%	6,181,036	296,503	296,503	
	CBN	Hsinchu County	R&D and sales of cable modem, digital setup box, and other communication products	284,827	284,827	29,060	43%	734,059	10,514	4,619	
	Rayonnant	Taipei City	Manufacturing and sales of PCs, computer periphery devices, and electronic components	295,000	295,000	29,500	100%	62,310	24,012	22,907	
	CRH	British Virgin Islands	Investment	377,328	377,328	12,500	100%	131,698	27,806	27,806	
	Acendant Private Equity Investment Ltd. ("APE")	British Virgin Islands	Investment	943,922	943,922	31,253	35%	1,061,446	205,756	71,442	
	Etrade	British Virgin Islands	Investment	1,532,029	1,532,029	46,900	65%	(606,199)	(354,085)	(311,924)	
	Webtek	British Virgin Islands	Investment	3,340	3,340	100	100%	527,529	(39,957)	(39,957)	
	Forever	British Virgin Islands	Investment	1,575	1,575	50	100%	1,453,833	1,497	1,497	
	UCGI	Taipei City	Manufacturing and retail sale of computers and electronic components	100,000	100,000	10,000	100%	(459,297)	(83,034)	(83,034)	
	Palcom	Taipei City	Selling of mobile phones	100,000	100,000	10,000	100%	105,623	(2,453)	(2,453)	
	Avalute Technology, Inc.	New Taipei City	Manufacturing, processing, and import and export business of industrial motherboards	559,189	559,189	15,024	21%	646,573	453,494	99,281	
	CORE	British Virgin Islands	Investment	4,318,860	4,318,860	147,000	100%	7,668,192	232,282	232,282	
	GLB	New Taipei City	Manufacturing and wholesale of medical equipment	246,860	246,860	15,000	50%	305,987	90,284	45,053	
								<b>81,883,115</b>		<b>1,022,912</b>	
Panpal	Arcadyan	Hsinchu City	Telecommunication equipment and apparatus manufacturing, electronic parts and components manufacturing, restrained telecom radio frequency equipments and materials import and manufacturing	279,202	180,968	8,192	4%	493,017	1,313,498	Investment gain(losses) recognized by Panpal	
	Allied Circuit	Taoyuan City	Production and selling of PCB boards	148,263	148,263	2,927	6%	91,903	222,022	Investment gain(losses) recognized by Panpal	
Gempal	Others							582,145			
	Arcadyan	Hsinchu City	Telecommunication equipment and apparatus manufacturing, electronic parts and components manufacturing, restrained telecom radio frequency equipments and materials import and manufacturing	306,655	203,500	9,279	4%	583,444	1,313,498	Investment gain(losses) recognized by Gempal	
	Allied Circuit	Taoyuan City	Production and selling of PCB boards	53,645	53,645	3,220	6%	101,093	222,022	Investment gain(losses) recognized by Gempal	
	Others							3,274			

(Continued)

**COMPAL ELECTRONICS, INC.**  
**Notes to Parent-Company-Only Financial Statements**

**Table 7** The following is the information on investees for the year ended December 31, 2019 (excluding information on investees in Mainland China):  
(December 31, 2019)

(In Thousands of New Taiwan Dollars/ shares)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Ending Balance			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2019	December 31, 2018	Shares	Percentage of Ownership	Carrying Value			
Hong Ji	Arcadyan	Hsinchu City	Telecommunication equipment and apparatus manufacturing, electronic parts and components manufacturing, restrained telecom radio frequency equipments and materials import and manufacturing	306,655	203,500	9,279	4%	583,444	1,313,498	Investment gain(losses) recognized by Hong Ji	
	Allied Circuit	Taoyuan City	Production and selling of PCB boards	12,274	12,274	1,041	2%	26,724	222,022	Investment gain(losses) recognized by Hong Ji	
Hong Jin	Arcadyan	Hsinchu City	Telecommunication equipment and apparatus manufacturing, electronic parts and components manufacturing, restrained telecom radio frequency equipments and materials import and manufacturing	131,942	112,569	4,609	2%	274,806	1,313,498	Investment gain(losses) recognized by Hong Jin	
Just	CDH (HK)	Hong Kong	Investment	1,867,679	1,867,679	62,298	100%	5,559,135	121,268	Investment gain(losses) recognized by Just	
	CII	British Virgin Islands	Investment	277,165	277,165	9,245	100%	252,744	38,910	Investment gain(losses) recognized by Just	
	CPI	British Virgin Islands	Investment	14,990	14,990	500	100%	887,886	12,474	Investment gain(losses) recognized by Just	
CII	Smart	British Virgin Islands	Investment	30	30	1	100%	385	(6)	Investment gain(losses) recognized by CII	
	AEI	U.S.A	Sales and maintenance of LCD TVs	29,980	29,980	1,000	100%	48,020	(256)	Investment gain(losses) recognized by CII	
	MEL	U.S.A	Investment	246,855	246,855	-	100%	204,349	(49,788)	Investment gain(losses) recognized by CII	
	MTL	U.S.A	Investment	30	30	-	100%	30	-	Investment gain(losses) recognized by CII	
MEL and MTL	CMX	Mexico	Manufacturing, sales and maintenance of LCD TVs	-	241,339	-	-	-	(12,236)	Investment gain(losses) recognized by MEL and MTL	
CIH	CIH (HK)	Hong Kong	Investment	2,242,579	2,242,579	74,803	100%	32,770,648	597,121	Investment gain(losses) recognized by CIH	
	Jenpal	British Virgin Islands	Investment	220,353	220,353	7,350	100%	105,192	2,742	Investment gain(losses) recognized by CIH	
	PFG	British Virgin Islands	Investment	30	30	1	100%	435,070	24,092	Investment gain(losses) recognized by CIH	
	FWT	British Virgin Islands	Investment	446,702	446,702	14,900	100%	447,152	152	Investment gain(losses) recognized by CIH	
	CCM	British Virgin Islands	Investment	152,898	152,898	5,100	51%	26,994	(57,524)	Investment gain(losses) recognized by CIH	
HSI	IUE	British Virgin Islands	Investment	2,008,660	899,400	67,000	100%	1,361,867	(197,879)	Investment gain(losses) recognized by HSI	
	Goal	British Virgin Islands	Investment	380,746	380,746	12,700	100%	316,738	17,829	Investment gain(losses) recognized by HSI	

(Continued)

**COMPAL ELECTRONICS, INC.**  
**Notes to Parent-Company-Only Financial Statements**

**Table 7** The following is the information on investees for the year ended December 31, 2019 (excluding information on investees in Mainland China):  
(December 31, 2019)

(In Thousands of New Taiwan Dollars/ shares)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Ending Balance			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2019	December 31, 2018	Shares	Percentage of Ownership	Carrying Value			
IUE	CVC	Vietnam	R&D, manufacturing, sales, and maintenance of notebook PCs, computer monitors, LCD TVs and electronic components	2,008,660	899,400	67,000	100%	1,385,963	(197,879)	Investment gain(losses) recognized by IUE	
Goal	CDM	Vietnam	Construction of and investment in infrastructure in Ba-Thien industrial district of Vietnam	380,746	380,746	12,700	100%	373,914	17,829	Investment gain(losses) recognized by Goal	
BCI	CMI	British Virgin Islands	Investment	2,422,984	2,422,984	80,820	100%	3,855,996	164,336	Investment gain(losses) recognized by BCI	
	PRI	British Virgin Islands	Investment	299,800	299,800	10,000	100%	2,325,040	132,167	Investment gain(losses) recognized by BCI	
CORE	BSH	British Virgin Islands	Investment	4,407,060	4,407,060	147,000	100%	7,668,193	232,282	Investment gain(losses) recognized by CORE	
BSH	Mithera	Cayman Islands	Investment	149,900	-	-	99%	146,594	(3,444)	Investment gain(losses) recognized by BSH	
	HSI	British Virgin Islands	Investment	1,109,260	-	37,000	46%	1,109,260	(180,050)	Investment gain(losses) recognized by BSH	
Forever	GIA	British Virgin Islands	Selling of mobile phones	-	-	-	100%	-	-	Investment gain(losses) recognized by Forever	
Webtek	Etrade	British Virgin Islands	Investment	749,500	749,500	25,000	35%	(205,213)	(354,085)	Investment gain(losses) recognized by Webtek	
Unicore	Raycore	Taipei City	Animal medication retail and wholesale	25,500	25,500	1,275	51%	17,675	(9,082)	Investment gain(losses) recognized by Unicore	
Arcadyan	Arcadyan Holding	British Virgin Islands	Investment	2,064,032	1,240,526	59,780	100%	1,956,802	(24,302)	Investment gain(losses) recognized by Arcadyan	
	Arcadyan USA	U.S.A	Sales of wireless network products	23,055	23,055	1	100%	(250,530)	14,289	Investment gain(losses) recognized by Arcadyan	
	Arcadyan Germany	Germany	Technology support and sales of wireless network products	1,125	1,125	0.5	100%	68,318	7,022	Investment gain(losses) recognized by Arcadyan	
	Arcadyan Korea	Korea	Sales of wireless network products	2,879	2,879	20	100%	7,047	(310)	Investment gain(losses) recognized by Arcadyan	
	Zhi-Pal	Taipei City	Investment	48,000	48,000	34,980	100%	416,421	2,169	Investment gain(losses) recognized by Arcadyan	
	TTI	Taipei City	R&D and sales of household digital products	308,726	308,726	25,028	61%	627,585	105,625	Investment gain(losses) recognized by Arcadyan	
	AcBel Telecom	Taipei City	Investment	23,000	23,000	4,494	51%	36,163	4,784	Investment gain(losses) recognized by Arcadyan	
	Arcadyan UK	UK	Technical support of wireless network products	1,988	1,988	50	100%	3,170	452	Investment gain(losses) recognized by Arcadyan	
	Arcadyan AU	Australia	Sales of wireless network products	1,161	1,161	50	100%	27,970	29,187	Investment gain(losses) recognized by Arcadyan	

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**COMPAL ELECTRONICS, INC.**  
**Notes to Parent-Company-Only Financial Statements**

**Table 7 The following is the information on investees for the year ended December 31, 2019 (excluding information on investees in Mainland China):**  
(December 31, 2019)

(In Thousands of New Taiwan Dollars/ shares)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Ending Balance			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2019	December 31, 2018	Shares	Percentage of Ownership	Carrying Value			
Arcadyan	CBN	Hsinchu County	Sales of communication and electronic components	11,925	11,925	533	1%	13,581	10,514	Investment gain(losses) recognized by Arcadyan	
	Golden Smart Home Technology Corp.	Taipei City	Selling of hardware and software integration of high-tech systems	15,692	15,692	1,229	11%	-	(36,152)	Investment gain(losses) recognized by Arcadyan	
Arcadyan and Zhi-pal	Arcadyan Brasil	Brazil	Sales of wireless network products	81,593	81,593	968	100%	(7,767)	(22,421)	Investment gain(losses) recognized by Arcadyan	
Arcadyan Holding	Sinoprime	British Virgin Islands	Investment	271,681	271,681	9,050	100%	188,856	(86,152)	Investment gain(losses) recognized by Arcadyan Holding	
	Arch Holding	British Virgin Islands	Investment	330,550	330,550	35	100%	871,120	57,002	Investment gain(losses) recognized by Arcadyan Holding	
TTI	Quest	Samoa	Investment	36,024	36,024	1,200	100%	77,839	10,673	Investment gain(losses) recognized by TTI	
	TTJC	Japan	Sales of household digital electronic products	4,130	1,341	0.3	100%	2,015	(1,550)	Investment gain(losses) recognized by TTI	
Quest	Exquisite	Samoa	Investment	35,123	35,123	1,170	100%	80,994	10,665	Investment gain(losses) recognized by Quest	
AcBel Telecom	Leading Images	British Virgin Islands	Investment	1,501	1,501	50	100%	13,985	4,623	Investment gain(losses) recognized by AcBel Telecom	
Sinoprime	Arcadyan Vietnam	Vietnam	Manufacturing of wireless network products	270,180	-	-	100%	184,443	(88,285)	Investment gain(losses) recognized by Sinoprime	
Leading Images	Astoria GmbH	Germany	Sales of wireless network products	841	841	25	100%	13,599	4,637	Investment gain(losses) recognized by Leading Images	
Zhi-Pal	CBN	Hsinchu County	Produces and sales of communication and electronic components	36,272	36,272	13,140	20%	334,669	10,514	Investment gain(losses) recognized by Zhi-Pal	
Rayonnant	APH	British Virgin Islands	Investment	257,454	257,454	8,651	41%	85,269	47,050	Investment gain(losses) recognized by Rayonnant	
	Forming Co., Ltd.	Taoyuan City	R&D and manufacturing of electronic materials	27,300	27,300	1,820	21%	-	-	Investment gain(losses) recognized by Rayonnant	
CRH	APH	British Virgin Islands	Investment	374,750	374,750	12,500	59%	131,698	47,050	Investment gain(losses) recognized by CRH	
APH	PEL	British Virgin Islands	Investment	94,467	94,467	3,151	100%	36,058	(16,756)	Investment gain(losses) recognized by APH	
	Rayonnant(HK)	Hong Kong	Investment	539,640	539,640	18,000	100%	172,950	63,805	Investment gain(losses) recognized by APH	
HHT	HHA	British Virgin Islands	Investment	1,429,235	1,429,235	46,882	100%	(27,044)	(281,360)	Investment gain(losses) recognized by HHT	
HHA	HHB	British Virgin Islands	Investment	1,405,523	1,405,523	46,882	100%	(9,895)	(281,375)	Investment gain(losses) recognized by HHA	

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**COMPAL ELECTRONICS, INC.**  
**Notes to Parent-Company-Only Financial Statements**

**Table 7** The following is the information on investees for the year ended December 31, 2019 (excluding information on investees in Mainland China):  
(December 31, 2019)

(In Thousands of New Taiwan Dollars/ shares)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Ending Balance			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2019	December 31, 2018	Shares	Percentage of Ownership	Carrying Value			
HHB	HengHao Trading Co., Ltd.	British Virgin Islands	Marketing and international trade	300	300	10	100%	479	90	Investment gain(losses) recognized by HHB	
CBN	Speedlink	British Virgin Islands	Import and export business	-	1,514	-	-	-	86	Investment gain(losses) recognized by CBN	(Note 2)
	CBNB	Belgium	The import and export business of broad band network products and related components, as well as technical support and advisory services	6,842	6,842	20	100%	6,338	(279)	Investment gain(losses) recognized by CBN	
	CBNN	The Netherlands	The import and export business of broad band network products and related components, as well as technical support and advisory services	7,016	-	20	100%	6,724	-	Investment gain(losses) recognized by CBN	
FGH	Wah Yuen Technology Holding Ltd. and its subsidiaries	Mauritius	Investment	2,690,870	2,690,870	95,862	37%	4,531,552	361,173	Investment gain(losses) recognized by FGH	
GLB	Rapha	New Taipei City	Detectors and test strip	6,500	6,500	1,275	100%	298	(162)	Investment gain(losses) recognized by GLB	
Mactech	Taiwan Intelligent Robotics Company, LTD.	Taipei City	Manufacturing of equipment	43,200	-	2,160	20%	39,468	(19,504)	Investment gain(losses) recognized by Mactech	

Note 1: The carrying value had been deducted \$559,812 and \$321,435 of the Company's stock held by Panpal and Gempal, respectively.

Note 2: CBN had received the capital returned from Speedlink in November 2019, however, the liquidation procedures of Speedlink has not been completed as of December 31, 2019.

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**COMPAL ELECTRONICS, INC.**  
**Notes to Parent-Company-Only Financial Statements**

**Table 8 Information on investment in Mainland China:**

(December 31, 2019)

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

(In Thousands of New Taiwan Dollars/ shares)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2019	Investment flows		Accumulated outflow of investment from Taiwan as of December 31,	Net income (losses) of the investee	Percentage of ownership	Investment income (losses) (Note 4)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow						
CPC	Manufacturing and sales of monitors	1,109,260	(Note 1)	1,109,260	-	-	1,109,260	108,135	100%	108,135	2,104,710	-
CDT	Manufacturing and sales of notebook PCs, mobile phones, and Digital products	599,600	(Note 2)	599,600	-	-	599,600	(82,463)	100%	(82,463)	111,528	-
CET	Manufacturing of notebook PCs	359,760	(Note 2)	359,760	-	-	359,760	(86,495)	100%	(86,495)	4,633,042	-
CSD	Manufacturing of notebook PCs	258,200	(Note 2)	(Note 3)	-	-	-	50,016	100%	50,016	(194,926)	-
Zheng Ying Electronics (Chongqing) Co., Ltd.	Research & development, and manufacturing latest electronic components, precision cavity mold, design and manufacturing for standard parts for molds, and selling self-produced products	67,890	(Note 2)	(Note 3)	-	-	-	(5,369)	51%	(2,738)	(41,719)	-
BT	Maintenance and warranty service of notebook PCs	29,980	(Note 2)	29,980	-	-	29,980	(49,888)	100%	(49,888)	(241,226)	-
CGS	Production and processing chipresistors, ceramic capacitors, diodes, and other latest electronic components and related precision electronic equipment; selling self-produced products	8,607	(Note 2)	(Note 3)	-	-	-	9,113	100%	9,113	(27,249)	-
LIZ Electronics (Kunshan) Co., Ltd.	Research & development, and manufacturing chip components( chip resistors, ceramic chip diode ; selling self-produced products and providing after-sales service. Performing wholesale and trading business of electronic components, semiconductors, special materials for electronic components, and spare parts	959,360	(Note 1)	399,633	-	-	399,633	(265,239)	43%	(114,530)	372,172	-
LIZ Electronics (Nantong) Co., Ltd.	Research, manufacture and sales of communication devices, mobile phones, electronic computer, smart watch, and provide related technology service	599,600	(Note 1)	44,071	-	-	44,071	(134,637)	48%	(64,155)	362,578	-
CIC	Manufacturing of notebook PCs	359,760	(Note 2)	359,760	-	-	359,760	238,365	100%	238,365	7,523,588	-
CPO	Manufacturing and sales of LCD TVs	362,758	(Note 1)	362,758	-	-	362,758	89,531	100%	89,531	2,777,145	-
CIT	Manufacturing of notebook PCs	719,520	(Note 2)	719,520	-	-	719,520	601,984	100%	601,984	20,539,996	-

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**COMPAL ELECTRONICS, INC.**  
**Notes to Parent-Company-Only Financial Statements**

**Table 8 Information on investment in Mainland China:**

(December 31, 2019)

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

(In Thousands of New Taiwan Dollars/ shares)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2019	Investment flows		Accumulated outflow of investment from Taiwan as of December 31,	Net income (losses) of the investee	Percentage of ownership	Investment income (losses) (Note 4)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow						
CST	International trade and distribution of computers and electronic components	41,972	(Note 2)	41,972	-	-	41,972	(834)	100%	(834)	47,429	-
CIN	Software and hardware R&D of computers, mobile phones and electronic components	59,960	(Note 2)	59,960	-	-	59,960	(2)	-	(2)	-	-
Sheng Bao Precision Electronics (Taicang) Co., Ltd.	Research & development, and manufacturing latest electronic components, precision cavity mold, design and manufacturing for standard parts for molds, and selling self-produced products	299,800	(Note 2)	152,898	-	-	152,898	(52,865)	51%	(26,961)	31,056	-
CIJ	Investment and consulting services	467,688	(Note 2)	467,688	-	-	467,688	(99,921)	100%	(99,921)	832,860	-
CDE	Manufacturing and sales of LCD TVs	449,700	(Note 2)	(Note 3)	-	-	-	(104,887)	100%	(104,887)	799,252	-
CIS	Outward investment and consulting services	2,422,984	(Note 1)	2,422,984	-	-	2,422,984	164,336	100%	164,336	3,855,996	-
CEC	R&D and manufacturing of notebook PCs, tablet PCs, digital products, network switches, wireless AP, and automobile electronic products	2,398,400	(Note 2)	(Note 3)	-	-	-	164,343	100%	164,343	3,825,842	-
CMC	Corporate management consulting, financial and tax consulting, investment consulting, and investment management	23,984	(Note 2)	(Note 3)	-	-	-	20	100%	20	23,833	-
CEQ	consulting services R&D, manufacturing and sales of notebook PCs and related components. Also provides related maintenance and warranty services	299,800	(Note 1)	299,800	-	-	299,800	132,167	100%	132,167	2,325,040	-
Compal Precision Module (Jiangsu) Co., Ltd.	Manufacturing and selling of magnesium alloy injection molding	12,291,800	(Note 2)	2,477,157	-	-	2,477,157	669,692	37%	245,241	5,703,239	-
Changbao Electronic Technology (Chongqing) Co., Ltd.	Production and marketing of magnesium alloy molding	1,798,800	(Note 2)	343,451	-	-	343,451	(273,107)	37%	(100,012)	884,827	-
Rayonnant (Taicang)	Manufacturing and sales of aluminum alloy and magnesium alloy products	539,640	(Note 2)	374,750	-	-	374,750	6,381	100%	6,381	173,536	-
CCI Nanjing	Manufacturing and processing of mobile phones and tablet PCs	659,560	(Note 1)	659,560	-	-	659,560	45,661	100%	45,661	(966,915)	-
CDCN	Manufacturing and processing of mobile phones and tablet PCs	173,884	(Note 1)	173,884	-	-	173,884	1,484	100%	1,484	83,584	-
CWCN	Manufacturing and processing of mobile phones and tablet PCs	1,469,020	(Note 1)	569,620	-	-	569,620	(167,898)	100%	(167,898)	261,396	-

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**COMPAL ELECTRONICS, INC.**  
**Notes to Parent-Company-Only Financial Statements**

**Table 8 Information on investment in Mainland China:**

(December 31, 2019)

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

(In Thousands of New Taiwan Dollars/ shares)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2019	Investment flows		Accumulated outflow of investment from Taiwan as of December 31,	Net income (losses) of the investee	Percentage of ownership	Investment income (losses) (Note 4)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow						
Hanhelt	R&D and manufacturing of electronic communication equipment	59,960	(Note 1)	59,960	-	-	59,960	(31)	100%	(31)	2,998	-
<b>Arcadyan</b> SVA Arcadyan	R&D and sales of wireless network products	393,262	(Note 1)	552,969 (Note 7)	-	-	552,969	5,750	100%	5,750	127,495	-
CNC	Manufacturing and wireless network products	373,749	(Note 1)	330,550 (Note 8)	-	-	330,550	57,002	100%	57,002	871,090	-
THAC	Manufacturing of household electronics products	100,567	(Note 1 - 10)	34,523	-	-	34,523	10,665	100%	10,665	80,484	-
<b>HengHao</b> HengHao Optoelectronic Technology (Kunshan) Co., Ltd. ("HengHao Kunshan")	Production of touch panels and related components	1,199,200	(Note 1)	1,193,294	-	-	1,193,294	(282,492)	100%	(282,492)	(159,874)	-
Lucom Display Technology (Kunshan) Limited ("Lucom")	Manufacturing of notebook PCs and related modules	449,700	(Note 2)	194,841 (Note 12)	-	-	194,841	1,027	100%	1,027	132,650	-

(ii) Limitation on investment in Mainland China:

(In Thousands of USD)

Names of Company	Accumulated Investment in Mainland China as of December 31, 2019	Investment Amounts Authorized by Investment Commission of Ministry of Economic Affairs	Limitation on investment in Mainland China by Investment Commission of Ministry of Economic Affairs
The Company	16,325,219 (US\$544,537) (Note 5)	22,523,344 (US\$751,279)	(Note 6)
Arcadyan	918,042 (US\$30,581)	918,042 (US\$30,581)	6,542,836
HengHao	1,405,223 (US\$46,872)	1,405,223 (US\$46,872)	(Note 13)

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

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

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

Note 4: The investment income (loss) was determined based on the financial report audited by the CPAs.

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

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

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

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

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

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

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

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

Note 13: The net equity of HengHao is negative at December 31, 2019.

(iii) Significant transactions:

For the year ended December 31, 2019, the significant inter-company transactions with the subsidiary in Mainland China, which were eliminated in the preparation of consolidated financial statements, are disclosed in "Information on significant transactions".