Stock Code:2324

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.

KPMG

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)

	Assets	December 31, 2019 Amount	%	December 31, 2018 Amount	%
	Current assets:				
1100	Cash and cash equivalents (note (6)(a))	$ 66,559,397	17.4	70,296,545	17.6
1110	Current financial assets at fair value through profit or loss (note (6)(b))	1,346,379	0.4	4,611,134	1.1
1135	Current derivative financial assets for hedging (note (6)(d))	61	-	-	-
1136	Current financial assets at amortized cost (note (6)(e))	-	-	350,000	0.1
1170	Notes and accounts receivable, net (note (6)(f))	191,692,152	50.1	203,715,965	51.0
1180	Notes and accounts receivable due from related parties, net (notes (6)(f) and (7))	44,512	-	58,106	-
1200	Other receivables, net (notes (6)(f) and (7))	2,006,113	0.5	1,665,249	0.4
1310	Inventories (note (6)(g))	78,433,538	20.5	79,148,922	19.8
1470	Other current assets (note (8))	3,072,661	0.8	2,899,329	0.7
		343,154,813	89.7	362,745,250	90.7
	Non-current assets:				
1550	Investments accounted for using equity method (note (6)(h))	7,319,086	1.9	7,364,485	1.9
1510	Non-current financial assets at fair value through profit or loss (note (6)(b))	115,359	-	69,390	-
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
1600	Property, plant and equipment (notes (6)(l) and (8))	19,972,347	5.2	20,418,228	5.1
1755	Right-of-use assets (note (6)(m))	3,350,172	0.9	-	-
1780	Intangible assets	1,553,342	0.4	1,516,253	0.4
1840	Deferred tax assets (note(6)(u))	1,637,626	0.4	1,023,948	0.3
1985	Long-term prepaid rents (note(6)(s))	-	-	891,147	0.2
1990	Other non-current assets (note (8))	617,621	0.2	593,827	0.1
		39,493,606	10.3	37,049,573	9.3
	Total assets	**$ 382,648,419**	**100.0**	**399,794,823**	**100.0**

	Liabilities and Equity	December 31, 2019 Amount	%	December 31, 2018 Amount	%
	Current liabilities:				
2100	Short-term borrowings (note (6)(n))	$ 60,951,844	15.9	72,350,197	18.1
2120	Current financial liabilities at fair value through profit or loss (note (6)(b))	5,854	-	26,913	-
2125	Current derivative financial liabilities for hedging (note (6)(d))	4,932	-	-	-
2130	Current contract liabilities (note (6)(y))	956,455	0.2	1,476,304	0.4
2170	Notes and accounts payable	142,940,869	37.4	152,300,093	38.1
2180	Notes and accounts payable to related parties (note (7))	1,504,908	0.4	1,976,620	0.5
2200	Other payables (note (7))	21,916,685	5.7	19,558,007	4.9
2230	Current tax liabilities	4,428,716	1.2	3,722,191	0.9
2250	Current provisions (note (6)(r))	830,757	0.2	426,981	0.1
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
2365	Current refund liabilities	1,382,374	0.4	1,579,832	0.4
2322	Long-term borrowings, current portion (note (6)(o))	18,189,375	4.8	17,535,625	4.4
		255,820,033	66.8	274,207,898	68.6
	Non-Current liabilities:				
2530	Bonds payable (note (6)(p))	966,492	0.3	-	-
2540	Long-term borrowings (note (6)(o))	7,559,063	2.0	10,998,438	2.7
2570	Deferred tax liabilities (note(6)(u))	1,009,218	0.3	478,169	0.1
2580	Non-current lease liabilities (note (6)(q))	1,550,067	0.4	-	-
2640	Non-current net defined benefit liability (note (6)(t))	738,164	0.2	710,146	0.2
2670	Non-current liabilities, others (note (6)(h))	246,038	-	238,324	0.1
		12,069,042	3.2	12,425,077	3.1
	Total liabilities	267,889,075	70.0	286,632,975	71.7
	Equity:				
	Equity attributable to owners of parent (notes (6)(v) and (6)(x)):				
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	**Non-controlling interests**	8,786,711	2.3	7,438,202	1.8
	Total equity	114,759,344	30.0	113,161,848	28.3
	Total liabilities and equity	**$ 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)

		2019		2018	
		Amount	%	Amount	%
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))**	946,533,518	96.5	937,139,320	96.8
	Gross profit	33,908,828	3.5	30,567,091	3.2
	Operating expenses: (notes (6)(s), (6)(t) and (12))				
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	14,156,793	1.5	12,780,935	1.4
		23,322,460	2.4	21,305,345	2.2
	Net operating income	10,586,368	1.1	9,261,746	1.0
	Non-operating income and expenses:				
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))	197,008	-	797,368	0.1
	Total non-operating income and expenses	(578,492)	(0.1)	2,527,839	0.2
7900	**Profit from continuing operations before tax**	10,007,876	1.0	11,789,585	1.2
7950	**Less: Income tax expenses (note (6)(u))**	2,112,157	0.2	2,200,284	0.2
	Profit	7,895,719	0.8	9,589,301	1.0
8300	**Other comprehensive income:**				
8310	**Components of other comprehensive income that will not be reclassified to profit or loss**				
8311	Gains (losses) on remeasurements of defined benefit plans	(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))	35,847	-	(75,832)	-
	Components of other comprehensive income that will not be reclassified to profit or loss	439,889	-	(1,254,012)	(0.1)
8360	**Components of other comprehensive income (loss) that will be reclassified to profit or loss**				
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))	(10,678)	-	3,293	-
	Components of other comprehensive income that will be reclassified to profit or loss	(1,974,869)	(0.2)	1,641,899	0.1
8300	**Other comprehensive income**	(1,534,980)	(0.2)	387,887	-
8500	**Total comprehensive income**	**$ 6,360,739**	**0.6**	**9,977,188**	**1.0**
	Profit, attributable to:				
8610	Profit, attributable to owners of parent	$ 6,955,899	0.7	8,913,365	0.9
8620	Profit, attributable to non-controlling interests	939,820	0.1	675,936	0.1
		$ 7,895,719	**0.8**	**9,589,301**	**1.0**
	Comprehensive income attributable to:				
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	904,231	0.1	699,001	0.1
		$ 6,360,739	**0.6**	**9,977,188**	**1.0**
	Earnings per share (note 6(x))				
9750	**Basic earnings per share**	**$**	**1.60**		**2.05**
9850	**Diluted earnings per share**	**$**	**1.58**		**2.02**

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							
	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**	**Total equity attributable to owners of parent**	**Non-controlling interests**	**Total equity**
Balance at January 1, 2018	$ 44,191,916	10,938,773	18,252,861	4,339,549	34,458,787	57,051,197	(3,477,376)	(5,847,823)	(79,856)	(9,405,055)	(881,247)	101,895,584	6,752,388	108,647,972
Profit for the year ended December 31, 2018	-	-	-	-	8,913,365	8,913,365	-	-	-	-	-	8,913,365	675,936	9,589,301
Other comprehensive income	-	-	-	-	14,094	14,094	1,624,424	(1,273,696)	-	350,728	-	364,822	23,065	387,887
Total comprehensive income	-	-	-	-	8,927,459	8,927,459	1,624,424	(1,273,696)	-	350,728	-	9,278,187	699,001	9,977,188
Appropriation and distribution of retained earnings:														
Legal reserve appropriated	-	-	574,953	-	(574,953)	-	-	-	-	-	-	-	-	-
Special reserve appropriated	-	-	-	4,491,599	(4,491,599)	-	-	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(4,407,147)	(4,407,147)	-	-	-	-	-	(4,407,147)	-	(4,407,147)
Cash dividends from capital surplus	-	(881,429)	-	-	-	-	-	-	-	-	-	(881,429)	-	(881,429)
Changes in ownership interests in subsidiaries	-	(32,706)	-	-	(521,643)	(521,643)	-	489,483	-	489,483	-	(64,866)	-	(64,866)
Changes in equity of associates and joint ventures accounted for using equity method	-	(459)	-	-	(1,156)	(1,156)	-	1,130	-	1,130	-	(485)	-	(485)
Share-based payments transaction	(120,450)	(151,766)	-	-	36,141	36,141	-	-	79,856	79,856	-	(156,219)	-	(156,219)
Adjustments of capital surplus for company's cash dividends received by subsidiaries	-	60,021	-	-	-	-	-	-	-	-	-	60,021	-	60,021
Disposal of investments in equity instruments measured at fair value through other comprehensive income	-	-	-	-	(1,024,470)	(1,024,470)	-	1,024,470	-	1,024,470	-	-	-	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(13,187)	(13,187)
Balance at December 31, 2018	44,071,466	9,932,434	18,827,814	8,831,148	32,401,419	60,060,381	(1,852,952)	(5,606,436)	-	(7,459,388)	(881,247)	105,723,646	7,438,202	113,161,848
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
Balance at December 31, 2019	**$ 44,071,466**	**9,159,259**	**19,719,150**	**7,467,831**	**30,539,623**	**57,726,604**	**(3,794,980)**	**(306,763)**	**(1,706)**	**(4,103,449)**	**(881,247)**	**105,972,633**	**8,786,711**	**114,759,344**

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
Cash flows from (used in) operating activities:		
Profit before tax	$ 10,007,876	11,789,585
Adjustments:		
Adjustments to reconcile profit (loss):		
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	-
Total adjustments to reconcile profit (loss)	7,156,120	2,303,477
Changes in operating assets and liabilities:		
Changes in operating assets:		
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)
Total changes in operating assets	14,577,188	(40,086,300)
Changes in operating liabilities:		
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
Total changes in operating liabilities	(8,415,439)	13,889,417
Total changes in operating assets and liabilities	6,161,749	(26,196,883)
Total adjustments	13,317,869	(23,893,406)
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)
Net cash flows from (used in) operating activities	20,921,069	(15,262,849)
Cash flows from (used in) investing activities:		
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)
Net cash flows from (used in) investing activities	(4,625,988)	2,438,759
Cash flows from (used in) financing activities:		
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
Net cash flows from (used in) financing activities	(19,013,753)	11,632,654
Effect of exchange rate changes on cash and cash equivalents	(1,018,476)	1,425,268
Net increase (decrease) in cash and cash equivalents	(3,737,148)	233,832
Cash and cash equivalents at beginning of period	70,296,545	70,062,713
Cash and cash equivalents at end of period	**$ 66,559,397**	**70,296,545**

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.

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

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

(Continued)

(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)(l).

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)

— 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:

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

(Continued)

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

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

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020
Amendments to IFRS 9, 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:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date to be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2022

The Group is evaluating the impact of its initial adoption of the 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).

(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.

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 December 31, 2019	Percentage of ownership December 31, 2018	Description
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 December 31, 2019	Percentage of ownership December 31, 2018	Description
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%	

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

Name of investor	Name of Subsidiary	Nature of Operation	Percentage of ownership December 31, 2019	Percentage of ownership December 31, 2018	Description
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%	

COMPAL ELECTRONICS, INC. AND SUBSIDIARIES
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Name of investor	Name of Subsidiary	Nature of Operation	Percentage of ownership December 31, 2019	Percentage of ownership December 31, 2018	Description
BT	Compower Global Service Co., Ltd. ("CGS")	Maintenance and warranty service of notebook PCs	100%	100%	
CDH (HK) and CIH (HK)	Compal Investment (Jiansu) Co., Ltd. ("CIJ")	Investment	100%	100%	
CIJ	Compal Display Electronics (Kunshan) Co., Ltd. ("CDE")	Manufacturing and sales of LCD TVs	100%	100%	
The Company and Webtek	Etrade Management Co., Ltd. ("Etrade")	Investment	100%	100%	
The Company	Webtek Technology Co., Ltd. ("Webtek")	〃	100%	100%	
〃	Forever Young Technology Inc. ("Forever")	〃	100%	100%	
〃	UniCom Global, Inc. ("UCGI")	Manufacturing and sales of computers and electronic components	100%	100%	
〃	Palcom International Corporation ("Palcom")	Sales of mobile phones	100%	100%	
Etrade	Compal Communication (Nanjing) Co., Ltd. ("CCI Nanjing")	Manufacturing and processing of mobile phones and tablet PCs	100%	100%	
〃	Compal Digital Communication (Nanjing) Co., Ltd. ("CDCN")	〃	100%	100%	
〃	Compal Wireless Communication (Nanjing) Co., Ltd. ("CWCN")	〃	100%	100%	
Forever	Hanhelt Communication (Nanjing) Co., Ltd. ("Hanhelt")	R&D and manufacturing of electronic communication equipment	100%	100%	
〃	Giant Rank Trading Ltd. ("GIA")	Sales of mobile phones	100%	100%	
ATK	OptoRite Inc.	Sales of optical disc drives	100%	100%	
〃	MSI-ATK Otpics Holding Corporation ("MSI-ATK")	Investment	100%	100%	
〃	Maitek (BVI) Corporation ("Maitek")	〃	100%	100%	
Arcadyan	Arcadyan Technology N.A. Corp. ("Arcadyan USA")	Sales of wireless network products	100%	100%	
〃	Arcadyan Germany Technology GmbH ("Arcadyan Germany")	Technical support of wireless network products	100%	100%	
〃	Arcadyan Technology Corporation Korea ("Arcadyan Korea")	Sales of wireless network products	100%	100%	
〃	Arcadyan Holding (BVI) Corp. ("Arcadyan Holding")	Investment	100%	100%	
〃	Arcadyan Technology Limited ("Arcadyan UK")	Technical support of wireless network products	100%	100%	
〃	Arcadyan Technology Australia Pty Ltd. ("Arcadyan AU")	Sales of wireless network products	100%	100%	

(Continued)

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

Name of investor	Name of Subsidiary	Nature of Operation	Percentage of ownership December 31, 2019	Percentage of ownership December 31, 2018	Description
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%	

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

Name of investor	Name of Subsidiary	Nature of Operation	Percentage of ownership December 31, 2019	Percentage of ownership December 31, 2018	Description
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.

(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.

(Continued)

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign currency gains and losses arising from such items are considered to form part of a net investment in the foreign operation and are recognized in other comprehensive income, and presented in the translation reserve in equity.

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

An 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)

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 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.

(Continued)

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

The maximum period considered when estimating ECLs is the maximum contractual period over which the 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.

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

(Continued)

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.

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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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 join control, over the financial and operating policies.

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

The consolidated financial statements include the Group' s share of the profit or loss and other comprehensive income of equity-accounted investees after adjustments to align the accounting policies with those of the Group from the date that significant influence commences until the date that significant influence ceases. When changes in an associate's equity are not recognized in profit or loss or other comprehensive income of the associate and such changes do not affect the Group's ownership percentage of the associate, the Group recognizes the changes in ownership interests of its associate in capital surplus in proportion to its ownership.

Unrealized profits resulting from the transactions between the Group and an associate are eliminated to the extent of the Group' s interest in the associate. Unrealized losses on transactions with associates are eliminated in the same way, except to the extent that the underlying asset is impaired.

When the Group' s share of losses exceeds its interest in associates, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

(Continued)

The Group shall discontinue the use of the equity method from the date when its investment ceases to be an associate or a joint venture. The Group shall measure the retained interest at fair value. The difference between the fair value of retained interest and proceeds from disposal, and the carrying amount of the investment at the date the equity method was discontinued is recognized in profit or loss. The Group shall account for all the amounts previously recognized in other comprehensive income in relation to that investment on the same basis as would have been required if the associates had directly disposed of the related assets or liabilities. If a gain or loss previously recognized in other comprehensive income would be reclassified to profit or loss on the disposal of the related assets or liabilities, the entity shall reclassify the gain or loss from equity to profit or loss when the equity method is discontinued. If an entity's ownership interest in an associate or a joint venture is reduced while the entity continues to apply the equity method, the entity shall reclassify the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interest to profit or loss.

If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Group shall continue to apply the equity method without remeasuring the retained interest.

When the Group subscribes to additional shares in an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Group's proportionate interest in the net assets of the associate. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus, however, when the balance of the capital surplus arising from the investment was insufficient, the difference charged or credited to retained earnings. If the Group' s ownership interest is reduced due to the additional subscription to the shares of associate by other investors, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate shall be reclassified to profit or loss on the same basis as would be required if the associate had directly disposed of the related assets or liabilities.

(j) Joint venture

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint ventures) have rights to the net assets of the arrangement. A joint venture shall recognize its interest in a joint venture as an investment and shall account for that investment using the equity method in accordance with IAS 28 "Investments in Associates and Joint Ventures", unless, the entity is exempted from applying the equity method as specified in that Standard.

When assessing the classification of a joint arrangement, the Group shall consider the structure and legal form of the arrangement, the terms in the contractual arrangement and other facts and circumstances. The Group had previously reviewed the contractual structure of the joint arrangement, and has now decided to reclassify the investments in "Jointly Controlled Entities" to "Joint Ventures". Although the investments have been reclassified, they are still recorded under the equity method. Thus, there is no effect in the recognized assets, liabilities and other comprehensive income.

(k) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Subsequent cost

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

(iii) Depreciation

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

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

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

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

1) Buildings: 9~50 years

2) Building improvement: 0.5~20 years

3) Machinery and equipment: 1~10 years

4) Research equipment: 1~10 years

5) Modeling equipment: 0.5~5 years

6) Other equipment: 1~15 years

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

(l) Leases

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.

(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.

(Continued)

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).

(Continued)

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.

(Continued)

(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.

(Continued)

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.

(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.

(Continued)

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.

(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.

(Continued)

(u) Business combination

Goodwill is measured as an aggregation of the consideration transferred (which generally is measured at fair value at the acquisition date) and as an amount of any non-controlling interest in the acquiree, net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed (generally at fair value). If the residual balance is negative, the Group shall re-assess whether it has correctly identified all of the assets acquired and liabilities assumed, and recognize a gain on the bargain purchase thereafter.

All the transaction costs incurred for the business combination are recognized immediately as the Group's expenses when incurred, except for the issuance of debt or equity instruments.

If the business combination is achieved in stages, the Group shall measure any non-controlling equity interest in the acquire, either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Other non-controlling interest is measured (1) at fair value at the acquisition date or (2) by using other valuation techniques acceptable under the IFRS as endorsed by the FSC.

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

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

(v) Earnings per share

The Group discloses the basic and diluted earnings per share attributable to ordinary equity holders of the Group. The calculation of basic earnings per share is based on the profit attributable to the ordinary shareholder of the Group divided by weighted average number of ordinary shares outstanding. The calculation of diluted earnings per share is based on the profit attributable to ordinary shareholders of the Group divided by weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares. Dilutive potential ordinary shares comprise restricted employee stock and employee compensation not yet approved by the Board of Directors.

(w) Operating segments

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

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

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

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

There are no critical judgments in applying the accounting policies that have significant effect on the amounts recognized in the consolidated financial statements. In addition, information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is as follows:

(a) Recognition and measurement of refund liabilities

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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(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2019	December 31, 2018
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	50,000	863,010
	$ 66,559,397	**70,296,545**

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

	December 31, 2019	December 31, 2018
Mandatorily measured at fair value through profit or loss:		
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	15,455	2,045
Total	**$ 1,461,738**	**4,680,524**
Current	$ 1,346,379	4,611,134
Non-current	115,359	69,390
	$ 1,461,738	**4,680,524**

	December 31, 2019	December 31, 2018
Financial liabilities held-for-trading:		
Derivative instruments not used for hedging		
Foreign exchange contracts	$ 5,854	26,913
Total	**$ 5,854**	**26,913**

(Continued)

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 :

	December 31, 2019		
	Contract amount (in thousand)	Currency	Maturity date
Derivative financial assets:			
Foreign exchange contracts:			
Forward exchange purchased	USD 84,500	USD to BRL	January 14~May 26, 2020
Swap contracts:			
Currency Swap	USD 55,000	USD to TWD	January 13~March 30, 2020
Derivative financial liabilities:			
Foreign exchange contracts:			
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

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

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

		December 31, 2019	December 31, 2018
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		177,121	51,363
Total	$	**4,928,053**	**5,172,295**

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

For the year ended December 31, 2019, the Group 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 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.

(d) Financial instruments used for hedging

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

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

(ii) Cash flow hedge

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:

	December 31, 2019			
	Contract amount (in thousands)	Currency	Maturity period	Average strike price
Derivative financial assets used for hedging				
Forward exchange sold	EUR 6,000	EUR to USD	January 31~ June 29, 2020	1.1278
Derivative financial liabilities used for hedging				
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).

(Continued)

(e) Current financial assets measured at amortized costs

	December 31, 2019	December 31, 2018
Common bonds – Taiwan Star Telecom Corporation Limited (“Taiwan Star”)	**$ -**	**350,000**

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

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

(f) Notes and accounts receivable

	December 31, 2019	December 31, 2018
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	28,007,745	23,020,497
	195,665,380	207,794,674
Less: allowance for uncollectible accounts	(3,928,716)	(4,020,603)
	$ 191,736,664	**203,774,071**
Notes and accounts receivable	**$ 191,692,152**	**203,715,965**
Notes and accounts receivable – related parties	**$ 44,512**	**58,106**

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.

(Continued)

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

December 31, 2019					
Credit rating		Carrying amount of accounts receivable	Weighted-average ECL rate	Lifetime ECLs	Credit-impaired
Level A	$	172,692,844	0%	-	No
Level B		13,008,324	0.547%	71,101	No
Level C		3,817,340	100%	3,817,340	Yes
	$	189,518,508		3,888,441	

December 31, 2018					
Credit rating		Carrying amount of accounts receivable	Weighted-average ECL rate	Lifetime ECLs	Credit-impaired
Level A	$	186,203,302	0%	-	No
Level B		11,907,279	1.208%	143,862	No
Level C		3,830,424	100%	3,830,424	Yes
	$	201,941,005		3,974,286	

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

December 31, 2019					
Credit rating		Carrying amount of accounts receivable	Weighted-average ECL rate	Lifetime ECLs	Credit-impaired
Level A	$	2,620,806	0%	-	No
Level B		2,713,406	0.10%	2,789	No
Level C		783,004	1.00%	7,830	No
Level D~E		-		-	-
Level F		29,656	100%	29,656	Yes
	$	6,146,872		40,275	

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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
	$	5,853,669		46,317	

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
	$	1,707,550	2,960,950

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	$	3,928,716	4,020,603

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

(Continued)

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							
	Accounts receivable factored	Amount advanced		Amount recognized in other		Amount	
Purchaser	(gross)	Unpaid	Paid	receivable	Collateral	derecognized	Interest rate
Financial Institution	$ 25,672,764	-	25,672,764	-	-	25,672,764	2.21%~2.80%

December 31, 2018							
	Accounts receivable factored	Amount advanced		Amount recognized in other		Amount	
Purchaser	(gross)	Unpaid	Paid	receivable	Collateral	derecognized	Interest rate
Financial Institution	$ 32,098,074	-	32,098,074	-	-	32,098,074	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	495,771	327,996
	$ 78,433,538	79,148,922

(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

(Continued)

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:

		December 31, 2019	December 31, 2018
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)
	$	**7,319,086**	**7,364,485**

(i) Associates

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

		December 31, 2019	December 31, 2018
Allied Circuit Co., Ltd. ("Allied Circuit")	$	1,838,621	1,061,543
Avalue Technology Inc. ("Avalue")		1,147,839	586,743
	$	**2,986,460**	**1,648,286**

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

		2019	2018
The Group's share of the gain (loss) of associates	$	**229,152**	**813,796**

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

		December 31, 2019	December 31, 2018
Carrying amount of individually immaterial associates	$	**7,410,134**	**7,469,153**

	2019	2018
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)

(Continued)

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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:

	December 31, 2019	December 31, 2018
The carrying amount of the Group’s interests in all individually insignificant joint ventures	$ (14,725)	16,180

	2019	2018
The Group’s share of the net income (loss) of joint ventures:		
Losses from continuing operations (also the total comprehensive losses)	$ (32,144)	(16,428)

(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:

	2018
Acquisition of non-controlling interest (carrying amount)	$ 631

(Continued)

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

(Continued)

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Property, plant and equipment	117,625
Notes and accounts payable	(644)
Other payables	(33,716)
Other current liabilities	(966)
Carrying amount net assets	$ **159,855**

(k) Material non-controlling interests of subsidiaries

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

		Percentage of non-controlling interests	
Subsidiaries	**Main operation place**	**December 31, 2019**	**December 31, 2018**
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

	December 31, 2019	**December 31, 2018**
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	(1,145,245)	(159,270)
Net assets	$ **11,340,934**	**9,473,798**
Non-controlling interests	$ **7,625,040**	**6,330,768**

	2019	**2018**
Sales revenue	$ **32,897,900**	**26,621,262**
Net income	$ 1,356,986	880,183
Other comprehensive income	(53,703)	31,652
Comprehensive income	$ **1,303,283**	**911,835**
Profit, attributable to non-controlling interests	$ **894,962**	**567,101**
Comprehensive income, attributable to non-controlling interests	$ **859,763**	**587,791**

(Continued)

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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	(30,312)	16,667
Net increase (decrease) in cash and cash equivalents	**$ 1,631,506**	**2,164,764**

(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:

	Land	Buildings and building improvement	Machinery	Other equipment	Under construction and prepayment for purchase of equipment	Total
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	1,023	(216,119)	(747,345)	(354,892)	(247,065)	(1,564,398)
Balance on December 31, 2019	**$ 1,705,220**	**16,966,779**	**27,044,641**	**11,289,433**	**1,310,558**	**58,316,631**
Balance on January 1, 2018	$ 1,769,326	15,100,906	23,268,462	9,759,017	1,136,868	51,034,579
Additions	-	1,787,027	3,354,838	1,467,955	83,609	6,693,429
Disposals and derecognitions	-	(55,743)	(109,254)	(423,779)	-	(588,776)
Reclassifications	-	5,030	104,891	104,690	(214,611)	-
Effect of movements in exchange rates	2,888	183,050	(417,340)	(264,979)	(2,376)	(498,757)
Balance on December 31, 2018	**$ 1,772,214**	**17,020,270**	**26,201,597**	**10,642,904**	**1,003,490**	**56,640,475**
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	-	(142,157)	(453,255)	(321,608)	-	(917,020)
Balance on December 31, 2019	**$ -**	**10,352,434**	**19,850,259**	**8,141,591**	**-**	**38,344,284**
Balance on January 1, 2018	$ -	9,239,452	17,548,800	6,066,960	-	32,855,212
Depreciation for the period	-	738,622	2,309,302	1,547,601	-	4,595,525
Disposals and derecognitions	-	(22,941)	(95,177)	(399,077)	-	(517,195)
Effect of movements in exchange rates	-	150,520	(1,321,222)	459,407	-	(711,295)
Balance on December 31, 2018	**$ -**	**10,105,653**	**18,441,703**	**7,674,891**	**-**	**36,222,247**
Carrying amounts:						
Balance on December 31, 2019	**$ 1,705,220**	**6,614,345**	**7,194,382**	**3,147,842**	**1,310,558**	**19,972,347**
Balance on January 1, 2018	**$ 1,769,326**	**5,861,454**	**5,719,662**	**3,692,057**	**1,136,868**	**18,179,367**
Balance on December 31, 2018	**$ 1,772,214**	**6,914,617**	**7,759,894**	**2,968,013**	**1,003,490**	**20,418,228**

(Continued)

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:

		Land	Buildings	Machinery	Vehicles and Other	Total
Cost:						
Balance on January 1, 2019	$	-	-	-	-	-
Adjustment on initial application of IFRS 16		891,147	1,934,899	87,482	67,569	2,981,097
Balance on January 1, 2019 per IFRS 16		891,147	1,934,899	87,482	67,569	2,981,097
Additions		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		(25,554)	(40,536)	(1,214)	(581)	(67,885)
Balance on December 31, 2019	$	**1,110,813**	**2,809,991**	**86,661**	**88,712**	**4,096,177**
Depreciation and impairment loss:						
Balance on January 1, 2019	$	-	-	-	-	-
Adjustment on initial application of IFRS 16		-	-	-	-	-
Balance on January 1, 2019 per IFRS 16		-	-	-	-	-
Depreciation for the period		32,106	770,753	22,615	43,834	869,308
Deductions		-	(104,216)	-	(4,403)	(108,619)
Effect of movements in exchange rates		(519)	(7,070)	(345)	(6,750)	(14,684)
Balance on December 31, 2019	$	**31,587**	**659,467**	**22,270**	**32,681**	**746,005**
Carrying amount:						
Balance on December 31, 2019	$	**1,079,226**	**2,150,524**	**64,391**	**56,031**	**3,350,172**

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:

		December 31, 2019	December 31, 2018
Unsecured bank loans	$	**60,951,844**	**72,350,197**
Unused credit line for short-term borrowings	$	**107,077,000**	**83,720,000**
Range of interest rates		**0.66%~5.05%**	**0.45%~5.87%**

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

(o) Long-term borrowings

The details of long-term borrowings were as follows:

	December 31, 2019				
	Currency	**Annual range of interest rate**	**Maturity year**		**Amount**
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				**$**	**7,559,063**
Unused credit lines for long-term borrowings				**$**	**12,047,000**

	December 31, 2018				
	Currency	**Annual range of interest rate**	**Maturity year**		**Amount**
Unsecured bank loans	TWD	0.79%~1.22%	2019~2021	$	28,396,250
Secured bank loans	TWD	1.67%	2022		137,813
Less: current portion					(17,535,625)
Total				**$**	**10,998,438**
Unused credit lines for long-term borrowings				**$**	**5,443,000**

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:

		December 31, 2019
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	**$**	**966,492**
Conversion options included in equity component (classified as capital surplus and non-controlling interests)	**$**	**48,667**

(Continued)

	2019
Interest expenses	$ 7,919

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:

	December 31, 2019
Current	$ 717,021
Non-current	$ 1,550,067

(Continued)

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

The amounts recognized in profit or loss were as follows:

	2019
Interest on lease liabilities	$ 48,758
Variable lease payments not included in the measurement of lease liabilities	$ 4,579
Expenses relating to leases of low-value assets, excluding short-term leases	$ 117,545

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

	2019
Total cash outflow for leases	$ 1,003,697

(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

	Warranties
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	(12,291)
Balance on December 31, 2019	$ 830,757
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	(45,069)
Balance on December 31, 2018	$ 426,981

Provisions relate to sales of products are assessed based on historical experience, management's judgment and other known reasons. Such allowances are recognized as a deduction of sales revenue in the same period in which sales are made. The aforementioned provisions are expected to settle over the next year.

(s) Operating lease

(i) The Group as lessee

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

		December 31, 2018
Less than one year	$	569,275
Between one and five years		598,996
More than five years		116,349
	$	**1,284,620**

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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	December 31, 2019	December 31, 2018
Present value of defined benefit obligations	$ (1,486,824)	(1,447,375)
Fair value of plan assets	748,660	737,229
Net defined benefit liabilities	**$ (738,164)**	**(710,146)**

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:

	2019	2018
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	(64,703)	(35,545)
Defined benefit obligations on December 31	**$ (1,486,824)**	**(1,447,375)**

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:

	2019	2018
Fair value of plan assets on January 1	$ 737,229	712,835
Expected return on plan assets	9,432	9,841

(Continued)

Remeasurements of net benefit plan assets	23,917	19,280
Contributions paid by the employer	28,278	28,833
Benefits paid by the plan	(50,196)	(33,560)
Fair value of plan assets on December 31	$ **748,660**	**737,229**

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss were as follows:

	2019	2018
Current service cost	$ 6,401	7,023
Net interest on the net defined benefit liability (asset)	9,109	9,881
	$ **15,510**	**16,904**
Cost of sales	$ 689	817
Selling expenses	812	986
Administrative expenses	3,686	3,880
Research and development expenses	10,323	11,221
	$ **15,510**	**16,904**

5) Actuarial assumptions

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

	December 31, 2019	December 31, 2018
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:

	Effects to the defined benefit obligation	
	Increased 0.25%	**Decreased 0.25%**

(Continued)

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:

	2019	2018
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	(438,511)	(183,384)
	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	-	(130,273)
	(107,798)	263,694
Income tax expense	$ **2,112,157**	**2,200,284**

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

	2019	2018
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	44,004	(42,630)
	$ **35,847**	**(75,832)**
Items that will be reclassified subsequently to profit or loss:		
Foreign currency translation differences of foreign operations	$ **(10,678)**	**3,293**

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:

	2019	2018
Profit before tax	$ **10,007,876**	**11,789,585**
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	294,326	27,288
	$ **2,112,157**	**2,200,284**

(ii) Deferred tax assets and liabilities

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

	Refund liabilities	Contract liabilities	Unrealized exchange losses, net	Others	Total
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	-	-	-	18,398	18,398
Balance on December 31, 2019	**$ 120,603**	**59,429**	**750,213**	**707,381**	**1,637,626**
Balance on January 1, 2018	$ 259,546	176,283	411,518	504,024	1,351,371
Recognized in profit or loss	(81,521)	(11,328)	(248,253)	(16,683)	(357,785)
Recognized in other comprehensive income	-	-	-	30,362	30,362
Balance on December 31, 2018	**$ 178,025**	**164,955**	**163,265**	**517,703**	**1,023,948**

	Unrealized exchange gains, net	Others	Total
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	-	(43,567)	(43,567)
Balance on December 31, 2019	**$ (497,092)**	**(512,126)**	**(1,009,218)**
Balance on January 1, 2018	$ (171,868)	(442,569)	(614,437)
Recognized in profit or loss	171,868	(77,777)	94,091
Recognized in other comprehensive income	-	42,177	42,177
Balance on December 31, 2018	**$ -**	**(478,169)**	**(478,169)**

(iii) Unrecognized deferred tax assets

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

	December 31, 2019	December 31, 2018
Tax effect of deductible temporary differences	**$ 827,365**	**716,848**
Tax effect of loss carryforward	**$ 1,121,433**	**1,249,171**

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

(Continued)

as deferred tax assets were as follows:

Year of loss	Expiry year	Deductible amount
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
		$ 5,607,164

(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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(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:

	December 31, 2019	December 31, 2018
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	279,003	274,243
	$ 9,159,259	**9,932,434**

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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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

(Continued)

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	4,407,147	1.0	4,407,147

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	4,407,147

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		(268,686)	111,280	-	(157,406)
Balance on December 31, 2019	**$**	**(3,794,980)**	**(306,763)**	**(1,706)**	**(4,103,449)**
Balance on January 1, 2018	$	(3,477,376)	(5,847,823)	(79,856)	(9,405,055)
The Company		1,853,763	(34,596)	79,856	1,899,023
Subsidiaries		(67,150)	401,300	-	334,150
Associates		(162,189)	(125,317)	-	(287,506)
Balance on December 31, 2018	**$**	**(1,852,952)**	**(5,606,436)**	**-**	**(7,459,388)**

(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:

	2018
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

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

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.

(iv) TTI – employee stock options

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

	Employee stock options
Grant date	2015.10.29
Granted shares (in thousand)	1,000
Contract period	7 years
Recipients	Employees of TTI
Vested condition	Please refer to the issuance terms of the stock options as follows

The issuance terms of the stock options are as follows:

1) Exercise price: NT$13.5 per share.

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

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

Exercisable	Period and performance requirements to exercise options
30 %	The share purchase right is effectively vested after the satisfaction of 2 conditions: (1) Years of service must exceed 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:

	2019		2018	
	Weighted-average exercise price (NT dollars)	**Shares (in thousands)**	**Weighted-average exercise price (NT dollars)**	**Shares (in thousands)**
Outstanding shares on January 1	13.5	600	13.5	1,000
Canceled during the period	13.5	(300)	13.5	(400)
Outstanding shares on December 31	-	**300**	13.5	**600**
Exercisable shares on December 31	-	-	13.5	-

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

	December 31, 2019	December 31, 2018
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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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	(8,910)	10	(272,292)	10
Outstanding shares on December 31	**-**	-	**8,910**	10
Exercisable shares on December 31	**-**	-	**8,910**	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	(58,300)	10	(80,400)	10
Outstanding shares on December 31	**87,800**	10	**153,600**	10
Exercisable shares on December 31	**87,800**	10	**153,600**	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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The issuance terms of the share options are as follows.

1) Exercise price: NT$10 per share.

2) Exercisable duration:

a) The first employee stock options plan:

The employees who received share options being granted over two years can exercise a specific percentage in each period as below. The exercisable duration of the options is seven years. No transfer is allowed except for inheritance. After the expiration of the exercisable duration, the unexercised options will be canceled by CBN and not be re-issued anymore.

Period to exercise options	Exercisable percentage (cumulative)
2 years after options received	40 %
3 years after options received	70 %
4 years after options received	100 %

b) The second employee stock option plan:

The employees who received share options being granted over two years and are still employed by CBN and meet requirements can exercise a specific percentage in each period as stated below. The exercisable duration of the options is seven years. No transfer is allowed except for inheritance. After the expiration of the exercisable duration, the unexercised options will be canceled by CBN and not re-issued anymore.

Period to exercise options	Exercisable percentage (cumulative)
2 years after options received	40 %
3 years after options received	70 %
4 years after options received	100 %

c) The third employee stock option plan:

The employees who received share options being granted over five months and are still employed by CBN and meet requirements can exercise a specific percentage in each period as stated below. The exercisable duration of the options is five years. No transfer is allowed except for inheritance. After the expiration of the exercisable duration, the unexercised options will be canceled by CBN and not re-issued anymore.

Period to exercise options	Exercisable percentage (cumulative)
5 months after options received	100 %

d) Exercise method: CBN would issue new shares as the options are exercised.

e) Exercise procedure: In accordance with CBN's issuance and exercise rules, after receiving the consideration of share options, the entitlement certification of share

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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

(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:

	2019	2018
Basic earnings per share:		
Profit attributable to ordinary shareholders of the Company	**6,955,899**	**8,913,365**
Weighted-average number of outstanding ordinary shares (in thousands)	**4,357,130**	**4,356,448**
Diluted earnings per share:		
Profit attributable to ordinary shareholders of the Company (after adjustment of potential diluted ordinary shares)	**6,955,899**	**8,913,365**
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)	**4,406,990**	**4,416,767**

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(y) Revenue from contracts with customers

(i) Disaggregation of revenue

	2019		
	IT Product Segment	Strategically Integrated Product Segment	Total
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	255,902,806	15,024,418	270,927,224
	$ 947,546,939	**32,895,407**	**980,442,346**
Major products:			
5C related electronics products	$ 945,416,514	32,478,954	977,895,468
Others	2,130,425	416,453	2,546,878
	$ 947,546,939	**32,895,407**	**980,442,346**

	2018		
	IT Product Segment	Strategically Integrated Product Segment	Total
Primary geographical markets:			
United states	$ 362,250,918	1,701,587	363,952,505
China	120,591,947	437,494	121,029,441
Netherlands	109,628,794	1,242,067	110,870,861
United Kingdom	43,595,382	2,181,037	45,776,419
Germany	30,999,459	7,269,974	38,269,433
Japan	29,805,482	1,703,425	31,508,907
India	28,181,426	504,966	28,686,392
Others	216,053,198	11,559,255	227,612,453
	$ 941,106,606	**26,599,805**	**967,706,411**
Major products:			
5C related electronics products	$ 939,105,238	26,112,499	965,217,737
Others	2,001,368	487,306	2,488,674
	$ 941,106,606	**26,599,805**	**967,706,411**

(ii) Contract balances

	December 31, 2019	December 31, 2018	January 1, 2018
Notes and accounts receivable (including related parties)	$ 195,665,380	207,794,674	181,487,633
Less: allowance for impairment	(3,928,716)	(4,020,603)	(4,021,894)
Total	$ 191,736,664	203,774,071	177,465,739
Contract liabilities	$ 956,455	1,476,304	1,665,321

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

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:

		2019	2018
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
	$	**2,151,357**	**2,132,864**

(ii) Other gains and losses

The other gains and losses for the years ended December 31, 2019 and 2018, were as follows:

		2019	2018
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	-
	$	**(166,133)**	**2,256,958**

(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:

		2019	2018
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	**$**	**(4,871)**	**-**

(Continued)

(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:

	Other receivables
Balance on January 1, 2019	$ 3,577
Impairment losses reversed	(2,565)
Balance on December 31, 2019	**$ 1,012**
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	(2)
Balance on December 31, 2018	**$ 3,577**

(ii) Liquidity risk

The following are the contractual maturities of financial liabilities. In addition to excluding estimated interest payments.

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	Carrying Amount	Contractual cash flows	Within 1 year	1 ~ 2 years	Over 2 years
December 31, 2019					
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	-	-
	$ 249,805,142	(249,923,297)	(239,749,400)	(2,380,542)	(7,793,355)
December 31, 2018					
Non-derivative financial liabilities					
Secured borrowings	$ 137,813	(137,813)	(39,375)	(39,375)	(59,063)
Unsecured borrowings	100,746,447	(100,746,447)	(89,846,447)	(8,600,000)	(2,300,000)
Notes and accounts payable	154,276,713	(154,276,713)	(154,276,713)	-	-
Other payables	14,790,757	(14,790,757)	(14,790,757)	-	-
Derivative financial liabilities					
Forward exchange contracts:	26,913				
Outflow		(5,016,249)	(5,016,249)	-	-
Inflow		4,978,708	4,978,708	-	-
	$ 269,978,643	(269,989,271)	(258,990,833)	(8,639,375)	(2,359,063)

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

(iii) Currency risk

1) Exposure to foreign currency risk

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

	December 31, 2019			December 31, 2018		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
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

(Continued)

	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,

(Continued)

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.

	2019	2018
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.

	December 31, 2019				
		Fair Value			
	Book value	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss─current and non-current					
Derivative financial assets for non-hedging	$ 15,921	-	15,921	-	15,921
Non-derivative financial assets mandatorily measured at fair value through profit or loss	1,445,817	-	1,330,458	115,359	1,445,817
Subtotal	1,461,738				
Financial assets used for hedging	61	-	61	-	61

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	December 31, 2019				
		Fair Value			
	Book value	Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income					
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	28,007,745	-	28,007,745	-	28,007,745
Subtotal	32,935,798				
Financial assets measured at amortized cost					
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	335,897	-	-	-	-
Subtotal	232,630,326				
Total	**$ 267,027,923**				
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities for non-hedging	$ 5,854	-	5,854	-	5,854
Financial liabilities used for hedging	4,932	-	4,932	-	4,932
Financial liabilities measured at amortized cost					
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	188,815	-	-	-	-
Subtotal	249,983,171				
Total	**$ 249,993,957**				

(Continued)

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	December 31, 2018				
		Fair Value			
	Book value	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss─current and non-current					
Derivative financial assets for non-hedging	$ 12,213	-	12,213	-	12,213
Non-derivative financial assets mandatorily measured at fair value through profit or loss	4,668,311	633,859	3,965,062	69,390	4,668,311
Subtotal	4,680,524				
Financial assets at fair value through other comprehensive income					
Stocks listed on domestic markets	2,730,648	2,730,648	-	-	2,730,648
Stocks listed on foreign markets	400,184	400,184	-	-	400,184
Stocks unlisted on domestic markets	1,990,100	-	-	1,990,100	1,990,100
Stocks unlisted on foreign markets	51,363	-	-	51,363	51,363
Accounts receivable	23,020,497	-	23,020,497	-	23,020,497
Subtotal	28,192,792				
Financial assets measured at amortized cost					
Cash and cash equivalents	70,296,545	-	-	-	-
Corporate bonds－current	350,000	-	-	-	-
Notes and accounts receivable, net	180,695,468	-	-	-	-
Notes and accounts receivable due from related parties, net	58,106	-	-	-	-
Other receivables	1,665,249	-	-	-	-
Refundable deposits	401,753	-	-	-	-
Subtotal	253,467,121				
Total	**$ 286,340,437**				
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities for non-hedging	$ 26,913	-	26,913	-	26,913
Financial liabilities measured at amortized cost					
Short-term borrowings	72,350,197	-	-	-	-
Notes and accounts payable	152,300,093	-	-	-	-
Notes and accounts payable to related parties	1,976,620	-	-	-	-
Other payables	14,790,757	-	-	-	-
Long-term borrowings current portion	17,535,625	-	-	-	-
Long-term borrowings	10,998,438	-	-	-	-
Deposits received	209,354	-	-	-	-
Subtotal	270,161,084				

(Continued)

	December 31, 2018				
		Fair Value			
	Book value	Level 1	Level 2	Level 3	Total
Total	$ 270,187,997				

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

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

a) Financial liabilities measured at amortized cost

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

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

a) Non-derivative financial instruments

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

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

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

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

The measurement of fair value of a non-active market financial instruments held by the Group which do not have quoted market prices are based on the comparable market approach, with the use of key assumptions of price-book ratio multiple or earnings multiple of comparable listed companies as its basic measurement. These assumptions have been adjusted for the effect of discount without the marketability of the equity securities.

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:

	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Total
Balance on January 1, 2019	$ 69,390	2,041,463	2,110,853
Total gains and losses recognized:			
In profit or loss	(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	**$ 115,359**	**2,424,053**	**2,539,412**
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)

	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Total
Proceeds of capital reduction of investment	-	(15,082)	(15,082)
Disposal	-	(3,072)	(3,072)
Balance on December 31, 2018	$ 69,390	2,041,463	2,110,853

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:

	2019	2018
Total gains and losses recognized:		
In profit or loss before tax (as "other gains and losses, net")	$ (9,627)	(3,064)
In other comprehensive income (as "other comprehensive income, before tax, equity instruments at fair value through other comprehensive income")	$ 210,191	(475,442)

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

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

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

The quantified information for significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationships between significant unobservable inputs and fair value
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:

	Input	Move up or down	Other comprehensive income Favorable change	Unfavorable change
December 31, 2019				
Financial assets at fair value through other comprehensive income	Price-Book ratio multiples	5%	$ 28,209	27,261
	Multiples of earnings	5%	$ 21,481	19,524
	Lack-of-Marketability discount rate	5%	$ 12,886	12,938
December 31, 2018				
Financial assets at fair value through other comprehensive income	Price-Book ratio multiples	5%	$ 28,137	28,119
	Multiples of earnings	5%	$ 28,210	27,202
	Lack-of-Marketability discount rate	5%	$ 2,093	2,053

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	$ 104,757,401	104,757,401	-	-	-	-
	(USD 3,494,243)	(USD 3,494,243)				

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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) Financial instruments	Cash collateral received	Net amount (e)=(c)-(d)
Short-term borrowings	$ 104,757,401	104,757,401	-	-	-	-
	(USD 3,494,243)	(USD 3,494,243)				

December 31, 2018
Financial assets that are offset which have an exercisable master netting arrangement or similar agreement

	Gross amounts of recognized financial assets (a)	Gross amounts of financial liabilities offset in the balance sheet (b)	Net amount of financial assets presented in the balance sheet (c)=(a)-(b)	Amounts not offset in the balance sheet (d) Financial instruments	Cash collateral received	Net amount (e)=(c)-(d)
Other current assets	$ 306,259	306,259	-	-	-	-
	(USD 9,971)	(USD 9,971)				

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) Financial instruments	Cash collateral received	Net amount (e)=(c)-(d)
Short-term borrowings	$ 306,259	306,259	-	-	-	-
	(USD 9,971)	(USD 9,971)				

(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 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 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:

	December 31, 2019	December 31, 2018
Total liabilities	$ 267,889,075	286,632,975
Total assets	$ 382,648,419	399,794,823
Debt ratio	70%	72%

The Group could purchase its own shares in the public market in accordance with the corresponding rules and regulations. The timing of the purchases depends on market prices.

As of December 31, 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:

	January 1, 2019	Cash flow	Other non-cash changes	December 31, 2019
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	238,324	(34,005)	41,719	246,038
Total liabilities from financing activities	**$ 103,212,534**	**(14,043,558)**	**1,010,924**	**90,179,900**

	January 1, 2018	Cash flow	December 31, 2018
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	180,207	58,117	238,324
Total liabilities from financing activities	**$ 84,148,620**	**16,973,964**	**101,122,584**

(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.

Name of related party	Relationship with the Group
Compal Precision Module (Jiangsu) Co., Ltd.	An associate
Changbao Electronic Technology (Chongqing) Co., Ltd.	An associate
LCFC (Note 1)	An associate
Avalue Technology Inc. ("Avalue")	An associate
Crownpo Technology Inc. ("Crownpo")	An associate
Allied Circuit Co., Ltd. ("Allied Circuit")	An associate
Kinpo Group Management Consultant Company ("Kinpo Group Management")	An associate

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COMPAL ELECTRONICS, INC. AND SUBSIDIARIES
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Name of related party	Relationship with the Group
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:

	2019	2018
Short-term employee benefits	$ 671,762	660,609
Post-employment benefits	8,225	7,984
Share-based payments	30,276	(78,216)
	$ 710,263	**590,377**

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:

	2019	2018
Associates	$ 288,629	323,587
Other related parties	24	4,455
	$ 288,653	**328,042**

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:

	2019	2018
Associates	$ 3,678,644	4,010,999
Other related parties	1,663,747	1,365,892
Joint venture	31,150	95,900

(Continued)

COMPAL ELECTRONICS, INC. AND SUBSIDIARIES
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$ 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:

Account	Related party categories	December 31, 2019	December 31, 2018
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
		$ 44,574	58,226

(iv) Payables to related parties

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

Account	Related party categories	December 31, 2019	December 31, 2018
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
		$ 1,504,908	1,977,639

(8) Pledged assets:

The carrying values of pledged assets were as follows:

Pledged Assets	Subject	December 31, 2019	December 31, 2018
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	500	500
		$ 291,035	757,503

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

(12) Other:

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

By function / By item	2019 Operating costs	2019 Operating expenses	2019 Total	2018 Operating costs	2018 Operating expenses	2018 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

(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:

	For the year ended December 31, 2019			
	Information technology product segment	Strategy integrated product segment	Adjustment and elimination	Total
Revenue				
Revenue from external customers	$ 947,546,939	32,895,407	-	980,442,346
Interest revenue	1,593,904	70,899	-	1,664,803
Total revenue	**$ 949,140,843**	**32,966,306**	**-**	**982,107,149**
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	-	-	-	-
Reportable segment profit	**$ 8,307,224**	**1,700,652**	**-**	**10,007,876**
Reportable segment assets				$ 382,648,419
Reportable segment liabilities				$ 267,889,075

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	For the year ended December 31, 2018			
	Information technology product segment	Strategy integrated product segment	Adjustment and elimination	Total
Revenue				
Revenue from external customers	$ 941,106,606	26,599,805	-	967,706,411
Interest revenue	1,420,529	43,129	-	1,463,658
Total revenue	$ 942,527,135	26,642,934	-	969,170,069
Interest expense	$ 2,599,996	36,447	-	2,636,443
Depreciation and amortization	4,692,636	248,036	-	4,940,672
Investment gain (loss)	797,368	-	-	797,368
Other significant non-cash items:				
Impairment of assets	-	-	-	-
Reportable segment profit	$ 10,714,350	1,075,235	-	11,789,585
Reportable segment assets				$ 399,794,823
Reportable segment liabilities				$ 286,632,975

(c) Products information

The information of revenue from external customers:

Products and services	**2019**	**2018**
5C related electronic products	$ 977,895,468	965,217,737
Others	2,546,878	2,488,674
	$ 980,442,346	967,706,411

(d) Geographic information

Stated below are the geographic information on the Group's sales presented by destination of sales and non-current assets presented by location.

(i) Revenue from external customers:

Country	**2019**	**2018**
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

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	$ **980,442,346**	**967,706,411**

(ii) Non-current assets:

Country	**2019**	**2018**
China	$ 13,525,794	15,023,523
Taiwan	10,389,632	7,345,390
Others	1,578,056	1,050,542
	$ **25,493,482**	**23,419,455**

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:

	2019	**2018**
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	105,890,275	66,783,151
	$ **804,954,106**	**797,974,082**

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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	Acradyan 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	Acradyan 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 shortterm 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 shortterm 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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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.

(Continued)

COMPAL ELECTRONICS, INC. AND SUBSIDIARIES
Notes to Consolidated 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. 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: Shares/Units (thousands)	Ending balance: Carrying value	Ending balance: Holding percentage (%)	Ending balance: Fair value	The highest holdings in the period: Shares/Units (thousands)	The highest holdings in the period: Holding percentage (%)	Note
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				3,240,378					
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				2,210,312					
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%	

(Continued)

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: Shares/Units (thousands)	Ending balance: Carrying value	Ending balance: Holding percentage (%)	Ending balance: Fair value	The highest holdings in the period: Shares/Units (thousands)	The highest holdings in the period: Holding percentage (%)	Note
Gempal	Others	-	Financial assets at fair value through other comprehensive income-non-current		2,699					
	Total				**448,896**					
Hong Ji	SUYIN Optronics Co., Ltd. (“SUYIN Optronics”)	-	Financial assets at fair value through other comprehensive income-non-current	380	**182**	1%	182	380	1%	
Hong Jin	SUYIN Optronics		Financial assets at fair value through other comprehensive income-non-current	332	**160**	1%	160	332	1%	
Arcadyan	GeoThings Inc.	-	Financial assets at fair value through profit or loss-non-current	200	-	9%	-	200	9%	(Note 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				**93,762**					
Mactech	Taichung International Golf Country Club	-	Financial assets at fair value through other comprehensive income-non-current	-	**7,530**	-	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	**134,910**	-	134,910	873	-	
CPC	Structured deposits–SPD Bank Yield Plus Structured Deposit	-	Financial assets at fair value through profit or loss-current	-	**394,013**	-	394,013			
CET	Structured deposits–SPD Bank Yield Plus Structured Deposit	-	Financial assets at fair value through profit or loss-current	-	**437,840**	-	437,840			
CEC	Structured deposits–Bank of Communications Yun Tong Cai Fu, Structured Deposit	-	Financial assets at fair value through profit or loss-current	-	**219,070**	-	219,070			
CEQ	Structured deposits–Bank of Communications Yun Tong Cai Fu, Structured Deposit	-	Financial assets at fair value through profit or loss-current	-	**129,647**	-	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	-	-	-	-	-	- (Note 3)	37,000	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)	Amount
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)

			Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		
Company Name	**Counter party**	**Nature of relationship**	**Purchase/ (Sale)**	**Amount**	**Percentage of total purchases/ (sales)**	**Payment terms**	**Unit price**	**Payment Terms**	**Ending Balance**	**Percentage of total notes/accounts receivable (payable)**	**Note**
The Company	UCGI	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	-	-	(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)
	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	-	-	(Note 2)
CIH and its subsidiaries	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)
	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	-	-	(Note 2)
CBN	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	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	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	-	-	(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	Acradyan Germany	Arcadyan's subsidiary	Sale	(1,465,691)	(5.0)%	Net 120 days from delivery	-	-	392,466	6.0%	(Note 2)
	Acradyan 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)
	Acradyan 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	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)
	Acradyan 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)
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、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)
Acradyan 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)
Acradyan 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)
Acradyan 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)
Acradyan 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 Amount	Overdue Action taken	Amounts received in subsequent period		Allowance for bad debts
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 (Note 3)	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: Accounts name	Amount	Terms	Percentage of the consolidated net revenue or total assets
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%
				Accounts Receivable	330,670	〃	0.1%
0	The Company	UCGI	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.	-
				Accounts Receivable	45,158	〃	-
1	JUST and its subsidiaries	Webtek	3	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%
				Accounts Receivable	6,799,206	〃	1.8%
2	CIH and its subsidiaries	The Company	2	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%
				Accounts Receivable	51,022,056	〃	13.3%
2	CIH and its subsidiaries	Forever	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.	-
				Accounts Receivable	51,912	〃	-
3	BCI and its subsidiaries	The Company	2	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%
				Accounts Receivable	7,460,959	〃	1.9%
3	BCI and its subsidiaries	CEB	3	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%
				Accounts Receivable	772,909	〃	0.2%
4	Webteck	The Company	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%
				Accounts Receivable	556,913	〃	0.1%
5	Etrade and its subsidiaries	Webtek	3	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%
				Accounts Receivable	5,904,962	〃	1.5%
6	Forever	The Company	2	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: Accounts name	Amount	Terms	Percentage of the consolidated net revenue or total assets
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%
				Accounts Receivable	2,383,869	〃	0.6%
8	Arcadyan	Arcadyan Germany	3	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%
				Accounts Receivable	392,466	〃	0.1%
8	Arcadyan	TTI	3	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%
				Accounts Receivable	2,683,393	〃	0.7%
8	Arcadyan	Arcadyan AU	3	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%
				Accounts Receivable	634,154	〃	0.2%
8	Arcadyan	Arcadyan Vietnam	3	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%
				Accounts Receivable	3,117,484	〃	0.8%
9	CNC	THAC	3	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.	-
				Accounts Receivable	23,396	〃	-
10	Arcadyan Vietnam	Arcadyan	3	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.

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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 December 31, 2019	Original Investment Amount December 31, 2018	Ending Balance Shares	Ending Balance Percentage of Ownership	Ending Balance Carrying Value	The highest holdings in the period Shares	The highest holdings in the period Percentage of Ownership	Net income (losses) of investee	Share of profits/losses of investee	Note
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 (Note 1)	500,000	100%	251,199	213,221	(Note 2)
	Gempal	Taipei City	Investment	900,036	900,036	90,000	100%	1,603,518 (Note 1)	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)

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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 December 31, 2019	Original Investment Amount December 31, 2018	Ending Balance Shares	Ending Balance Percentage of Ownership	Ending Balance Carrying Value	The highest holdings in the period Shares	The highest holdings in the period Percentage of Ownership	Net income (losses) of investee	Share of profits/losses of investee	Note
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)
								81,883,115				**1,022,912**	
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	
	Others							582,145					
Gempal	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	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	
	Others							3,274					(Note 2)
Hong Ji	Arcadyan	Hsinchu City	Telecommunication equipment and apparatus manufacturing, electronic parts and components manufacturing, restrained telecom radio frequency equipments and materials import and manufacturing	306,655	203,500	9,279	4%	583,444	9,279	4%	1,313,498	Investment gain(losses) recognized by Hong Ji	(Note 2)
	Allied Circuit	Taoyuan City	Production and selling of PCB boards	12,274	12,274	1,041	2%	26,724	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
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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 December 31, 2019	Original Investment Amount December 31, 2018	Ending Balance Shares	Ending Balance Percentage of Ownership	Ending Balance Carrying Value	The highest holdings in the period Shares	The highest holdings in the period Percentage of Ownership	Net income (losses) of investee	Share of profits/losses of investee	Note
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)
	MTL	U.S.A	Investment	30	30	-	100%	30	-	100%	-	Investment gain(losses) recognized by CII	(Note 2)
MEL and MTL	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	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)
	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)
	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	
HSI	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)

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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 December 31, 2019	Original Investment Amount December 31, 2018	Ending Balance Shares	Ending Balance Percentage of Ownership	Ending Balance Carrying Value	The highest holdings in the period Shares	The highest holdings in the period Percentage of Ownership	Net income (losses) of investee	Share of profits/losses of investee	Note
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	
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)

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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 December 31, 2019	Original Investment Amount December 31, 2018	Ending Balance Shares	Ending Balance Percentage of Ownership	Ending Balance Carrying Value	The highest holdings in the period Shares	The highest holdings in the period Percentage of Ownership	Net income (losses) of investee	Share of profits/losses of investee	Note
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.

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COMPAL ELECTRONICS, INC. AND SUBSIDIARIES
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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	-

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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	-

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COMPAL ELECTRONICS, INC. AND SUBSIDIARIES
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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: Outflow	Investment flows: Inflow	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
Hanhelt	R&D and manufacturing of electronic communication equipment	59,960	(Note 1)	59,960	-	-	59,960	(31)	100%	(31)	2,998	-
Arcadyan							-					
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	-
HengHao												
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” and “Business relationships and significant intercompany transactions”.