Stock Code:2324

COMPAL ELECTRONICS, INC.

Parent Company Only Financial Statements

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

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Independent Auditor's Report

To COMPAL ELECTRONICS, INC.:

Opinion

We have audited the financial statements of COMPAL ELECTRONICS, INC. (the "Company"), which comprise the balance sheets as of December 31, 2019 and 2018, the statement of comprehensive income, changes in equity and cash flows for the years ended December 31, 2019 and 2018, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended December 31, 2019 and 2018, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audit of the financial statements as of and for the year ended December 31, 2019 in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants, Rule No. 1090360805 issued by the Financial Supervisory Commission, and the auditing standards generally accepted in the Republic of China. Furthermore, we conducted our audit of the financial statements as of and for the year ended December 31, 2018 in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants, and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of Financial Statements section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

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

1. Account receivable valuation

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

Description of key audit matters:

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

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

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

2. Inventory valuation

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

Description of key audit matters:

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

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

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

6. Obtain sufficient appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion

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

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

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

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

KPMG

KPMG

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

Notes to Readers

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

COMPAL ELECTRONICS, INC.

Balance Sheets

December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2019		December 31, 2018	
	Assets	**Amount**	**%**	**Amount**	**%**
	Current assets:				
1100	Cash and cash equivalents (note (6)(a))	$ 13,459,969	4.0	20,446,378	5.7
1110	Current financial assets at fair value through profit or loss (note (6)(b))	149,888	-	284,768	0.1
1136	Current financial assets at amortized cost (note (6)(d))	-	-	350,000	0.1
1170	Notes and accounts receivable, net (note (6)(e))	176,967,731	52.4	189,496,594	53.3
1180	Notes and accounts receivable due from related parties, net (notes (6)(e) and 7)	1,052,131	0.3	1,318,230	0.4
1200	Other receivables, net (notes (6)(f) and 7)	3,110,607	0.9	1,418,750	0.4
1310	Inventories (note (6)(g))	50,048,069	14.9	51,517,159	14.5
1470	Other current assets	734,434	0.2	541,027	0.1
		245,522,829	72.7	265,372,906	74.6
	Non-current assets:				
1550	Investments accounted for using equity method (note (6)(h))	83,430,169	24.7	83,299,238	23.5
1510	Non-current financial assets at fair value through profit or loss (note (6)(b))	71,097	-	23,745	-
1517	Non-current financial assets at fair value through other comprehensive income (note (6)(c))	3,019,393	0.9	3,731,918	1.0
1600	Property, plant and equipment (note (6)(j))	2,620,638	0.8	2,128,181	0.6
1755	Right-of-use assets (note (6)(k))	1,387,615	0.4	-	-
1780	Intangible assets	438,334	0.1	378,745	0.1
1840	Deferred tax assets (note (6)(q))	1,166,808	0.4	760,580	0.2
1990	Other non-current assets	126,605	-	117,500	-
		92,260,659	27.3	90,439,907	25.4
	Total assets	$ 337,783,488	100.0	355,812,813	100.0

		December 31, 2019		December 31, 2018	
	Liabilities and Equity	**Amount**	**%**	**Amount**	**%**
	Current liabilities:				
2100	Short-term borrowings (note (6)(l))	$ 39,363,800	11.7	51,305,682	14.4
2130	Current contract liabilities (note (6)(u))	877,822	0.3	1,405,452	0.4
2170	Notes and accounts payable	74,138,921	21.9	77,050,816	21.7
2180	Notes and accounts payable to related parties (note 7)	74,925,238	22.2	78,376,843	22.0
2200	Other payables (note 7)	9,390,399	2.8	8,392,511	2.4
2230	Current tax liabilities	2,107,283	0.6	1,787,434	0.5
2280	Current lease liabilities (note (6)(n))	387,499	0.1	-	-
2300	Other current liabilities	348,480	0.1	587,308	0.2
2365	Current refund liabilities	1,182,501	0.4	1,480,446	0.4
2322	Long-term borrowings, current portion (note (6)(m))	18,150,000	5.3	17,496,250	4.9
		220,871,943	65.4	237,882,742	66.9
	Non-Current liabilities:				
2540	Long-term borrowings(note (6)(m))	7,500,000	2.2	10,900,000	3.0
2570	Deferred tax liabilities (note (6)(q))	893,232	0.3	386,555	0.1
2580	Non-current lease liabilities (note (6)(n))	1,010,933	0.3	-	-
2640	Non-current net defined benefit liability (note (6)(p))	643,253	0.2	621,581	0.2
2670	Non-current liabilities, others (note (6)(h))	891,494	0.2	298,289	0.1
		10,938,912	3.2	12,206,425	3.4
	Total liabilities	231,810,855	68.6	250,089,167	70.3
	Equity (notes (6)(r) and (6)(s)):				
3110	Ordinary share	44,071,466	13.1	44,071,466	12.4
3200	Capital surplus	9,159,259	2.7	9,932,434	2.8
3300	Retained earnings	57,726,604	17.1	60,060,381	16.9
3400	Other equity interest	(4,103,449)	(1.2)	(7,459,388)	(2.1)
3500	Treasury shares	(881,247)	(0.3)	(881,247)	(0.3)
	Total equity	105,972,633	31.4	105,723,646	29.7
	Total liabilities and equity	$ 337,783,488	100.0	355,812,813	100.0

See accompanying notes to financial statements.

COMPAL ELECTRONICS, INC.

Statements of Comprehensive Income

For the years ended December 31, 2019 and 2018

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

		2019		2018	
		Amount	%	Amount	%
4000	**Net sales revenue (notes (6)(u) and 7)**	$916,280,028	100.0	911,050,122	100.0
5000	**Cost of sales (notes (6)(g), (6)(p), 7 and 12)**	891,431,772	97.3	889,171,625	97.6
	Gross profit	24,848,256	2.7	21,878,497	2.4
5910	Less: Unrealized profit (loss) from sales	(893)	-	(2,344)	-
	Gross profit	24,849,149	2.7	21,880,841	2.4
	Operating expenses: (notes (6)(o), (6)(p) and 12)				
6100	Selling expenses	3,532,483	0.4	3,157,897	0.3
6200	Administrative expenses	2,318,452	0.3	2,389,356	0.3
6300	Research and development expenses	10,461,262	1.1	9,396,882	1.0
		16,312,197	1.8	14,944,135	1.6
	Net operating income	8,536,952	0.9	6,936,706	0.8
	Non-operating income and expenses:				
7020	Other gains and losses, net (note (6)(w))	(420,923)	-	(126,030)	-
7050	Finance costs	(1,969,101)	(0.2)	(1,938,044)	(0.2)
7190	Other income (notes (6)(o) and (6)(w))	653,839	0.1	887,354	0.1
7370	Share of profit of associates and joint ventures accounted for using equity method(note (6)(h))	1,022,912	0.1	4,198,330	0.4
	Total non-operating income and expenses	(713,273)	-	3,021,610	0.3
7900	**Profit from continuing operations before tax**	7,823,679	0.9	9,958,316	1.1
7950	Less: Income tax expenses (note (6)(q))	867,780	0.1	1,044,951	0.1
	Profit	6,955,899	0.8	8,913,365	1.0
8300	**Other comprehensive income:**				
8310	**Components of other comprehensive income (loss) that will not be reclassified to profit or loss**				
8311	Gains (losses) on remeasurements of defined benefit plans	(32,645)	-	(20,189)	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	120,897	-	(1,096,846)	(0.1)
8330	Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	359,147	-	(212,493)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	3,056	-	(69,926)	-
	Components of other comprehensive income that will not be reclassified to profit or loss	444,343	-	(1,259,602)	(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	(1,620,812)	(0.2)	1,853,763	0.1
8380	Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	(322,922)	-	(229,339)	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
	Components of other comprehensive income that will be reclassified to profit or loss	(1,943,734)	(0.2)	1,624,424	0.1
8300	**Other comprehensive income**	(1,499,391)	(0.2)	364,822	-
8500	**Total comprehensive income**	$ **5,456,508**	**0.6**	**9,278,187**	**1.0**
	Earnings per share (note 6(t))				
9750	**Basic earnings per share**	$	**1.60**		**2.05**
9850	**Diluted earnings per share**	$	**1.58**		**2.02**

See accompanying notes to financial statements.

COMPAL ELECTRONICS, INC.
Statements of Changes in Equity
For the years ended December 31, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars)

			Retained earnings				Total other equity interest					
	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
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
Profit for the year ended December 31, 2018	-	-	-	-	8,913,365	8,913,365	-	-	-	-	-	8,913,365
Other comprehensive income	-	-	-	-	14,094	14,094	1,624,424	(1,273,696)	-	350,728	-	364,822
Total comprehensive income	-	-	-	-	8,927,459	8,927,459	1,624,424	(1,273,696)	-	350,728	-	9,278,187
Appropriation and distribution of retained earnings:												
Legal reserve appropriated	-	-	574,953	-	(574,953)	-	-	-	-	-	-	-
Special reserve appropriated	-	-	-	4,491,599	(4,491,599)	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(4,407,147)	(4,407,147)	-	-	-	-	-	(4,407,147)
Cash dividends from capital surplus	-	(881,429)	-	-	-	-	-	-	-	-	-	(881,429)
Changes in ownership interests in subsidiaries	-	(32,706)	-	-	(521,643)	(521,643)	-	489,483	-	489,483	-	(64,866)
Changes in equity of associates and joint ventures accounted for using equity method	-	(459)	-	-	(1,156)	(1,156)	-	1,130	-	1,130	-	(485)
Share-based payments transaction	(120,450)	(151,766)	-	-	36,141	36,141	-	-	79,856	79,856	-	(156,219)
Adjustments of capital surplus for company's cash dividends received by subsidiaries	-	60,021	-	-	-	-	-	-	-	-	-	60,021
Disposal of investments in equity instruments measured at fair value through other comprehensive income	-	-	-	-	(1,024,470)	(1,024,470)	-	1,024,470	-	1,024,470	-	-
Balance at December 31, 2018	44,071,466	9,932,434	18,827,814	8,831,148	32,401,419	60,060,381	(1,852,952)	(5,606,436)	-	(7,459,388)	(881,247)	105,723,646
Profit for the year ended December 31, 2019	-	-	-	-	6,955,899	6,955,899	-	-	-	-	-	6,955,899
Other comprehensive income	-	-	-	-	(30,420)	(30,420)	(1,942,028)	474,763	(1,706)	(1,468,971)	-	(1,499,391)
Total comprehensive income	-	-	-	-	6,925,479	6,925,479	(1,942,028)	474,763	(1,706)	(1,468,971)	-	5,456,508
Appropriation and distribution of retained earnings:												
Legal reserve appropriated	-	-	891,336	-	(891,336)	-	-	-	-	-	-	-
Special reserve appropriated	-	-	-	(1,363,317)	1,363,317	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(4,407,147)	(4,407,147)	-	-	-	-	-	(4,407,147)
Cash dividends from capital surplus	-	(881,429)	-	-	-	-	-	-	-	-	-	(881,429)
Changes in ownership interests in subsidiaries	-	43,473	-	-	-	-	-	-	-	-	-	43,473
Changes in equity of associates and joint ventures accounted for using equity method	-	4,760	-	-	(27,199)	(27,199)	-	-	-	-	-	(22,439)
Adjustments of capital surplus for company's cash dividends received by subsidiaries	-	60,021	-	-	-	-	-	-	-	-	-	60,021
Disposal of investments in equity instruments measured at fair value through other comprehensive income	-	-	-	-	(4,824,910)	(4,824,910)	-	4,824,910	-	4,824,910	-	-
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**

See accompanying notes to financial statements.

COMPAL ELECTRONICS, INC.

Statements of Cash Flows

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	2019	2018
Cash flows from (used in) operating activities:		
Profit before tax	$ 7,823,679	9,958,316
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation and amortization	1,017,058	456,117
Increase in expected credit loss	1,537	1,065
Net gain on financial assets or liabilities at fair value through profit or loss	(14,195)	(95,526)
Finance cost	1,969,101	1,938,044
Interest income	(184,607)	(332,905)
Dividend income	(71,778)	(212,129)
Compensation cost of share-based payments	-	(156,219)
Share of profit of subsidiaries, associates and joint ventures accounted for using equity method	(1,022,912)	(4,198,330)
Loss on disposal of investments	(8,990)	-
Others	(48)	-
Total adjustments to reconcile profit (loss)	1,685,166	(2,599,883)
Changes in operating assets and liabilities:		
Changes in operating assets:		
Decrease (increase) in financial assets at fair value through profit or loss	(149,888)	-
Decrease (increase) in notes and accounts receivable	12,793,425	(23,179,534)
Decrease (increase) in other receivables	(316,517)	(629,912)
Decrease (increase) in inventories	1,469,090	(8,531,796)
Decrease (increase) in other current assets	(193,407)	63,537
Total changes in operating assets	13,602,703	(32,277,705)
Changes in operating liabilities:		
Increase (decrease) in notes and accounts payable	(6,363,500)	11,759,347
Increase (decrease) in other payables	1,176,316	1,172,349
Increase (decrease) in refund liabilities	(297,945)	40,154
Increase (decrease) in contract liabilities	(527,630)	(212,174)
Increase (decrease) in other current liabilities	(238,828)	(77,610)
Others	(11,365)	(12,315)
Total changes in operating liabilities	(6,262,952)	12,669,751
Total changes in operating assets and liabilities	7,339,751	(19,607,954)
Total adjustments	9,024,917	(22,207,837)
Cash inflow (outflow) generated from operations	16,848,596	(12,249,521)
Interest received	231,795	314,650
Dividends received	536,175	592,252
Interest paid	(2,147,529)	(1,769,911)
Income taxes paid	(450,537)	(684,300)
Net cash flows from (used in) operating activities	15,018,500	(13,796,830)
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	(74,992)	(131,622)
Proceeds from disposal of financial assets at fair value through profit or loss and through other comprehensive income	1,152,409	865,964
Acquisition of investments accounted for using equity method	(341,107)	(29,558)
Proceeds from disposal of investments accounted for using equity method	18,034	-
Proceeds from capital reduction of investments	22,426	8,054
Acquisition of property, plant and equipment	(761,929)	(203,186)
Increase in other receivables due from related parties	(1,587,080)	(321,840)
Acquisition of intangible assets	(384,816)	(521,722)
Others	(6,244)	(10,572)
Net cash flows from (used in) investing activities	(1,613,299)	5,518
Cash flows from (used in) financing activities:		
Increase (decrease) in short-term borrowings	(11,941,882)	9,919,682
Proceeds from long-term borrowings	66,503,625	34,258,000
Repayments of long-term borrowings	(69,249,875)	(32,994,950)
Payment of lease liabilities	(414,856)	-
Cash dividends paid	(5,288,576)	(5,288,576)
Others	(46)	-
Net cash flows from (used in) financing activities	(20,391,610)	5,894,156
Net increase (decrease) in cash and cash equivalents	(6,986,409)	(7,897,156)
Cash and cash equivalents at beginning of period	20,446,378	28,343,534
Cash and cash equivalents at end of period	**$ 13,459,969**	**20,446,378**

See accompanying notes to financial statements.

COMPAL ELECTRONICS, INC.
Notes to the Parent-Company-Only Financial Statements
For the years ended December 31, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Company history

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

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

The accompanying parent-company-only financial statements were authorized for issuance by the Board of Directors and issued on March 30, 2020.

(3) New standards, amendments and interpretations adopted:

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

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

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

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

(Continued)

COMPAL ELECTRONICS, INC.
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(i) IFRS 16"Leases"

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

The Company applied IFRS 16 using the modified retrospective approach, there was no effect on retained earnings on January 1, 2019. The details of the changes in accounting policies are disclosed below,

1) Definition of a lease

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

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

2) As a lessee

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

- Leases classified as operating leases under IAS 17

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

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

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

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

(Continued)

COMPAL ELECTRONICS, INC.
Notes to Parent-Company-Only Financial Statements

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

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

- Leases previously classified as finance leases

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

3) As a lessor

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

4) Impacts on financial statements

On transition to IFRS 16, the Company recognized additional $821,816 thousands of right-of-use assets and lease liabilities. When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted-average rate applied is 1.2%.

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

		January 1, 2019
Operating lease commitment at December 31, 2018 as disclosed in the Company's financial statements	**$**	**837,450**
Discounted using the incremental borrowing rate at January 1, 2019	$	821,816
Finance lease liabilities recognized as at December 31, 2018		-
Lease liabilities recognized at January 1, 2019	**$**	**821,816**

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

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

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

The Company assesses that the adoption of the above mentioned standards would not have any material impact on its financial statements.

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

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

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

The Company is evaluating the impact of its initial adoption of the above-mentioned standards or interpretations on its financial position and financial performance. The results thereof will be disclosed when the Company completes its evaluation.

(4) Summary of significant accounting policies:

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

(a) Statement of compliance

These parent-company-only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(b) Basis of preparation

(i) Basis of measurement

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

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

2) Financial instruments measured at fair value through other comprehensive income are measured at fair value;

(Continued)

3) The defined benefit liability (or asset) is recognized as plan assets less the present value of the defined benefit obligation and the effect of the asset ceiling mentioned in note (4)(q).

(ii) Functional and presentation currency

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

(c) Foreign currency

(i) Foreign currency transaction

Transactions in foreign currencies are translated to the respective functional currencies of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between the amortized cost in the functional currency at the beginning of the year adjusted for the effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the reporting date.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of translation.

Foreign currency differences arising on retranslation are recognized in profit or loss, except for the following differences which are recognized in other comprehensive income arising on the retranslation:

1) fair value through other comprehensive income financial assets financial assets;

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

3) qualifying cash flow hedges to the extent the hedge is effective

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the Company's functional currency at exchange rates of the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to the Company' s functional currency at average rate. Foreign currency differences are recognized in other comprehensive income, and presented in the foreign currency translation differences in equity.

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

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

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

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

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

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

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

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

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

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

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

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

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

(e) Cash and cash equivalents

Cash comprise cash on hand and demand deposits. Cash equivalents are subject to an insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments.

(Continued)

The time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes are reclassified as cash equivalents.

(f) Financial instruments

(i) Financial assets

Financial assets are classified into the following categories: measured at amortized cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVTPL").

The Company shall reclassify all affected financial assets only when it changes its business model for managing its financial assets.

1) Financial assets measured at amortized cost

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

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

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

A financial asset measured at amortized cost is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses, and impairment loss, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

2) Fair value through other comprehensive income ("FVOCI")

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

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

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

Some accounts receivables are held within a business model whose objective is achieved by both collecting contractual cash flows and selling by the Company, therefore, those receivables are measured at FVOCI and presented as accounts receivable.

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

A financial asset measured at FVOCI is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses, and impairment losses, deriving from debt investments are recognized in profit or loss; whereas dividends deriving from equity investments are recognized as income in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses of financial assets measured at FVOCI are recognized in OCI. On derecognition, gains and losses accumulated in OCI of debt investments are reclassified to profit or loss. However, gains and losses accumulated in OCI of equity investments are reclassified to retain earnings instead of profit or loss. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

Dividend income derived from equity investments is recognized on the date that the Company's right to receive payment is established, which in the case of quoted securities is normally the date the shareholders' meeting approved the earning distribution.

3) Fair value through profit or loss ("FVTPL")

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

Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Subsequent changes that are measured at fair value, which take into account any dividend and interest income, are recognized in profit or loss. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

4) Impairment of financial assets

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

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COMPAL ELECTRONICS, INC.
Notes to Parent-Company-Only Financial Statements

The Company measures loss allowances at an amount equal to lifetime expected credit loss (“ECL”), except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

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

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

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

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

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

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

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

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

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

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COMPAL ELECTRONICS, INC.
Notes to Parent-Company-Only Financial Statements

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

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is recognized in other comprehensive income instead of reducing the carrying amount of the asset. The Company recognizes the amount of expected credit losses (or reversal) in profit or loss, as an impairment gain or loss.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company’s procedures for recovery of amounts due.

5) Derecognition of financial assets

Financial assets are derecognized when the contractual rights to the cash flows from the assets expire, or when the Company transfers substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a debt instrument in its entirety, the Company recognizes the difference between its carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income and presented in “other equity – unrealized gains or losses on fair value through other comprehensive income”, in profit or loss, and presented it in the line item of non-operating income.

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On derecognition of a financial asset other than in its entirety, the Company allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in profit or loss, and presented in the line item of non-operating income and expenses. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt or equity instruments issued by the Company are classified as financial liabilities or equity in accordance with the substance of the contractual agreement.

Equity instruments refer to surplus equities of the assets after the deduction of all the debts for any contracts. Equity instruments issued are recognized as the amount of consideration received, less, the direct cost of issuing.

Interest and loss or gain related to financial liabilities are recognized as profit or loss and are reported under non-operating income and expenses. Financial liabilities are reclassified as equity when converted, and conversions do not generate profit or loss.

2) Financial liabilities at fair value through profit or loss

A financial liability is classified in this category if acquired principally for the purpose of selling in the short term. This type of financial liability is measured at fair value at the time of initial recognition, and attributable transaction costs are recognized in profit or loss as incurred. Financial liabilities at fair value through profit or loss are measured at fair value, and changes therein, which take into account any interest expense, are recognized in profit or loss, and are included in non-operating income or expenses.

3) Other financial liabilities

Financial liabilities not classified as held-for-trading or designated as at fair value through profit or loss, which comprise loans and borrowings, and trade and other payable, are measured at fair value, plus, any directly attributable transaction cost at the time of initial recognition. Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method other than significant interest on short-term loans and payables. Interest expense not capitalized as capital cost is recognized in profit or loss, and is included in non-operating income or expenses.

4) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligation has been discharged, cancelled or expired. The difference between the carrying amount of a financial liability removed and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss, and is included in non-operating income or expenses.

5) Offsetting of financial assets and liabilities

The Company presents financial assets and liabilities on a net basis when the Company has the legally enforceable right to offset and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

(iii) Derivative financial instruments

The Company holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Derivatives are initially measured at fair value. Any attributable transaction costs thereof are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in profit or loss and are included in the line item of non-operating income. When a derivative is designated as, and effective for, a hedging instrument, its timing of recognition in profit or loss is determined based on the nature of the hedging relationship. When the fair value of a derivative instrument is positive, it is classified as a financial asset, whereas when the fair value is negative, it is classified as a financial liability.

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the non-financial asset' s host contract are not closely related to the embedded derivatives and the host contract is not measured at FVTPL.

(g) Inventories

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

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

(h) Investment in associates

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

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

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

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

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

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

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

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

(i) Investment in subsidiaries

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COMPAL ELECTRONICS, INC.
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When preparing the parent-company-only financial statements, investment in subsidiaries which are controlled by the Company is accounted for using the equity method. Under the equity method, the amounts of net income, other comprehensive income and equity attributable to shareholders of the Company in the parent-company-only financial statement are equal to those in the consolidated financial statements.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions

(j) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Subsequent cost

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

(iii) Depreciation

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

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

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COMPAL ELECTRONICS, INC.
Notes to Parent-Company-Only Financial Statements

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

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

1) Buildings: 35~50 years

2) Building improvement: 8~15 years

3) Research equipment: 3 years

4) Other equipment: 0.5~5 years

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

(k) Leases

Applicable after January 1, 2019

(i) Identifying a lease

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

1) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and

2) the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

3) the Company has the right to direct the use of the asset when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Company has the right to direct the use of an asset if either:

   — the Company has the right to operate the asset and the providers do not have the right to vary; or

   — the Company designed the asset in a way that predetermines how and for what purpose it will be used.

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

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lease components as a single lease component.

(ii) As a lessee

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

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

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

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

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

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

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

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

(Continued)

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

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

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

(iii) As a lessor

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

<u>Applicable before January 1, 2019</u>

(i) As lessor

Lease income from operating lease is recognized in income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as the lease income. Incentives granted to the lessee to enter into the operating lease are spread over the lease term on a straight-line basis so that the lease income received is reduced accordingly.

(ii) As lessee

Operating leases are not recognized in the Company's balance sheets.

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

(l) Intangible assets

(i) Goodwill

1) Initial recognition

Goodwill arising from acquisition of subsidiaries is included in intangible assets. The

(Continued)

measurement of initial recognition of goodwill, please refer to note (4)(t).

2) Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses.

Goodwill related to an investment accounted for using equity method is included in the carrying amount of the investment, and not allocated to any asset, including goodwill, forms part of the carrying amount of the investment accounted for using the equity method.

(ii) Research & Development

During the research phase, activities are carried out to obtain and understand new scientific or technical knowledge. Expenditures during this phase are recognized in profit or loss as incurred.

Expenditures arising from the development phase shall be recognized as an intangible asset if all the conditions described below can be demonstrated; otherwise, they will be recognized in profit or loss as incurred.

1) The technical feasibility of completing the intangible asset so that it will be available for use or sale.

2) Its intention to complete the intangible asset and use or sell it.

3) Its ability to use or sell the intangible asset.

4) How the intangible asset will generate probable future economic benefits.

5) The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.

6) Its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Capitalized expenditure arising from the development phase is measured at cost less accumulated amortization and accumulated impairment losses.

(iii) Other intangible assets

Other intangible assets that are acquired by the Company are measured at cost, less accumulated amortization and any accumulated impairment losses.

(iv) Subsequent expenditure

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

(v) Amortization

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The amortizable amount is the cost of an asset, or other amount substituted for cost, less its residual value.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill and intangible assets with all indefinite useful life, from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

1) Patents: the shorter of contract period and estimated useful lives

2) Computer software: 1~3 years

The residual value, the amortization period, and the amortization method for an intangible asset with a finite useful life shall be reviewed at least annually at each fiscal year-end. Any change shall be accounted for as changes in accounting estimates.

(m) Impairment of non-derivative financial assets

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

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

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

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

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

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(n) Provisions

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

(o) Treasury stock

Repurchased shares are recognized under treasury shares (a contra-equity account) based on its repurchase price (including all directly accountable costs), and net of tax. Gains on disposal of treasury shares should be recognized under Capital Reserve – Treasury Shares Transactions; losses on disposal of treasury shares should be offset against existing capital reserves arising from similar types of treasury shares. If there are insufficient capital reserves to be offset against, then such losses should be accounted for under retained earnings. The carrying amount of treasury shares should be calculated using the weighted average different types of repurchase.

During the cancellation of treasury shares, Capital Reserve – Share Premiums and Share Capital should be debited proportionately. Gains on cancellation of treasury shares should be recognized under existing capital reserves arising from similar types of treasury shares; losses on cancellation of treasury shares should be offset against existing capital reserves arising from similar types of treasury shares. If there are insufficient capital reserves to be offset against, then such losses should be accounted for under retained earnings.

(p) Recognition of revenue

(i) Revenue from contracts with customers

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

1) Sale of goods

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

The Company assesses sales discounts based on historical experience, management's judgment and other known reasons. Such allowances are recognized as a deduction of sales revenue in the same period in which sales are made. The aforementioned provisions are expected to settle over the next year. A refund liability is recognized for expected discounts payable to customers in relation to sales made until the end of the reporting period. No element of financing is deemed present as the sales of electronic products are made with a credit term which is consistent with the market practice.

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

2) Financing components

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

(q) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

(ii) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Company's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation of defined benefit obligation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognized asset is limited to the total of the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Company. An economic benefit is available to the Company if it is realizable during the life of the plan, or on settlement of the plan liabilities.

If the benefits of a plan are improved, the pension cost incurred from the portion of the increased benefit relating to past service by employees, is recognized immediately in profit or loss.

Re-measurement of net defined benefit liability (asset) (including actuarial gains, losses and the return on plan asset and changes in the effect of the asset ceiling, excluding any amounts included in net interest) is recognized in other comprehensive income (loss). The effect of re-

(Continued)

measurement of the defined benefit plan is charged to retained earnings.

The Company recognizes gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment comprises any resulting change in the fair value of plan assets and change in the present value of defined benefit obligation.

(iii) Short term employee benefits

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

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(r) Share-based payment

The grant-date fair value of share-based payment awards granted to employee is recognized as employee expenses, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of award that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions, and there is no true-up for differences between expected and actual outcomes.

(s) Income taxes

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

Current taxes include tax payables and tax deduction receivables on taxable gains (losses) for the year calculated using the statutory tax rate on the reporting date or the actual legislative tax rate, as well as tax adjustments related to prior years.

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

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

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

(iii) Initial recognition of goodwill.

(Continued)

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.

(t) Business combination

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

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

If the business combination is achieved in stages, the Company shall measure any non-controlling equity interest in the 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 Company shall re-measure its previously held equity interest in the acquiree at its acquisition-date fair value and recognize the resulting gain or loss, if any, in profit or loss. In prior reporting periods, the Company may have recognized changes in the value of its equity interest in the acquiree in other comprehensive income. If so, the amount

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that was recognized in other comprehensive income shall be recognized on the same basis as would be required if the Company had disposed directly of the previously held equity interest. If the disposal of the equity interest required a reclassification to profit or loss, such an amount shall be reclassified to profit or loss.

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

(u) Earnings per share

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

(v) Operating segments

The operating segment information is disclosed within the consolidated financial statements but not disclosed in the parent-company-only financial statements.

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

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

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

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

(a) Recognition and measurement of refund liabilities

Because of the sales returns and allowances, the Company records refund liabilities (sales returns and allowances provisions) for estimated returns and other allowances in the same period the related revenue is recorded. The estimate is made based on historical experience, market and economic conditions, and any other known factors using the expected value or the most likely amount, and it could be different from actual sales returns and allowances, therefore, the management periodically reviews the adequacy of the estimation used.

(b) Valuation of inventories

As inventories are stated at the lower of cost or net realizable value, the net realizable value of the inventory is mainly determined based on assumptions as to future demand within a specific time horizon. Due to the rapid industrial changes, there may be significant differences in the net realizable value of inventories. Refer to note (6)(g) for further description of the valuation of inventories.

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2019	December 31, 2018
Cash on hand	$ 1,527	1,596
Checking accounts and demand deposits	3,523,187	3,972,558
Time deposits	9,885,255	15,609,214
Bonds purchased under resale agreements	50,000	863,010
	$ 13,459,969	20,446,378

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

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

	December 31, 2019	December 31, 2018
Mandatorily measured at fair value through profit or loss:		
Non-derivative financial assets		
Structured deposits	$ 149,888	-
Stock listed in domestic markets	-	284,768
Stock unlisted in domestic markets	24,350	-
Fund in domestic or foreign market	46,747	23,745
Total	$ 220,985	308,513
Current	$ 149,888	284,768
Non-current	71,097	23,745
	$ 220,985	308,513

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

As of December 31, 2019 and 2018, the Company did not provide any aforementioned financial 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	$ 1,614,565	2,383,976
Stock listed in foreign markets	448,110	400,184
Stock unlisted in domestic markets	914,507	896,395
Stock unlisted in foreign markets	42,211	51,363
Total	**$ 3,019,393**	**3,731,918**

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

For the year ended December 31, 2019, the Company had sold all of its shares in PrimeSensor Technology Inc., Macroblock Inc., and Innolux Corporation ("Innolux"), which were measured at fair value through other comprehensive income. The fair value of the shares was $845,202 when disposed and the cumulative losses amounted to $4,824,910, which had been transferred to retained earnings from other comprehensive income.

For the year ended December 31, 2018, the Company has sold parts of its shares held in Innolux Corporation measured at fair value through other comprehensive income. The fair value of the shares was $291,435 when disposed, and the cumulative losses amounted to $1,024,470, which had been transferred to retained earnings from other comprehensive income.

If there is an increase (decrease) in the market price by 5% on the reporting date of the equity securities hold by the Company, the increase (decrease) in other comprehensive income (pre-tax) for the years ended December 31, 2019 and 2018, will be $150,970 and $186,596, respectively. These analyses are performed on the same basis for the period and assume that all other variables remain the same.

The Company's information of market risk please refer to note (6)(x).

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

(d) Current financial assets measured at amortized costs

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

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

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

(e) Notes and accounts receivable

	December 31, 2019	December 31, 2018
Notes receivable from operating activities	$ 1,104	1,218
Accounts receivable – measured as amortized cost	154,482,480	171,635,955
Accounts receivable – fair value through other comprehensive income	27,170,468	22,896,211
	181,654,052	194,533,384
Less: allowance for uncollectible accounts	(3,634,190)	(3,718,560)
	$ 178,019,862	**190,814,824**
Notes and accounts receivable	**$ 176,967,731**	**189,496,594**
Notes and accounts receivable – related parties	**$ 1,052,131**	**1,318,230**

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

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

The loss allowance provision of the Company were determined as follows:

	December 31, 2019			
Credit rating	**Carrying amount of notes and accounts receivable**	**Weighted-average ECL rate**	**Lifetime ECLs**	**Credit-impaired**
Level A	$ 173,733,360	0%	-	No
Level B	4,296,955	0.243%	10,453	No
Level C	3,623,737	100%	3,623,737	Yes
	$ 181,654,052		**3,634,190**	

December 31, 2018

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Credit rating	Carrying amount of notes and accounts receivable	Weighted-average ECL rate	Lifetime ECLs	Credit-impaired
Level A	$ 187,485,567	0%	-	No
Level B	3,424,080	2.769%	94,823	No
Level C	3,623,737	100%	3,623,737	Yes
	$ 194,533,384		3,718,560	

The aging analysis of notes and accounts receivable, were determined as follows:

	December 31, 2019	December 31, 2018
Overdue 1 to 180 days	$ 497,543	1,770,814

The movement in the allowance for notes and accounts receivable were as follow:

	2019	2018
Balance at January 1	$ 3,718,560	3,717,495
Impairment losses recognized	1,537	1,065
Amounts written off	(85,907)	-
Balance at December 31	$ 3,634,190	3,718,560

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

The Company entered into accounts receivable factoring agreements with banks. As of December 31, 2019 and 2018, except for the amount used under the actual sales amount in thousand accordance with certain agreements, the factoring amount granted by the banks was USD 1,000,000 thousands and USD 950,000 thousands, respectively. Based on the agreements, the Company is not responsible for guaranteeing the ability of the accounts receivable obligor to make payment when it is affected by credit risk. Thus, this is a non-recourse accounts receivable factoring. The Company derecognized the above account receivables because it has transferred substantially all of the risks and rewards of their ownership and it does not have any continuing involvement in them. After the transfer of the accounts receivable, the Company can request partial advanced amount, while the interest calculated at an agreed rate is paid to the bank in the period during the time of receiving advance and the accounts receivable is collected. The remaining amounts with no advance are received when the accounts receivable are settled by the customers. As of December 31, 2019 and 2018, account receivable factored were recovered and derecognized since the conditions of derecognition were met.

The Company, customers, and banks signed the three-party contracts in which the banks purchase

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

The details of the factored accounts receivable at the reporting date were as follows:

December 31, 2019

Purchaser	Accounts transferred	Amount advanced Unpaid	Amount advanced Paid	Amount recognized in other receivables	Collateral	Amount derecognized	Interest rate
Financial Institution	$ 25,672,764	-	25,672,764	-	-	25,672,764	2.21%~2.80%

December 31, 2018

Purchaser	Accounts transferred	Amount advanced Unpaid	Amount advanced Paid	Amount recognized in other receivables	Collateral	Amount 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 Company did not provide any aforementioned notes and accounts receivable as collaterals.

(f) Other receivables

	December 31, 2019	December 31, 2018
Other receivables - loans to subsidiaries	$ 1,719,000	301,137
Other receivables - related parties	149,120	144,455
Others	1,242,487	973,158
	$ 3,110,607	**1,418,750**

As of December 31, 2019 and 2018, none of other receivables were past due.

(g) Inventories

	December 31, 2019	December 31, 2018
Finished goods	$ 13,454,860	18,779,873
Work in progress	152,421	44,008
Raw materials	36,440,788	32,693,278
	$ 50,048,069	**51,517,159**

(i) During the years ended December 31, 2019 and 2018, inventory cost recognized as cost of sales amounted to $891,431,772 and $889,171,625, respectively.

(ii) The Company reversed its allowance for inventory valuation loss amounting to $66,336 due to the sale and disposal of its obsolete inventories in the year ended December 31, 2019. The write-down of inventories to net realizable value amounted to $171,790, in the year ended December 31, 2018.

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

(h) Investments accounted for using equity method

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

	December 31, 2019	December 31, 2018
Subsidiaries	$ 79,267,709	79,891,379
Associates	2,615,406	2,619,501
	81,883,115	82,510,880
Plus: Other receivables–related parties	659,296	494,744
Credit balance of investment in equity method (other non-current liability)	891,274	298,023
Less: unrealized profits or losses	(3,516)	(4,409)
	$ 83,430,169	**83,299,238**

(i) Subsidiaries

Please refer to the consolidated financial statement for the year ended December 31, 2019.

(ii) Associates

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

	December 31, 2019	December 31, 2018
Allied Circuit Co., Ltd. ("Allied Circuit")	$ 1,076,719	621,653
Avalue Technology Inc. ("Avalue")	1,147,839	586,743
	$ 2,224,558	**1,208,396**

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

	2019	2018
The Company's share of the gain of associates	**$ 70,378**	**483,812**

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

(Continued)

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		December 31, 2019	December 31, 2018
Carrying amount of individually immaterial associates	$	**2,615,406**	**2,619,501**

		2019	2018
The Company's share of the net income (loss) of associates:			
Profit from continuing operations	$	70,378	483,812
Other comprehensive income (loss)		(158,336)	(97,800)
Total comprehensive income (loss)	$	**(87,958)**	**386,012**

4) In October 2019, the Company had sold part of its shares held in Avalue Technology Inc. ("Avalue"), with a consideration (net of costs of disposal) amounting to $18,034. The transaction has been completed and the price has been fully recovered, wherein the Company recognized a gain of $8,990, which was accounted for as other gain and loss.

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

(i) Changes in subsidiaries' equity

(i) Changes in ownership interests while retaining control (increase in ownership interest)

The Company's subsidiary, Arcadyan Technology Corp. ("Arcadyan"), purchased shares of other subsidiaries from non-controlling interest amounting to $634, in 2018.

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

		2018
Acquisition of non-controlling interest (carrying amount)	$	631
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 Company's loss of control

1) Subsidiaries' employee stock options exercised

Compal Broadband Network Inc. ("CBN") issued 69 thousand and 351 thousand new shares because of its employees' exercised stock options in 2019 and 2018, respectively, resulting in a decrease in the ownership of the Company and its subsidiaries in CBN by 0.07% and 0.41%, respectively.

2) Issuance of new shares for cash of subsidiaries

The Company and its subsidiaries purchased newly issued shares of Arcadyan amounting

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to $323,917 at a percentage different from its existing ownership percentage in the fourth quarter of 2019, resulting in a decrease in the ownership of the Company and its subsidiaries in Arcadyan by 0.37%.

The Company and its subsidiaries did not purchase newly issued shares of CBN in the fourth quarter of 2018, resulting in a decrease in the ownership of the Company and its subsidiaries in CBN by 7.27%.

3) Issuance and cancellation of subsidiaries' restricted shares

Arcadyan canceled 84 thousand restricted shares and issued 4,500 thousand restricted new shares in the years ended December 31, 2019 and 2018, respectively, resulting in an increase of 0.01% and a decrease of 0.84% interest, respectively, of the ownership of the Company and its subsidiaries in Arcadyan.

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

	2019	2018
Capital surplus – changes in ownership interest in subsidiaries	$ 43,473	(32,703)
Retained earnings	-	(32,160)
	$ 43,473	(64,863)

(j) Property, plant and equipment

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

	Land	Buildings and building improvement	Other equipment	Under construction and prepayment for purchase of equipment	Total
Cost:					
Balance on January 1, 2019	$ 1,047,797	2,194,761	2,112,018	36,487	5,391,063
Additions	-	138,731	343,873	279,325	761,929
Disposals and derecognitions	-	(6,637)	(137,960)	-	(144,597)
Reclassifications	-	63,420	64,147	(127,567)	-
Balance on December 31, 2019	$ 1,047,797	2,390,275	2,382,078	188,245	6,008,395
Balance on January 1, 2018	$ 1,047,797	2,173,951	2,002,114	27,007	5,250,869
Additions	-	18,716	124,095	60,375	203,186
Disposals and derecognitions	-	(476)	(62,516)	-	(62,992)
Reclassifications	-	2,570	48,325	(50,895)	-
Balance on December 31, 2018	$ 1,047,797	2,194,761	2,112,018	36,487	5,391,063
Depreciation and impairments loss:					

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	Land	Buildings and building improvement	Other equipment	Under construction and prepayment for purchase of equipment	Total
Balance on January 1, 2019	$ -	1,368,955	1,893,927	-	3,262,882
Depreciation for the period	-	80,891	185,219	-	266,110
Disposals and derecognitions	-	(6,112)	(135,123)	-	(141,235)
Balance on December 31, 2019	**$ -**	**1,443,734**	**1,944,023**	**-**	**3,387,757**
Balance on January 1, 2018	$ -	1,312,069	1,846,528	-	3,158,597
Depreciation for the period	-	57,362	108,965	-	166,327
Disposals and derecognitions	-	(476)	(61,566)	-	(62,042)
Balance on December 31, 2018	**$ -**	**1,368,955**	**1,893,927**	**-**	**3,262,882**
Carrying amounts:					
Balance on December 31, 2019	**$ 1,047,797**	**946,541**	**438,055**	**188,245**	**2,620,638**
Balance on January 1, 2018	**$ 1,047,797**	**861,882**	**155,586**	**27,007**	**2,092,272**
Balance on December 31, 2018	**$ 1,047,797**	**825,806**	**218,091**	**36,487**	**2,128,181**

As of December 31, 2019 and 2018, the Company did not provide property, plant and equipment as collateral for its borrowing.

(k) Right-of-use assets

The Company leases many assets including buildings and vehicles. Information about leases for which the Company as a lessee is presented below:

	Buildings	Vehicles	Total
Cost:			
Balance on January 1, 2019	$ -	-	-
Adjustment on initial application of IFRS 16	781,756	40,060	821,816
Balance on January 1, 2019 per IFRS 16	781,756	40,060	821,816
Additions	979,422	12,098	991,520
Deductions	(73,832)	(2,038)	(75,870)
Balance on December 31, 2019	**$ 1,687,346**	**50,120**	**1,737,466**
Depreciation:			
Balance on January 1, 2019	$ -	-	-
Adjustment on initial application of IFRS 16	-	-	-
Balance on January 1, 2019 per IFRS 16	-	-	-
Depreciation for the period	407,103	18,618	425,721
Deductions	(73,832)	(2,038)	(75,870)
Balance on December 31, 2019	**$ 333,271**	**16,580**	**349,851**
Carrying amount:			
Balance on January 1, 2019	**$ 781,756**	**40,060**	**821,816**
Balance on December 31, 2019	**$ 1,354,075**	**33,540**	**1,387,615**

(Continued)

The Company leases land, offices, warehouses and factory facilities under an operating lease for the year ended December 31, 2018, please refer to note (6)(o).

(l) Short-term borrowings

The details of short-term borrowings were as following:

	December 31, 2019	December 31, 2018
Unsecured bank loans	$ 39,363,800	51,305,682
Unused credit line for short-term borrowings	$ 57,478,000	40,694,000
Range of interest rates	0.66%~2.49%	0.72%~3.56%

For information on the Company’s interest risk, foreign currency risk and liquidity risk, please refer to note (6)(x).

(m) Long-term borrowings

The details of long-term borrowings were as follows:

	December 31, 2019			
	Currency	Annual range of interest rates	Maturity year	Amount
Unsecured bank loans	TWD	0.73%~1.18%	2020~2023	$ 25,650,000
Less: current portion				(18,150,000)
Total				$ 7,500,000
Unused credit line for long-term borrowings				$ 11,807,000

	December 31, 2018			
	Currency	Annual range of interest rates	Maturity year	Amount
Unsecured bank loans	TWD	0.79%~1.22%	2019~2021	$ 28,396,250
Less: current portion				(17,496,250)
Total				$ 10,900,000
Unused credit line for long-term borrowings				$ 5,414,750

For information on the Company’s interest risk, foreign currency risk and liquidity risk, please refer to note (6)(x).

(n) Lease liabilities

	December 31, 2019
Current	$ 387,499

(Continued)

Non-current	$ **1,010,933**

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

The amounts recognized in profit or loss was as follows:

	2019
Interest on lease liabilities	$ **13,549**
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	$ **3,325**

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

	2019
Total cash outflow for leases	$ **431,730**

(i) Building leases

The Company leases buildings for its office and factory space, typically run for a period of 1~8 years.

(ii) Other leases

The Company leases vehicles with lease terms of 1~5 years.

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

(o) Operating lease – Company as lessee

The rental payables of the non-cancellable operating lease was as follows:

	December 31, 2018
Less than one year	$ 264,145
Between one and five years	257,020
	$ **521,165**

The Company leased several office areas under operating leases with the leasing terms from 1 to 5 years and had an option to renew the leases when the leases expired.

For the year ended December 31, 2018, expenses recognized in profit or loss under operating leases amounted to $297,582.

The lease contract includes those of the land and building, with their residual values being assumed by the landlord. The rental is regularly adjusted based on the current market price. Based on the risks and rewards of leased assets not transferred to the Company, the Company recognized the lease as operating lease.

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(p) Employee benefits

(i) Defined benefit plans

Reconciliation of defined benefit obligations at present value and plan assets at fair value were as follows:

	December 31, 2019	December 31, 2018
Present value of defined benefit obligations	$ (1,270,206)	(1,246,221)
Fair value of plan assets	626,953	624,640
Net defined benefit liabilities	**$ (643,253)**	**(621,581)**

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

1) Composition of plan assets

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

The balance of the Company's labor pension reserve account in the Bank of Taiwan amounted to $620,933 (excluding the ending balance of interest receivable) as of December 31, 2019. For information on the utilization of the labor pension fund assets including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in the present value of the defined benefit obligations

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

	2019	2018
Defined benefit obligations on January 1	$ (1,246,221)	(1,220,613)
Current service costs and interest	(21,108)	(22,168)
Remeasurements of net benefit liabilities	(53,073)	(37,000)
Benefit paid by the plan	50,196	33,560
Defined benefit obligations on December 31	**$ (1,270,206)**	**(1,246,221)**

3) Movements of the fair value of defined benefit plan assets

(Continued)

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

	2019	2018
Fair value of plan assets on January 1	$ 624,640	608,482
Expected return on plan assets	7,875	8,141
Remeasurements of net benefit plan assets	20,428	16,811
Contributions paid by the employer	24,206	24,766
Benefits paid by the plan	(50,196)	(33,560)
Fair value of plan assets on December 31	**$ 626,953**	**624,640**

4) Expenses recognized in profit or loss

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

	2019	2018
Current service cost	$ 5,314	5,635
Net interest on the net defined benefit liability (asset)	7,919	8,392
	$ 13,233	**14,027**
Cost of sales	$ 517	436
Selling expenses	631	745
Administrative expenses	3,239	3,395
Research and development expenses	8,846	9,451
	$ 13,233	**14,027**

5) Actuarial assumptions

The following were the Company’s principal actuarial assumptions at the reporting date:

	December 31, 2019	December 31, 2018
Discount rate	0.90%	1.30%
Future salary increase rate	3.00%	3.00%

The expected allocation payment made by the Company to the defined benefit plans for the one year period after the reporting date is $24,554.

The weighted-average lifetime of the defined benefit plan is 9.9 years.

6) Sensitivity analysis

If the main actuarial assumptions had changed, the impact on the present value of the

(Continued)

defined benefit obligation shall be as follows:

	Effects to the defined benefit obligation	
	Increased 0.25%	**Decreased 0.25%**
December 31, 2019		
Discount rate	(30,821)	31,967
Future salary increasing rate	31,239	(30,287)
December 31, 2018		
Discount rate	(31,218)	32,390
Future salary increasing rate	31,779	(30,797)

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

The method and assumption used in the sensitivity analysis is consistent with prior period.

(ii) Defined contribution plans

The Company allocates 6% of each employee’s monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Company allocates the labor pension at a specific percentage to the Bureau of the Labor Insurance without additional legal or constructive obligations.

The Company recognized the pension costs under the defined contribution method amounting to $335,403 and $306,912 for the years ended December 31, 2019 and 2018, respectively. Payment was made to the Bureau of Labor Insurance.

(q) Income taxes

(i) Income tax expenses

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

	2019	2018
Current tax expense		
Recognized during the period	$ 934,581	1,010,943
Undistributed earnings additional tax	274,317	-
Tax credit of investment	(438,511)	(183,384)

(Continued)

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	2019	2018
	770,387	827,559
Deferred tax expense		
Recognition and reversal of temporary differences	97,393	292,600
Adjustment in tax rate	-	(75,208)
	97,393	217,392
Income tax expense	$ 867,780	1,044,951

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 defined benefit obligation	$ (6,529)	(32,146)
Unrealized gains (losses) on equity instruments at fair value through other comprehensive income	9,585	(37,780)
	$ 3,056	(69,926)

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	$ 7,823,679	9,958,316
Income tax calculated based on tax rate	$ 1,564,736	1,991,663
Undistributed earnings additional tax	274,317	-
Adjustment in tax rate	-	(75,208)
Estimated tax effect of tax exemption on investment income, net	(55,294)	(877,600)
Realized investment loss	(25,237)	(133,869)
Investment tax credit	(438,511)	(183,384)
Changes in temporary differences	(211,637)	(56,660)
Adjustment of estimated difference and other	(240,594)	380,009
Income tax expense	$ 867,780	1,044,951

(ii) Deferred tax assets and liabilities

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

	Exchange differences on translation	Refund liabilities	Contract liabilities	Unrealized exchange losses, net	Others	Total
Deferred tax assets:						
Balance on January 1, 2019	$ 9,823	178,025	164,955	106,526	301,251	760,580
Recognized in profit or loss	-	(57,422)	(105,526)	563,739	(1,092)	399,699

(Continued)

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Recognized in other comprehensive income	-	-	-	-	6,529	6,529
Balance on December 31, 2019	$ **9,823**	**120,603**	**59,429**	**670,265**	**306,688**	**1,166,808**
Balance on January 1, 2018	$ 9,823	259,546	176,283	365,646	253,814	1,065,112
Recognized in profit or loss	-	(81,521)	(11,328)	(259,120)	15,291	(336,678)
Recognized in other comprehensive income	-	-	-	-	32,146	32,146
Balance on December 31, 2018	$ **9,823**	**178,025**	**164,955**	**106,526**	**301,251**	**760,580**

	Unrealized exchange gains, net	Others	Total
Deferred tax liabilities:			
Balance on January 1, 2019	$ -	(386,555)	(386,555)
Recognized in profit or loss	(497,092)	-	(497,092)
Recognized in other comprehensive income	-	(9,585)	(9,585)
Balance on December 31, 2019	$ **(497,092)**	**(396,140)**	**(893,232)**
Balance on January 1, 2018	$ (171,868)	(371,753)	(543,621)
Recognized in profit or loss	171,868	(52,582)	119,286
Recognized in other comprehensive income	-	37,780	37,780
Balance on December 31, 2018	$ **-**	**(386,555)**	**(386,555)**

(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	$ **398,919**	**362,131**

The Company assesses and considers that some of the income tax reduction items may be unrealized, hence they are not recognized as deferred tax assets.

(iv) Unrecognized deferred tax assets and liabilities related to investments in subsidiaries

The temporary differences associated with investment in subsidiaries were not recognized as deferred income tax assets and liabilities as the Company has the ability to control the reversal of these temporary differences which are not expected to reverse in the foreseeable future.

As of December 31, 2019 and 2018, the aggregate deductible temporary differences relating to investments in subsidiaries not recognized as deferred tax assets amounted to $1,894,891 and $2,162,721, respectively.

As of December 31, 2019 and 2018, the aggregate taxable temporary differences relating to investments in subsidiaries not recognized as deferred tax liabilities amounted to $53,620,982

(Continued)

and $54,430,545, respectively.

(v) Examination and approval

The Company's tax returns for the year through 2017 were assessed by the Taipei National Tax Administration.

(r) Capital and other equities

As of December 31, 2019 and 2018, the Company's authorized common stock consisting of 6,000,000 thousand shares with a par value of 10 New Taiwan dollar per share amounted to $60,000,000 of which 4,407,147 thousand shares were issued. All issued shares were paid up upon issuance.

(i) Ordinary shares

In 2015, the Company issued its employee restricted shares amounting to $493,600, wherein the amount of $120,450 had been cancelled due to failure in meeting the vested requirements in the year ended December 31, 2018. As of December 31, 2018, the registration procedure had been completed.

(ii) Capital surplus

The balances of capital surplus were as follows:

		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 representing 0.2 New Taiwan dollars per share,

(Continued)

by using the additional paid-in capital. The related information can be accessed through the Market Observation Post system website after the Board of Directors' meeting.

(iii) Retained earnings

Based on the Company's articles of incorporation amended on June 21, 2019, if there is any profit after closing of books in a given year, the Company shall first defray tax due, cover accumulated losses and set aside ten percent of it as legal reserve and then set aside or reverse a special reserve in accordance with laws and regulations. The balance of earnings available for distribution is composed of the remainder of the said profit and the unappropriated retained earnings of previous years. The Board of Directors may set aside a certain amount to cope with the business operation conditions, and shall prepare the proposal for distribution of the balance amount thereof after a resolution has been adopted and then allocated by the Board of Directors. The Company authorizes the Board of Directors to distribute all or part of the dividends and bonuses, capital surplus or legal reserve in cash after a resolution has been adopted by a majority vote at a meeting of the Board of Directors attended by two-thirds of the total number of directors; and in addition thereto a report of such distribution shall be submitted to the General shareholders' meeting.

Based on the Company's articles of incorporation before amended on June 21, 2019, if there is any profit after closing of books in a given year, the Company shall first defray tax due, cover accumulated losses and set aside ten percent of it as legal reserve and then set aside or reverse a special reserve in accordance with laws and regulations. The balance of earnings available for distribution is composed of the remainder of the said profit and the unappropriated retained earnings of previous years. The earnings appropriation proposal to distribute dividend and bonus shall be proposed by the Board of Directors and approved by the General Shareholders Meeting. The rest of the unappropriated retained earnings shall be reserved.

The lifecycle of the industry of the Company is in the growing stage. To consider the need of the Company for the future capital, capital budget, long-term financial planning, domestic and foreign competition, the need of shareholders for cash flow and other factors, if there is any profit after close of books, the dividend and bonus to be distributed to shareholdres 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 annual meeting held on June 21, 2019 and June 22, 2018, respectively. The relevant information was as follows:

	2018		**2017**	
	Amount per share	**Total amount**	**Amount per share**	**Total amount**
Cash dividends distributed to common shareholders	$ 1.0	**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.

(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)**

(s) Share-based payment

At the meeting held on June 20, 2014, the Company's Shareholders' Meeting adopted a resolution to issue 100,000 thousand new shares of employee restricted stock with no consideration to those full time employees who meet certain requirements. The first issuance of 50,000 thousand shares had been approved by the FSC on October 30, 2014. Moreover, the Company's Board of Directors resolved to issue 49,980 thousand shares on January 22, 2015, and 49,360 thousand shares had actually been issued, in which the effective date of the share issuance was on February 25, 2015.

40%, 30% and 30% of the aforementioned restricted shares are vested, respectively, when the employees continue to provide service for at least 2 years, 3 years and 4 years from the registration and effective date and in the meantime, meet the performance requirement. After the issuance, the restricted shares are kept by a trust, which is appointed by the Company, before they are vested. These restricted shares shall not be sold, pledged, transferred, gifted or by any other means of disposal to third parties during the custody period. The voting rights of these shares are executed by the custodian, and the custodian shall act based on law and regulations. If the shares remain unvested after the vesting period, the Company will purchase all the unvested shares without consideration and cancel the shares thereafter. Restricted shares could receive cash and stock dividends. The aforementioned cash and stock dividends are not considered as restricted.

(Continued)

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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 Company reversed compensation cost amounted to $156,219 and capital surplus — employee restricted shares amounted to $318,209. Besides, due to meet the vested requirements of the employee restricted shares, the Company recognized capital surplus–additional paid-in capital amounted to $155,601.

(t) Earnings per share

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

	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

(u) Revenue from contracts with customers

(i) Disaggregation of revenue

	2019	2018
Primary geographical markets:	IT Product Segment	IT Product Segment
United states	$ 376,228,186	361,991,920

(Continued)

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Netherlands	98,084,239	109,185,154
China	90,543,393	110,187,798
United Kingdom	43,940,021	43,573,507
Others	307,484,189	286,111,743
	$ 916,280,028	911,050,122
Major products：		
5C related electronic products	$ 915,421,296	910,647,211
Others	858,732	402,911
	$ 916,280,028	911,050,122

(ii) Contract balance

	December 31, 2019	December 31, 2018	January 1, 2018
Notes and accounts receivable (including related parties)	$ 181,654,052	194,553,384	171,353,850
Less: allowance for impairment	(3,634,190)	3,718,560	(3,717,495)
Total	$ 178,019,862	190,834,824	167,636,355
Contract liabilities	$ 877,822	1,405,452	1,617,626

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

The amount of revenue recognized for the years ended December 31, 2019 and 2018 that was included in the contract liability balance at the beginning of the period were $1,405,452 and $1,585,446, respectively.

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

(v) Employees' and directors' compensations

Based on the Company's articles of incorporation, if there is any profit in a fiscal year, the Company's pre-tax profits in such fiscal year, prior to deduction of compensations to employees and directors, shall be distributed to employees as compensations in an amount of not less than two percent (2%) thereof and to directors as compensations in an amount of not more than two percent (2%) of such profits. In the event that the Company has accumulated losses, the Company shall reserve an amount to offset accumulated losses. The compensations to employees as mentioned above may be distributed in the form of stock or cash. Employees entitled to receive the said stock or cash may include the employees of the Company's subordinate companies pursuant to the Company Act (Employees entitled to receive the said stock or cash may include the employees of the Company's subordinate companies who meet certain conditions after the Company's articles of incorporation amended on June 21, 2019).

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The Company accrued and recognized its employee compensation of $731,322 and $930,857, respectively, and directors' compensation of $38,672 and $49,223 for the years ended December 31, 2019 and 2018, respectively. The estimated amounts mentioned above are based on the net profit before tax without the compensations to employees and directors of each respective ending period, multiplied by the percentage of the compensation to employees and directors, which was approved by the management. The estimations are recorded under operating expenses and cost. The differences between the amounts estimated and recognized in the financial statements, if any, are accounted for as changes in accounting estimates and recognized as profit or loss in the distribution year. If the Board of Directors approve to distribute employee compensation in the form of stock, the number of the shares of the employee compensation is based on the closing price of the day before the Board of Directors' meeting, the related information can be accessed through the Market Observation Post System website. There is no differences between the amount approved in the Board of Directors' meeting and those recognized in the financial statements in 2019 and 2018.

There is no differences between the amount estimated and recognized in the financial statements in 2018. The related information can be accessed through the Market observation Post System website.

(w) Non-operating income and expenses

(i) Other income

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

		2019	2018
Interest income			
Financial assets at amortized cost	$	2,992	9,992
Bank deposits		141,195	316,199
Others		40,420	6,714
Dividend revenue		71,778	212,129
Overdue payable reversed as other income		-	37,657
Sale of expensed assets		275,412	162,265
Other revenue		122,042	142,398
	$	**653,839**	**887,354**

(ii) Other gains and losses

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

		2019	2018
Losses on disposal of investments	$	8,990	-
Gains (losses) on financial assets and liabilities at fair value through profit or loss, net		55,140	97,682
Foreign currency exchange gains (losses), net		(484,552)	(221,786)
Others		(501)	(1,926)
	$	**(420,923)**	**(126,030)**

(Continued)

(x) Financial instruments

(i) Credit risk

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

The Company's customers are mainly from the high-tech industry. The Company does not concentrate on a specific customer and the sales regions are widely spread, thus there should be no concern on the significant concentrations of accounts receivable credit risk. And in order to mitigate accounts receivable credit risk, the Company constantly assesses the financial status of the customers.

2) Receivables and debt securities

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

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

(ii) Liquidity risk

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

	Carrying Amount	Contractual cash flows	Within 1 year	1 ~ 2 years	Over 2 years
December 31, 2019					
Non-derivative financial liabilities					
Unsecured borrowings	$ 65,013,800	(65,013,800)	(57,513,800)	(1,925,000)	(5,575,000)
Notes and accounts payable	149,064,159	(149,064,159)	(149,064,159)	-	-
Other payables	5,814,027	(5,814,027)	(5,814,027)	-	-
Lease liabilities-current and non-current	1,398,432	(1,444,217)	(402,010)	(306,979)	(735,228)
	$ 221,290,418	**(221,336,203)**	**(212,793,996)**	**(2,231,979)**	**(6,310,228)**
December 31, 2018					
Non-derivative financial liabilities					
Unsecured borrowings	$ 79,701,932	(79,701,932)	(68,801,932)	(8,600,000)	(2,300,000)
Notes and accounts payable	155,427,659	(155,427,659)	(155,427,659)	-	-
Other payables	5,044,541	(5,044,541)	(5,044,541)	-	-
	$ 240,174,132	**(240,174,132)**	**(229,274,132)**	**(8,600,000)**	**(2,300,000)**

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

(iii) Currency risk

1) Exposure to foreign currency risk

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

	December 31, 2019			December 31, 2018		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
Financial assets						
Monetary items						
USD to TWD	$ 6,580,212	29.98	197,274,756	6,889,285	30.715	211,604,389
Non-monetary items						
THB to TWD	446,859	1.0028	448,110	423,027	0.946	400,184
Financial liabilities						
Monetary items						
USD to TWD	6,021,076	29.98	180,511,858	6,819,596	30.715	209,463,891

2) Sensitivity analysis

The Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable, other receivables, loans and borrowings, accounts payable, and other payables that are denominated in foreign currency. Assuming all other variable factors remain constant, a strengthening (weakening) 5% of appreciation (depreciation) of the each major foreign currency against the Company's functional currency as of December 31, 2019 and 2018, would have increased (decreased) the net profit before tax as follows. The analysis is performed on the same basis for both periods.

	December 31, 2019	December 31, 2018
USD (against the TWD)		
Strengthening 5%	$ 838,145	107,025
Weakening 5%	(838,145)	(107,025)

3) Exchange gains and losses of monetary items

As the Company deals with diverse foreign currencies, gains or losses on foreign exchange were summarized as a single amount. For the years ended December 31, 2019 and 2018, the foreign exchange losses, including both realized and unrealized, amounted to $484,552 and $221,786, respectively.

(iv) Interest rate analysis

The interest risk exposure from financial assets and liabilities has been disclosed in the note of liquidity risk management.

The following sensitivity analysis is based on the risk exposure to interest rate on the derivative and non-derivative financial instruments on the reporting date. Regarding the assets and liabilities with variable interest rates, the analysis is on the basis of the assumption that the amount of assets and liabilities outstanding at the reporting date were outstanding throughout the year. The rate of change is expressed as the interest rate increase or decrease by 0.25%, when reporting to management internally, which also represents the assessment of the Company's management for the reasonably possible interval of interest rate change.

Assuming all other variable factors remaining constant, if the interest rate had increased or decreased by 0.25%, the impact to the net profit before tax would be as follows for the years ended December 31, 2019 and 2018, which would be mainly resulted from the bank savings and borrowings with variable interest rates.

	2019	2018
Interest increased by 0.25%	$ (30,454)	(30,511)
Interest decreased by 0.25%	30,454	30,511

(v) Fair value information

1) The categories and fair value of financial instruments

The Company's financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income were measured at fair value on a recurring basis. The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It shall not include fair value information of the financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value and investments in equity instruments which do not have any quoted price in an active market in which the fair value cannot be reasonably measured.

	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					
Non-derivative financial assets mandatorily measured at fair value through profit or loss	$ 220,985	-	149,888	71,097	220,985
Financial assets at fair value through other comprehensive income					
Stocks listed on domestic markets	1,614,565	1,614,565	-	-	1,614,565
Stocks listed on foreign markets	448,110	448,110	-	-	448,110
Stocks unlisted on domestic markets	914,507	-	-	914,507	914,507
Stocks unlisted on foreign markets	42,211	-	-	42,211	42,211
Accounts receivable	27,170,468	-	27,170,468	-	27,170,468
Subtotal	30,189,861				

(Continued)

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	Book value	Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost					
Cash and cash equivalents	13,459,969	-	-	-	-
Notes and accounts receivable, net	149,797,263	-	-	-	-
Notes and accounts receivable due from related parties, net	1,052,131	-	-	-	-
Other receivables	3,110,607	-	-	-	-
Guarantee deposits	126,605	-	-	-	-
Subtotal	167,546,575				
Total	$ 197,957,421				
Financial liabilities measured at amortized cost					
Short-term borrowings	$ 39,363,800	-	-	-	-
Notes and accounts payable	74,138,921	-	-	-	-
Notes and accounts payable to related parties	74,925,238	-	-	-	-
Other payables	5,814,027	-	-	-	-
Lease liabilities–current and non-current	1,398,432	-	-	-	-
Long-term borrowings current portion	18,150,000	-	-	-	-
Long-term borrowings	7,500,000	-	-	-	-
Deposits received	220	-	-	-	-
Total	$ 221,290,638				

	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					
Non-derivative financial assets mandatorily measured at fair value through profit or loss	$ 308,513	284,768	-	23,745	308,513
Financial assets at fair value through other comprehensive income					
Stocks listed on domestic markets	2,383,976	2,383,976	-	-	2,383,976
Stocks listed on foreign markets	400,184	400,184	-	-	400,184
Stocks unlisted on domestic markets	896,395	-	-	896,395	896,395
Stocks unlisted on foreign markets	51,363	-	-	51,363	51,363
Accounts receivable	22,896,211	-	22,896,211	-	22,896,211
Subtotal	26,628,129				
Financial assets measured at amortized cost					
Cash and cash equivalents	20,446,378	-	-	-	-
Corporate bonds－current	350,000	-	-	-	-
Notes and accounts receivable, net	166,600,383	-	-	-	-
Notes and accounts receivable due from related parties, net	1,318,230	-	-	-	-
Other receivables	1,418,750	-	-	-	-

(Continued)

	December 31, 2018				
		Fair Value			
	Book value	Level 1	Level 2	Level 3	Total
Guarantee deposits	117,500	-	-	-	-
Subtotal	190,251,241				
Total	$ 217,187,883				
Financial liabilities measured at amortized cost					
Short-term borrowings	$ 51,305,682	-	-	-	-
Notes and accounts payable	77,050,816	-	-	-	-
Notes and accounts payable to related parties	78,376,843	-	-	-	-
Other payables	5,044,541	-	-	-	-
Long-term borrowings current portion	17,496,250	-	-	-	-
Long-term borrowings	10,900,000	-	-	-	-
Deposits received	266	-	-	-	-
Total	$ 240,174,398				

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

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

a) Financial assets measured at amortized cost and financial liabilities measured at amortized cost

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

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

a) Non-derivative financial instruments

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

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

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

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

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

b) Derivative financial instruments

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

4) Transfer from one level to another

The Company held an investment in equity of Crystalvue Medical Corporation ("Crystalvue"), with a fair value of $18,736 and $11,287, which were classified as fair value through other comprehensive income as of December 31, 2019 and 2018, respectively. The investment was categorized as level 3 as of December 31, 2018, because the shares were not listed on the exchange market and was measured by significant unobservable inputs. In December 2019, Crystalvue's shares were listed in the exchange market, wherein they are actively traded. Currently, the equity shares have a quoted market price in an active market; therefore, the category was transferred from level 3 to level 1 as of December 31, 2019.

There was no transfer from one level to another in 2018.

5) Changes in level 3

The change in level 3 at fair value in the years ended December 31, 2019 and 2018, were as follow:

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	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Total
Balance on January 1, 2019	$ 23,745	947,758	971,503
Total gains and losses recognized:			
In profit or loss	(8,244)	-	(8,244)
In other comprehensive income	-	18,468	18,468
Purchased	55,596	19,396	74,992
Disposal	-	(791)	(791)
Proceeds of capital reduction of investment	-	(7,615)	(7,615)
Transferred out form level 3	-	(20,498)	(20,498)
Balance on December 31, 2019	**$ 71,097**	**956,718**	**1,027,815**
Balance on January 1, 2018	$ -	1,335,885	1,335,885
Total gains and losses recognized:	-	-	-
In other comprehensive income	-	(487,950)	(487,950)
Purchased	23,745	107,877	131,622
Proceeds of capital reduction of investment	-	(8,054)	(8,054)
Balance on December 31, 2018	**$ 23,745**	**2,291,697**	**2,315,442**

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

	2019	2018
Total gains and losses recognized:		
In profit or loss before tax (as “other gains and losses, net”)	**$ (8,244)**	**-**
In other comprehensive income (as “other comprehensive income, before tax, equity instruments at fair value through other comprehensive income”)	**$ 17,677**	**(487,950)**

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

The Company’ s financial instruments that use level 3 input to measure fair values include financial assets at fair value through other comprehensive income – equity instruments, financial assets at fair value through profit or loss – equity securities investment and available-for-sale financial assets – equity investment.

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

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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 multiples method and Multiples of earnings method)	Price-Book ratio multiples (1.4~5.64, 1.33~5.86, respectively, on December 31, 2019 and 2018) Multiples of earnings (3.12~11.24, 2.32~2.95, respectively, on December 31, 2019 and 2018) Lack-of-Marketability discount rate (35%~85%, and 40%~82%, respectively, on December 31, 2019 and 2018)	The higher the multiple is, the higher the fair value will be. The higher the multiple is, the higher the fair value will be. The higher the Lack-of-Marketability discount rate is, the lower the fair value will be.
Financial assets at fair value through other comprehensive income	Net asset value method	Net asset value	Inapplicable
Financial assets at fair value through profit or loss－investment in private placement	Net asset value method	Net asset value	Inapplicable

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

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

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	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%	$ 25,552	24,531
	Multiples of earnings	5%	$ 14,707	12,746
	Lack-of-Marketability discount rate	5%	$ 6,589	6,548
December 31, 2018				
Financial assets at fair value through other comprehensive income	Price-Book ratio multiples	5%	$ 24,924	24,935
	Multiples of earnings	5%	$ 18,629	17,648
	Lack-of-Marketability discount rate	5%	$ 4,913	4,925

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

(y) Financial risk management

(i) Overview

The Company is exposed to the following risks arising from financial instruments:

1) Credit risk

2) Liquidity risk

3) Market risk

In this note expressed the information on risk exposure and objectives, policies and procedures of risk measurement and management of the Company. For detailed information, please refer to the related notes of each risk.

(ii) Structure of risk management

The Company's finance management department provides business services for the overall internal department. It sets the objectives, policies and processes for managing the risk and the methods used to measure the risk arising from both the domestic and international financial market operations.

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The Company minimizes the risk exposure through derivative financial instruments. The Board of Directors regulated the use of derivative financial instruments in accordance with the Company's policy about risks arising from financial instruments such as currency risk, interest rate risk, credit risk, the use of derivative and non-derivative financial instruments and the investments of excess liquidity. The internal auditors of the Company continue with the review of the amount of the risk exposure in accordance with the Company's policies and the risk management policies and procedures. The Company has no transactions in financial instruments (including derivative financial instruments) for the purpose of speculation.

(iii) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investment securities.

1) Accounts receivable and other receivables

The Company has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer, and these limits are reviewed periodically.

2) Investments

The credit risks exposure in the bank deposits, investments with fixed income and other financial instruments are measured and monitored by the Company's finance department. Since the Company's transaction counterparties and the contractually obligated counterparties are banks, financial institutes and corporate organizations with good credits, there are no compliance issues, and therefore, no significant credit risk.

3) Guarantees

Pursuant to the Company's policies, it is only permissible to provide financial guarantees to subsidiaries and companies that the Company has business with. As of December 31, 2019 and 2018, the guarantees provide to the subsidiaries amounted to $255,662 and $325,179, respectively.

(iv) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities which be settled by delivering cash or another financial asset.

The Company manages and maintains sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. The Company's management supervises the banking facilities and ensures in compliance with the terms of the loan agreements. Please refer to notes (6)(l) and (6)(m) for unused credit lines of short-term and long-term borrowings as of December 31, 2019 and 2018.

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(v) Market risk

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

1) Currency risk

The Company is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the functional currency of the Company, primarily USD.

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

2) Interest rate risk

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

3) Other price risk

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

(z) Capital management

The policy of capital management made by the Board of Directors is to maintain a strong capital base so as to stabilize the confidence of the investors, creditors and the public market and to sustain future development of the business. Capital consists of ordinary shares, capital surplus and retained earnings. The Board of Directors monitors the return on capital as well as the level of dividends to ordinary shareholders.

The Company monitors the capital structure by way of periodical review the debt ratio. As of December 31, 2019 and 2018, the debt ratio was as follows:

	December 31, 2019	**December 31, 2018**
Total liabilities	$ 231,810,855	250,089,167
Total assets	$ 337,783,488	355,812,813
Debt ratio	69%	70%

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

As of December 31, 2019, there were no changes in the Company' s approach of capital management.

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

The Company's investing and financing activities which did not affect the current cash flow in the year ended December 31, 2019 were acquisition of right-of-use assets by leasing, please refer to note (6)(k).

There were no investing and financing activities which did not affect the current cash flow in the year ended December 31, 2018.

Reconciliation of liabilities arising from financial activities were as follows:

	January 1, 2019	Cash flow	Non-cash changes	December 31, 2019
Short-term borrowings	$ 51,305,682	(11,941,882)	-	39,363,800
Long-term borrowings	28,396,250	(2,746,250)	-	25,650,000
Lease liabilities	821,816	(414,856)	991,472	1,398,432
Guarantee deposits	266	(46)	-	220
Total liabilities from financing activities	$ 80,524,014	(15,103,034)	991,472	66,412,452

	January 1, 2018	Cash flow	Non-cash changes	December 31, 2018
Long-term borrowings	$ 41,386,000	9,919,682	-	51,305,682
Short-term borrowings	27,133,200	1,263,050	-	28,396,250
Guarantee deposits	266	-	-	266
Total liabilities from financing activities	$ 68,519,466	11,182,732	-	79,702,198

(7) Related-party transactions:

(a) Name and relationship with related parties

The following are the subsidiaries and entities that have transactions with related party during the periods covered in the parent-company-only financial statements.

Name of related party	Country of incorporation
Panpal Technology Corp. ("Panpal")	The Company's subsidiary
Gempal Technology Corp. ("Gempal")	The Company's subsidiary
Hong Ji Capital Co., Ltd. ("Hong Ji")	The Company's subsidiary
Hong Jin Investment Co., Ltd. ("Hong Jin")	The Company's subsidiary
Zhaopal Investment Co., Ltd. ("Zhaopal")	The Company's subsidiary
Yongpal Investment Co., Ltd. ("Yongpal")	The Company's subsidiary
Kaipal Investment Co., Ltd. ("Kaipal")	The Company's subsidiary

(Continued)

COMPAL ELECTRONICS, INC.
Notes to Parent-Company-Only Financial Statements

Name of related party	Country of incorporation
Accesstek, Inc. (“ATK”)	The Company’s subsidiary
Arcadyan	The Company’s subsidiary
Rayonnant Technology Co., Ltd. (“Rayonnant Technology”)	The Company’s subsidiary
HengHao Technology Co., Ltd. (“HengHao”)	The Company’s subsidiary
Ripal Optortronics Co., Ltd. (“Ripal”)	The Company’s subsidiary
Auscom Engineering Inc. (“Auscom”)	The Company’s subsidiary
Just International Ltd. (“Just”)	The Company’s subsidiary
Compal International Holding Co., Ltd. (“CIH”)	The Company’s subsidiary
Compal Electronics (Holding) Ltd. (“CEH”)	The Company’s subsidiary
Bizcom Electronics, Inc. (“Bizcom”)	The Company’s subsidiary
Flight Global Holding Inc. (“FGH”)	The Company’s subsidiary
High Shine Industrial Corp. (“HSI”)	The Company’s subsidiary
Compal Europe (Poland) Sp. z o.o. (“CEP”)	The Company’s subsidiary
Big Chance International Co., Ltd. (“BCI”)	The Company’s subsidiary
Compal Rayonnant Holdings Limited (“CRH”)	The Company’s subsidiary
Core Profit Holdings Limited (“CORE”)	The Company’s subsidiary
Compalead Electronics B.V. (“CPE”)	The Company’s subsidiary
Compalead Eletronica do Brasil Industria e Comercio Ltda. (“CEB”)	The Company’s subsidiary
Compal Display Holding (HK) Limited (“CDH (HK)”)	The Company’s subsidiary
Compal Electronics International Ltd. (“CII”)	The Company’s subsidiary
Compal International Ltd. (“CPI”)	The Company’s subsidiary
Compal Electronics (China) Co., Ltd. (“CPC”)	The Company’s subsidiary
Compal Optoelectronics (Kunshan) Co., Ltd. (“CPO”)	The Company’s subsidiary
Compal System Trading (Kunshan) Co., Ltd. (“CST”)	The Company’s subsidiary
Smart International Trading Ltd. (“Smart”)	The Company’s subsidiary
Amexcom Electronics Inc. (“AEI”)	The Company’s subsidiary
Mexcom Electronics, LLC (“MEL”)	The Company’s subsidiary
Mexcom Technologies, LLC (“MTL”)	The Company’s subsidiary
CENA Electromex, S.A. de C.V. (“CMX”) (Note)	The Company’s subsidiary
Compal International Holding (HK) Limited (“CIH (HK)”)	The Company’s subsidiary
Jenpal International Ltd. (“Jenpal”)	The Company’s subsidiary
Prospect Fortune Group Ltd. (“PFG”)	The Company’s subsidiary

(Continued)

COMPAL ELECTRONICS, INC.
Notes to Parent-Company-Only Financial Statements

Name of related party	Country of incorporation
Compal Electronics Technology (Kunshan) Co., Ltd. (“CET”)	The Company’s subsidiary
Compal Information (Kunshan) Co., Ltd. (“CIC”)	The Company’s subsidiary
Compal Information Technology (Kunshan) Co., Ltd. (“CIT”)	The Company’s subsidiary
Kunshan Botai Electronics Co., Ltd. (“BT”)	The Company’s subsidiary
Compal Information Research and Development (Nanjing) Co., Ltd. (“CIN”)	The Company’s subsidiary
Compal Digital Technology (Kunshan) Co., Ltd. (“CDT”)	The Company’s subsidiary
Compower Global Service Co., Ltd. (“CGS”)	The Company’s subsidiary
Compal Investment (Jiansu) Co., Ltd. (“CIJ”)	The Company’s subsidiary
Compal Display Electronics (Kunshan) Co., Ltd. (“CDE”)	The Company’s subsidiary
Etrade Management Co., Ltd. (“Etrade”)	The Company’s subsidiary
Webtek Technology Co., Ltd. (“Webtek”)	The Company’s subsidiary
Forever Young Technology Inc. (“Forever”)	The Company’s subsidiary
Unicom Global, Inc. (“UCGI”)	The Company’s subsidiary
Palcom International Corporation (“Palcom”)	The Company’s subsidiary
Compal Communication (Nanjing) Co., ltd. (“CCI Nanjing”)	The Company’s subsidiary
Compal Digital Communication (Nanjing) Co., Ltd. (“CDCN”)	The Company’s subsidiary
Compal Wireless Communication (Nanjing) Co., Ltd. (“CWCN”)	The Company’s subsidiary
Hanhelt Communication (Nanjing) Co., Ltd. (“Hanhelt”)	The Company’s subsidiary
Giant Rank Trading Ltd. (“GIA”)	The Company’s subsidiary
OptoRite Inc.	The Company’s subsidiary
MSI-ATK Otpics Holding Corporation (“MSI-ATK”)	The Company’s subsidiary
Maitek (BVI) Corporation (“Maitek”)	The Company’s subsidiary
Arcadyan Technology N.A. Corp. (“Arcadyan USA”)	The Company’s subsidiary
Arcadyan Germany Technology GmbH (“Arcadyan Germany”)	The Company’s subsidiary
Arcadyan Technology Corporation Korea (“Arcadyan Korea”)	The Company’s subsidiary
Arcadyan Holding (BVI) Corp. (“Arcadyan Holding”)	The Company’s subsidiary
Arcadyan do Brasil Ltda. (“Arcadyan Brasil”)	The Company’s subsidiary
Arcadyan Technology Limited (“Arcadyan UK”)	The Company’s subsidiary
Arcadyan Technology Australia Pty Ltd. (“Arcadyan AU”)	The Company’s subsidiary
Zhi-pal Technology Inc. (“Zhi-pal”)	The Company’s subsidiary
Tatung Technology Inc. (“TTI”)	The Company’s subsidiary
AcBel Telecom Inc. (“AcBel Telecom”)	The Company’s subsidiary

(Continued)

COMPAL ELECTRONICS, INC.
Notes to Parent-Company-Only Financial Statements

Name of related party	Country of incorporation
CBN	The Company's subsidiary
Speedlink Tradings Limited ("Speedlink")	The Company's subsidiary
Compal Broadband Networks Belgium BVBA ("CBNB")	The Company's subsidiary
Compal Broadband Networks Netherlands B.V. ("CBNN")	The Company's subsidiary
Sinoprime Global Inc. ("Sinoprime")	The Company's subsidiary
Arcadyan Technology (Vietnam) Co., Ltd. ("Arcadyan Vietnam")	The Company's subsidiary
Arcadyan Technology (Shanghai) corp. ("SVA Arcadyan")	The Company's subsidiary
Arch Holding (BVI) Corp. ("Arch Holding")	The Company's subsidiary
Compal Networking (Kunshan) Co., Ltd. ("CNC")	The Company's subsidiary
Leading Images Ltd. ("Leading Images")	The Company's subsidiary
Astoria Networks GmbH ("Astoria GmbH")	The Company's subsidiary
Quest International Group Co., Ltd. ("Quest")	The Company's subsidiary
Exquisite Electronic Co., Ltd. ("Exquisite")	The Company's subsidiary
Tatung Home Appliances (Wujiang) Co., Ltd. ("THAC")	The Company's subsidiary
Tatung Technology of Japan Co., Ltd.	The Company's subsidiary
Intelligent Universal Enterprise Ltd. ("IUE")	The Company's subsidiary
Goal Reach Enterprises Ltd. ("Goal")	The Company's subsidiary
Compal (Vietnam) Co., Ltd. ("CVC")	The Company's subsidiary
Compal Development &Management (Vietnam) Co., Ltd. ("CDM")	The Company's subsidiary
Allied Power Holding Corp. ("APH")	The Company's subsidiary
Primetek Enterprises Limited ("PEL")	The Company's subsidiary
Rayonnant Technology (HK) Co., Ltd. ("Rayonnant Technology (HK)")	The Company's subsidiary
Royonnant Technology (Taicang) Co., Ltd. ("Rayonnant Technology (Taicang)")	The Company's subsidiary
HengHao Holdings A Co., Ltd. ("HHA")	The Company's subsidiary
HengHao Holdings B Co., Ltd. ("HHB")	The Company's subsidiary
HengHao Trading Co., Ltd.	The Company's subsidiary
HengHao Optoelectronics Technology (Kunshan) Co., Ltd.	The Company's subsidiary
LUCOM Display Technology (Kunshan) Limited ("Lucom")	The Company's subsidiary
Center Mind International Co., Ltd. ("CMI")	The Company's subsidiary
Prisco International Co., Ltd. ("PRI")	The Company's subsidiary
Compal Electronic (Sichuan) Co., Ltd. ("CIS")	The Company's subsidiary
Compal Electronic (Chongqing) Co., Ltd. ("CEQ")	The Company's subsidiary

(Continued)

COMPAL ELECTRONICS, INC.
Notes to Parent-Company-Only Financial Statements

Name of related party	Country of incorporation
Compal Electronic (Chengdu) Co., Ltd. ("CEC")	The Company's subsidiary
Compal Management (Chengdu) Co., Ltd. ("CMC")	The Company's subsidiary
Compal Smart Device (Chongqing) Co., Ltd. ("CSD")	The Company's subsidiary
Billion Sea Holdings Limited ("BSH")	The Company's subsidiary
Mithera Capital Io LP ("Mithera")	The Company's subsidiary
Fortune Way Technology Corp. ("FWT")	The Company's subsidiary
General Life Biotechnology Co., Ltd. ("GLB")	The Company's subsidiary
Mactech Co., Ltd. ("Mactech")	The Company's subsidiary
Rapha Bio Ltd. ("Rapha")	The Company's subsidiary
Compal Electronics India Private Limited ("CEIN")	The Company's subsidiary
Shennona Corporation ("Shennona")	The Company's subsidiary
Unicore BioMedical Co., Ltd. ("Unicore")	The Company's subsidiary
Raycore Biotech Co., Ltd. ("Raycore")	The Company's subsidiary
Hippo Screen Neurotech Co., Ltd. ("Hippo Screen")	The Company's subsidiary
Shennona Co., Ltd. ("Shennona TW")	The Company's subsidiary
Aco Smartcare Co., Ltd. ("Aco Smartcare")	The Company's subsidiary
AcBel Polytech Inc. (AcBel) and its subsidiaries ("AcBel")	The same Chairman of the Board with the Company
Avalue	An associate
Crownpo Technology Inc ("Crownpo")	An associate
Kinpo Group Management Consultant Company ("Kinpo Group Management")	An associate
Allied Circuit	An associate
LIZ Electronics (Kunshan) Co., Ltd. ("LIZ")	An associate
Compal Connector Manufacture Ltd. ("CCM")	A joint venture company

Note: Since the disposal of CMX in August 2019, CMX is no longer a subsidiary of the Company.

(b) Transactions with key management personnel

Key management personnel remunerations comprised:

	2019	2018
Short-term employee benefits	$ 482,308	487,007
Post-employment benefits	6,130	5,913
Share-based payments	-	(91,809)
	$ 488,438	**401,111**

(Continued)

COMPAL ELECTRONICS, INC.
Notes to Parent-Company-Only Financial Statements

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

(c) Significant related-party transactions

(i) Sale of goods to related parties

The amounts of significant sales transactions between the Company and related parties were as follows:

	2019	2018
Subsidiaries	$ 1,432,433	2,649,187
Associates	179	246
	$ 1,432,612	2,649,433

Sales prices for related parties were similar to those of the third-party customers. The collection period was 45~180 days for related parties.

(ii) Purchase of goods from related parties

The amounts of significant purchase transactions between the Company and related parties were as follows:

	2019	2018
Subsidiaries		
CSD	$ 96,242,404	-
Others	296,062,338	287,509,094
	392,304,742	287,509,094
Associates	410	40
Other related parties	65,573	9,194
Joint venture	467	370
	$ 392,371,192	287,518,698

Purchase prices and payment period from related parties were similar to those from third-party suppliers. The payment period was 60~120 days for related parties.

(iii) Product warranty service expenses

The product warranty service expenses paid to subsidiaries for the years ended December 31, 2019 and 2018, amounted to $292,959 and $278,993, respectively. As of December 31, 2019 and 2018, the unpaid warranty service expenses were record as other payables.

(iv) Technical service expense

The Company engaged its subsidiaries to research and develop of notebooks, and the related technical service expenses for the years ended December 31, 2019 and 2018, amounted to $170,657 and $154,412, respectively. As of December 31, 2019 and 2018, the unpaid technical service expenses were recorded as other payables.

(v) Receivable due from relate parties

The receivables arising from the transactions mentioned above, the sale of machinery and equipment to related parties, and the purchasing of machinery, equipment and others on behalf of the related parties as of December 31, 2019 and 2018, were as follows:

Account	Related party categories	December 31, 2019	December 31, 2018
Notes and accounts receivable	Subsidiaries	$ 1,052,131	1,318,230
Other receivables	Subsidiaries - UCGI	581,199	502,320
Other receivables	Subsidiaries - Others	27,155	18,278
Other receivables	Other related parties	62	-
Other receivables	Joint venture	-	120
		1,660,547	1,838,948
Less: Credit balance of investments accounted for using equity method		(459,296)	(376,263)
		$ 1,201,251	1,462,685

As of December 31, 2019 and 2018, the Company's investment accounted for using the equity method in subsidiaries was a credit balance, recorded as a deduction from other receivable (other receivables) – related party. Please refer to note (6)(h).

(vi) Payable to related parties

The payables to related parties as of December 31, 2019 and 2018, were as follows:

Account	Related party categories	December 31, 2019	December 31, 2018
Notes and accounts payable	Subsidiaries - CIT	$ 31,847,665	161,883
Notes and accounts payable	Subsidiaries - Others	43,055,746	78,205,643
Notes and accounts payable	Associates	259	11
Notes and accounts payable	Other related parties	21,568	9,146
Notes and accounts payable	Joint venture	-	160
Other payables	Subsidiaries	339,318	199,328
Other payables	Associates	-	745
Other payables	Other related parties	-	274
		$ 75,264,556	78,577,190

(vii) Loan to related parties

The interest rate of unsecured loans to subsidiaries was 1.20%~3.50%, and the Company had assessed that no bad debt expenses should be recognized. As of December 31, 2019 and 2018, the loans due to related parties were recorded as other receivables.

Account	Related party categories	December 31, 2019	December 31, 2018
Other receivables	Subsidiaries - CEB	$ 1,499,000	-
Other receivables	Subsidiaries - HengHao	200,000	199,618
Other receivables	Subsidiaries - UCGI	220,000	220,000
Less: Credit balance of investments accounted for using the equity method		(200,000)	(118,481)
		$ 1,719,000	301,137

As of December 31, 2019 and 2018, the Company's investment accounted for using the equity method in some subsidiaries was a credit balance, recorded as a deduction from other receivables – related parties (classified as other receivables). Please refer to note (6)(h).

(viii) Guarantees

As of December 31, 2019 and 2018, the guarantees provided to subsidiaries were $255,662 and $325,179, respectively.

(8) Pledged assets: None.

(9) Commitments and contingencies:

The details of commitments and contingencies were as follows:

(a) On May 17, 2017, Qualcomm Inc. filed a lawsuit to the Southern District Court of California, USA against the Group for not paying the royalties of the patent license agreement. The Group has filed counterclaims against Qualcomm Inc. based on the antitrust law in the same court on July 19, 2017. The lawsuits was settled on April 16, 2019. The Company had compromised and both parties had agreed to drop the lawsuits.

(b) In August 2019, Inventec Corporation filed a lawsuit to the Taiwan Taipei District Prosecutors Office against the Company concerning its former employees who joined the Company. This is deemed as an act of violation according to the Trade Secret Law and Copyright Law. The Company engaged lawyers to defend its right on this matter. Currently, the case is still in progress; therefore, the Company cannot make any reasonable estimation regarding the possible impact on its business operation.

(c) The Company entered into various patent license agreements with third parties, and was required to make royalty payments of a predetermined amount periodically.

(10) Losses due to major disasters: None

(11) Subsequent events: None

(12) Other:

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

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COMPAL ELECTRONICS, INC.
Notes to Parent-Company-Only Financial Statements

follows:

By function / By item	2019 Operating costs	2019 Operating expenses	2019 Total	2018 Operating costs	2018 Operating expenses	2018 Total
Employee benefits						
Salary	677,649	8,450,610	9,128,259	322,825	8,227,841	8,550,666
Labor and health insurance	51,188	571,822	623,010	27,602	517,757	545,359
Pension	17,972	330,664	348,636	12,469	308,470	320,939
Remuneration of directors	-	48,630	48,630	-	59,182	59,182
Others	136,787	402,952	539,739	48,089	385,959	434,048
Depreciation	93,277	598,554	691,831	15,342	150,985	166,327
Amortization	5,980	319,247	325,227	40,050	249,740	289,790

For the years ended December 31, 2019 and 2018, the information on the number of employees and employee benefit expense of the Company is as follows:

	2019	2018
Number of employees (Average salaries)	7,682	6,903
Number of directors (non-employees)	11	11
Average benefit expense of employees	$ 1,387	1,429
Average salary expense of employees	$ 1,190	1,241
Percentage of change in average salary expense of employees	(4.11)%	

(13) Other disclosures:

(a) Information on significant transactions

The following were the information on significant transactions required by the " Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Company for the year ended December 31, 2019:

(i) Loans to other parties: Please refer to Table 1

(ii) Guarantees and endorsements for other parties: Please refer to Table 2

(iii) Securities held as of December 31, 2019 (excluding investment in subsidiaries, associates and joint ventures): Please refer to Table 3

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20% of the capital stock: Please refer to Table 4

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

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

(vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT$100 million or 20% of the capital stock: Please refer to Table 5

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

(ix) Trading in derivative instruments: None.

(b) Information on investees: Please refer to Table 7

(c) Information on investment in Mainland China: Please refer to Table 8

(14) Segment information:

Please refer to the consolidated financial report of 2019.

COMPAL ELECTRONICS, INC.

Statement of cash and cash equivalents

December 31, 2019

(Expressed in thousands of New Taiwan Dollars;
in dollars of Foreign Currency)

Item	Description	Amount
Cash on hand		$ 1,527
Checking account and demand deposits	TWD	98,383
	Foreign currency (US$113,510,726 and others)	3,424,804
		3,523,187
Time deposits	Foreign currency (US$327,000,000, Maturity date: 2020.1.2~ 2020.1.7)	9,803,460
	(CNY$19,000,000, Maturity date: 2020.1.6~ 2020.3.2)	81,795
		9,885,255
Cash equivalents:		
Bonds purchased under resale agreements	TWD(Maturity date: 2020.1.2~2020.1.3)	50,000
Total		**$ 13,459,969**

Note: The exchange rate is 29.98 New Taiwan dollars for 1 US dollar;4.305 New Taiwan dollars for 1 CNY dollar.

COMPAL ELECTRONICS, INC.

Statement of notes and accounts receivable

December 31, 2019

(Expressed in thousands of New Taiwan Dollars)

Item	Description	Amount
D Company	Sales of non-related-parties	$ 101,009,491
E Company	〃	24,891,952
A Company	〃	14,079,296
C Company	〃	12,692,996
G Company	〃	10,073,399
B Company	〃	9,050,623
Others (Note)	〃	8,804,164
		180,601,921
Less: allowance for uncollectible accounts		(3,634,190)
Notes and accounts receivable, net		**$ 176,967,731**

Note: The amount of individual client included in others does not exceed 5% of the account balance.

Statement of inventories

Item	Cost	Net Realizable Value
Finished goods	$ 13,454,860	13,694,385
Work in progress	152,421	152,421
Raw materials	36,440,788	36,467,412
Total	**$ 50,048,069**	**50,314,218**

COMPAL ELECTRONICS, INC.

Statement of changes in accumulated impairment of investments accounted for using the equity method

For the year ended December 31, 2019

(Expressed in thousands of New Taiwan Dollars; thousands of shares)

	Beginning Balance		Increase (Note 1)		Decrease (Note 2)			Ending Balance (including impairment loss)				
Investee Company	Number of shares	Amount (not including exchange differences on transaction of foreign financial statements	Number of shares	Amount	Number of shares	Amount	Share of profit recognized	Number of shares	Amount (not including exchange differences on transaction of foreign financial statements	Exchange differences on transaction of foreign financial statements	Ending Balance (including exchange differences on transaction of foreign statements	Market Price / Net Value
Auscom	3,000	$ 135,590	-	-	-	-	3,919	3,000	139,509	(12,809)	126,700	126,700
Panpal	500,000	5,941,971	-	268,654	-	27,411	213,221	500,000	6,396,435	(532,123)	5,864,312	5,896,656
Just	48,010	8,252,466	-	-	-	-	209,804	48,010	8,462,270	(507,371)	7,954,899	7,954,899
CIH	53,001	35,479,344	-	-	-	-	473,752	53,001	35,953,096	(1,394,727)	34,558,369	34,545,520
CEH	1	3,906,656	-	-	-	-	-	1	3,906,656	(373,413)	3,533,243	3,531,243
Gempal	90,000	1,920,264	-	43,776	-	93,989	74,765	90,000	1,944,816	(19,863)	1,924,953	1,946,801
Hong Ji	100,000	1,070,753	-	-	-	48,866	61,267	100,000	1,083,154	(4,701)	1,078,453	1,078,453
Hong Jin	29,500	330,469	-	3,154	-	18,689	29,774	29,500	344,708	(2,539)	342,169	342,169
Maxima Ventures l, Inc.	126	4,961	-	-	-	-	37	126	4,998	(2,305)	2,693	2,693
ATK	899	10,374	-	-	-	-	(1,826)	899	8,548	(3)	8,545	8,545
Allied Circuit	10,158	331,178	-	-	-	57,456	45,327	10,158	319,049	(117)	318,932	1,076,719 (Note 4)
Bizcom	100	454,679	-	-	-	-	16,485	100	471,164	(24,969)	446,195	446,195
LIPO	98	677,539	-	-	-	-	(125,098)	98	552,441	(44,275)	508,166	508,814
Crownpo	3,739	76,971	-	-	-	1,870	(16,347)	3,739	58,754	(2,985)	55,769	55,769
Arcadyan	41,305	2,065,133	-	81,907	-	146,857	278,206	41,305	2,278,389	(18,329)	2,260,060	3,886,754 (Note 3)
FGH	89,755	4,927,347	-	-	-	586	131,815	89,755	5,058,576	(595,702)	4,462,874	4,462,874
HSI	42,700	737,228	-	-	-	-	(180,050)	42,700	557,178	(15,795)	541,383	569,345
Zhaopal	135,800	6,190	-	-	135,800	6,191	1	-	-	-	-	-
Yongpal	118,850	5,509	-	-	118,850	5,509	-	-	-	-	-	-
Kaipal	51,050	3,110	-	-	51,050	3,110	-	-	-	-	-	-
Lead-Honor Optronics Co., Ltd.	2,772	(3)	-	-	-	-	-	2,772	(3)	3	-	-
CBN	29,060	782,396	-	-	-	52,835	4,619	29,060	734,180	(121)	734,059	845,651 (Note 3)
Kinpo Group Management	300	4,538	-	-	-	-	90	300	4,628	-	4,628	5,786
Rayonnant Technology	29,500	43,764	-	-	-	-	22,907	29,500	66,671	(4,361)	62,310	62,310
CRH	12,500	104,879	-	-	-	-	27,806	12,500	132,685	(987)	131,698	131,698
HengHao	63,815	(100,557)	20,000	200,000	63,800	-	(569,058)	20,015	(469,615)	(15,459)	(485,074)	(485,074)
Infinno Technology Corp.	5,650	21,553	-	-	-	-	(4,354)	5,650	17,199	-	17,199	17,199
CEP	136	19,975	-	-	-	-	2,224	136	22,199	(4,827)	17,372	17,372
BCI	90,820	5,857,011	-	-	-	-	296,503	90,820	6,153,514	27,522	6,181,036	6,181,036
APE	31,253	926,089	-	111,280	-	27,199	71,442	31,253	1,081,612	(20,166)	1,061,446	1,061,446
CORE	147,000	7,395,104	-	-	-	-	232,282	147,000	7,627,386	40,806	7,668,192	7,668,192
Unicore	20,000	164,648	-	-	-	-	(18,984)	20,000	145,664	-	145,664	145,664
Ripal	6,000	51,798	-	-	-	-	24,834	6,000	76,632	-	76,632	76,632
CPE	6,427	839,756	-	-	-	-	16,394	6,427	856,150	(32,721)	823,429	823,429
Avalue	15,240	599,634	-	4,761	216	49,139	99,281	15,024	654,537	(7,964)	646,573	1,147,839 (Note 4)
Etrade	46,900	(169,077)	-	-	-	-	(311,924)	46,900	(481,001)	(125,198)	(606,199)	(617,819)
Webtek	100	685,089	-	-	-	-	(39,957)	100	645,132	(117,603)	527,529	527,529
Forever	50	1,567,245	-	-	-	-	1,497	50	1,568,742	(114,909)	1,453,833	1,453,833
UCGI	10,000	(376,263)	-	-	-	-	(83,034)	10,000	(459,297)	-	(459,297)	(459,297)
Palcom	10,000	109,663	-	-	-	1,587	(2,453)	10,000	105,623	-	105,623	105,623
Mactech	21,756	246,787	-	-	-	21,994	12,703	21,756	237,496	-	237,496	237,496
GLB	15,000	260,934	-	-	-	-	45,053	15,000	305,987	-	305,987	305,989
Shennona	2,500	4,738	100	3,107	-	-	(7,150)	2,600	695	677	1,372	1,372
Hippo Screen	-	-	4,200	42,000	-	-	(7,131)	4,200	34,869	-	34,869	22,395
Shennona TW	-	-	600	6,000	-	-	(1,708)	600	4,292	-	4,292	4,292
Aco Smartcare	-	-	100,000	90,000	-	-	(4,022)	100,000	85,978	-	85,978	58,124
Subtotal		85,377,433		854,639		563,288	1,022,912		86,691,696	(3,927,334)	82,764,362	
Exchange differences on transaction of foreign financial statements		(1,985,306)		-		1,942,028	-		(3,927,334)		-	
Less: Treasury shares held by subsidiaries		(881,247)		-		-	-		(881,247)		(881,247)	
Unrealized profits or losses		(4,409)		893		-	-		(3,516)		(3,516)	
Subtotal		82,506,471		855,532		2,505,316	1,022,912		81,879,599		81,879,599	
Plus: Deduction of accounts receivable and other receivable－related parties		494,744									659,296	
Plus: Credit balance of investment in equity method		298,023									891,274	
Total		$ 83,299,238									83,430,169	

Note 1：Increase in current period included purchasing long-term investments, adjusting by using equity method of capital surplus, unrealized gains from financial assets measured at fair value through other comprehensive income, and subsidiaries received cash dividends from the parent company.

Note 2：Decrease in current period included disposal of long-term investments, return of capital from liquidation, cash dividends distributed from long-term investments for using equity method, adjustment by equity method of capital surplus and retained earnings, remeasurement of defined benefit plans, and unrealized loss from financial assets measured at fair value through other comprehensive income.

Note 3：The unit price is calculated by the closing price of the Taiwan Stock Exchange as of December 31, 2019.

Note 4：The unit price is calculated by the closing price of Taipei Exchange as of December 31, 2019.

COMPAL ELECTRONICS, INC.

Statement of financial assets measured at fair value through other comprehensive income - non-current

For the year ended December 31, 2019

(Expressed in thousands of New Taiwan Dollars)

Investee Company	Beginning Balance Number of Shares	Beginning Balance Amount	Increase (Note 1) Number of Shares	Increase (Note 1) Amount	Decrease (Note 2) Number of Shares	Decrease (Note 2) Amount	Ending Balance Number of Shares	Ending Balance Amount	Collaterals or Pledged Assets
Kinpo	124,044	$ 1,252,842	-	341,120	-	-	124,044	1,593,962	None
Cal-Comp Electronics (Thailand) Public Co., Ltd.	239,631	400,184	-	47,926	-	-	239,631	448,110	None
Innolux	109,227	1,061,690	-	-	109,227	1,061,690	-	-	None
Taiwan Star	98,046	734,368	-	-	-	53,926	98,046	680,442	None
Others	-	282,834	-	123,625	-	109,580	-	296,879	None
Total		$ 3,731,918		512,671		1,225,196		3,019,393	

Note 1: Increase included purchasing financial assets at fair value through other comprehensive income and unrealized gains on financial instruments at fair value.
Note 2: Decrease included sale of financial assets at fair value through other comprehensive income, unrealized loss on financial instruments at fair value, deferred tax for unrealized loss and proceeds of capital reduction of investments.

COMPAL ELECTRONICS, INC.

Statement of property, plant and equipment

For the year ended December 31, 2019

(Expressed in thousands of New Taiwan Dollars)

Please refer to Note (6)(j).

Statement of short-term borrowings

December 31, 2019

(Expressed in thousands of New Taiwan Dollars)

Creditor	Description	Contract Period	Interest Rate	Loan Commitments	Collaterals or Pledged Assets	Ending balance
Cathay United Bank	Credit Loans	2019.12~2020.01	Note	$ 4,497,000	None	2,998,000
Hua Nan Commercial Bank, Ltd.	〃	2019.12~2020.01	〃	4,000,000	None	2,698,200
Credit Agricole Corporate & Investment Bank	〃	2019.12~2020.01	〃	7,495,000	None	7,495,000
Bank of Communications CO., Ltd.	〃	2019.12~2020.01	〃	2,998,000	None	2,998,000
Sumitomo Mitsui Banking Corporation		2019.10~2020.03	〃	7,495,000	None	7,298,400
Citibank Taiwan, Ltd.	〃	2019.12~2020.02	〃	8,844,100	None	5,696,200
The bank of Tokyo-Mitsubishi UFJ	〃	2019.12~2020.01	〃	4,497,000	None	4,450,000
China Construction Bank Corporation	〃	2019.12~2020.01	〃	2,923,050	None	2,850,000
Taishin International Bank CO., Ltd.	〃	2019.12~2020.01	〃	3,000,000	None	950,000
Taipei Fubon Commercial Bank CO., Ltd.	〃	2019.12~2020.03	〃	1,948,700	None	1,930,000
				$ 47,697,850		39,363,800

Note: The range of interest rates of afore－mentioned loans were 0.66%~2.49%.

COMPAL ELECTRONICS, INC.

Statement of notes and accounts payable

December 31, 2019

(Expressed in thousands of New Taiwan Dollars)

Suppliers	Amount
E Company	$ 26,654,026
J Company	14,705,969
H Company	8,576,344
A Company	6,982,267
B Company	6,625,849
I Company	4,051,276
Others (Note)	6,543,190
Total	**$ 74,138,921**

Note: The amount of individual vendor included in others does not exceed 5% of the account balance.

COMPAL ELECTRONICS, INC.

Statement of long-term borrowings

December 31, 2019

(Expressed in thousands of New Taiwan Dollars)

Creditor	Loan Commitments	Amount: Loan within 1 year	Amount: Loan more than 1 year	Contract Period	Interest Rate	Amount	Collaterals or Pledged Assets
The Shanghai Commercial & Savings Bank	$ 2,300,000	2,300,000	-	2016.06~2020.06	Note	2,300,000	None
Bank of America	4,947,000	2,500,000	-	2019.06~2020.06	〃	2,500,000	None
Bank of Taiwan	4,000,000	500,000	1,700,000	2019.09~2021.09	〃	2,200,000	None
Mega International Commercial Bank	1,000,000	600,000	-	2016.11~2020.11	〃	600,000	None
Chang Hwa Bank	3,000,000	3,000,000	-	2016.12~2020.12	〃	3,000,000	None
Mizuho Bank	5,996,000	5,950,000	-	2019.05~2021.05	〃	5,950,000	None
CTBC Bank Co., Ltd.	2,000,000	500,000	1,500,000	2018.09~2021.09	〃	2,000,000	None
Far Eastern International Bank	1,000,000	-	1,000,000	2019.08~2022.08	〃	1,000,000	None
Bank SinoPac	3,300,000	-	3,300,000	2019.03~2023.03	〃	3,300,000	None
JihSun International Commercial Co., Ltd.	600,000	600,000	-	2019.06~2022.06	〃	600,000	None
KGI Bank	2,800,000	2,200,000	-	2019.05~2022.05	〃	2,200,000	None
	$ 30,943,000	18,150,000	7,500,000			25,650,000	

Note: The range of interest rates of aforementioned loans were 0.73%~1.18%.

Statement of lease liabilities

For the year ended December 31, 2019 and 2018

Item	Description	Lease term	Discount rate	Ending balance
Buildings	For office and factory space	1~8 years	1.2 %	$ 1,364,718
Vehicles	For operating activities	1~5 years	1.2 %	33,714
				1,398,432
Less Current portion				(387,499)
Lease liabilities-Non Current				**$ 1,010,933**

COMPAL ELECTRONICS, INC.

Statement of other payables

December 31, 2019

(Expressed in thousands of New Taiwan Dollars)

Item	Description	Amount
Payroll payables and year-end bonuses payable	Payroll for December 2019, estimated year-end bonuses for 2019, and employees and directors' compensations	$ 3,576,372
Technical service fee payables		612,723
Others (Note)	Export expense payables and others	5,201,304
Total		$ 9,390,399

Note: The amount of each item in others does not exceed 5% of the account balance.

Statement of operating revenue

For the year ended December 31, 2019

(Expressed in thousands of New Taiwan Dollars)

Item	Quantity	Amount
Sales revenue:		
5C electronic products	Note	$ 916,601,572
Others		212,141
Less: Sales return		(396,139)
Sales allowance		(996,278)
Net sales		915,421,296
Other operating revenue:		
Service and processing revenue		858,732
Net sales revenue		$ 916,280,028

Note: Due to multi-categories, it's hard to be classified in categories.

COMPAL ELECTRONICS, INC.

Statement of operating costs

For the year ended December 31, 2019

(Expressed in thousands of New Taiwan Dollars)

Item	Amount
Raw materials	
Raw materials, beginning of the year	$ 33,941,015
Add: Purchases	526,262,694
Less: Raw materials, end of the year	(37,621,576)
Transferred to operating expense	(16,203)
Cost of material sold	(2,439,579)
Scraps	(276,195)
Raw materials used	519,850,156
Direct labor	453,890
Manufacturing expenses	818,946
Total Manufacturing costs	521,122,992
Add: Work-in-process, beginning of the year	44,008
Less: Work-in-process, end of the year	(153,034)
Scraps	(1,557)
Cost of finished goods	521,012,409
Add: Finished goods, beginning of the year	18,817,650
Purchases	360,511,511
Others	115,866
Less: Finished goods, end of the year	(13,492,637)
Transferred to operating expense	(1,152,834)
Costs of sales of finished goods and processing costs	885,811,965
Maintenance costs	2,968,812
Cost of material sold	2,439,579
Allowance reversal for obsolescence loss and inventory valuation	(66,336)
Scrap loss of raw materials and finished goods	277,752
Cost of sales	**$ 891,431,772**

COMPAL ELECTRONICS, INC.

Statement of operating expenses

For the year ended December 31, 2019

(Expressed in thousands of New Taiwan Dollars)

Item		Selling expenses	Administrative expenses	Research and development expenses
Payroll expenses	$	317,760	1,357,275	6,775,575
Export expenses		185,813	-	-
Royalty expenses		385,813	-	-
Research expenses		-	-	1,080,297
Shipping expenses		2,169,155	10,536	276
Sample expenses		357,029	34	864
Others (Note)		116,913	950,607	2,604,250
Total	**$**	**3,532,483**	**2,318,452**	**10,461,262**

Note: The amount of each item in others does not exceed 5% of the account balance.

COMPAL ELECTRONICS, INC.
Notes to Parent-Company-Only Financial Statements

Table 1 Loans to other parties:

(December 31, 2019)

(In Thousands of New Taiwan Dollars)

No.	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits	Maximum limit of fund financing	Note
													Item	Value			
0	The Company	CVC	Other receivables	Y	316,000	-	-	3.20%	Short-term financing	-	Operating demand	-	-	-	21,194,526	42,389,053	(Note 1)
0	The Company	UCGI	Other receivables	Y	500,000	250,000	220,000	1.20%	Short-term financing	-	Operating demand	-	-	-	21,194,526	42,389,053	(Note 1)
0	The Company	HengHao	Other receivables	Y	405,369	200,000	200,000	1.2%~2.82%	Short-term financing	-	Operating demand	-	-	-	21,194,526	42,389,053	(Note 1)
0	The Company	CEB	Other receivables	Y	1,580,000	1,499,000	1,499,000	3.50%	Short-term financing	-	Operating demand	-	-	-	21,194,526	42,389,053	(Note 1)
1	CIH	CEP	Other receivables	Y	110,600	104,930	43,471	3.50%	Short-term financing	-	Operating demand	-	-	-	34,545,521	34,545,521	(Note 2)
2	CPI	CVC	Other receivables	Y	316,000	-	-	3.20%	Short-term financing	-	Operating demand	-	-	-	890,733	890,733	(Note 3)
3	CPC	CDE	Other receivables	Y	1,380,900	1,291,500	1,291,500	2.20%	Short-term financing	-	Operating demand	-	-	-	2,096,417	2,096,417	(Note 4)
3	CPC	CIC	Other receivables	Y	430,500	430,500	-	2.20%	Short-term financing	-	Operating demand	-	-	-	2,096,417	2,096,417	(Note 4)
4	CIT	CCI Nanjing	Other receivables	Y	2,212,000	2,098,600	2,098,600	2.76%	Short-term financing	-	Operating demand	-	-	-	20,539,992	20,539,992	(Note 5)
4	CIT	Rayonnant (Taicang)	Other receivables	Y	69,045	64,575	64,575	4.35%	Short-term financing	-	Operating demand	-	-	-	20,539,992	20,539,992	(Note 5)
5	PFG	CEB	Other receivables	Y	308,950	-	-	2.50%	Short-term financing	-	Operating financing	-	-	-	435,070	435,070	(Note 6)
6	CPO	HengHao Kunshan	Other receivables	Y	644,420	602,700	602,700	4.35%	Short-term financing	-	Operating demand	-	-	-	2,777,160	2,777,160	(Note 7)
6	CPO	CIT	Other receivables	Y	645,750	645,750	-	2.20%	Short-term financing	-	Operating demand	-	-	-	2,777,160	2,777,160	(Note 7)
7	CET	BT	Other receivables	Y	274,800	258,300	64,575	2.20%	Short-term financing	-	Operating demand	-	-	-	4,625,117	4,625,117	(Note 8)
8	Panpal	HengHao	Other receivables	Y	600,000	600,000	600,000	1.20%	Short-term financing	-	Operating demand	-	-	-	5,896,656	5,896,656	(Note 9)
9	Arcadyan	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.

(Continued)

COMPAL ELECTRONICS, INC.
Notes to Parent-Company-Only Financial Statements

Table 1 Loans to other parties:

(December 31, 2019)

Note 4: According to CPC's Procedures for Lending Funds to Other parties, the total amount of loans to others shall not exceed 40% of the net worth of CPC. When a shortterm financing facility with CPC is necessary, the total amount for lending the borrower shall not exceed 80% of the borrower's net worth, nor shall it exceed 50% of CPC's total amount of capital lent, and shall be combined with the company's endorsements/guarantees for calculation. In addition, when lending to the ultimate parent company's 100% directly or indirectly owned overseas subsidiaries, the total amount of loans is not limited by the two aforesaid restrictions, but the maximum amount shall not exceed the net worth of CPC, and shall be combined with the company's endorsements/guarantees for the borrower when calculating.

Note 5: According to CIT's Procedures for Lending Funds to Other parties, the total amount of loans to others shall not exceed 40% of the net worth of CIT. When a shortterm financing facility with CIT is necessary, the total amount for lending the borrower shall not exceed 80% of the borrower's net worth, nor shall it exceed 50% of CIT's total amount of capital lent, and shall be combined with the company's endorsements/guarantees for calculation. In addition, when lending to the ultimate parent company's 100% directly or indirectly owned overseas subsidiaries, the total amount of loans is not limited by the two aforesaid restrictions, but the maximum amount shall not exceed the net worth of CIT, and shall be combined with the company's endorsements/guarantees for the borrower when calculating.

Note 6: According to PFG's Procedures for Lending Funds to Other parties, the total amount of loans to others shall not exceed 40% of the net worth of PFG. When a shortterm financing facility with PFG is necessary, the total amount for lending the borrower shall not exceed 80% of the borrower's net worth, nor shall it exceed 50% of PFG's total amount of lendable capital, and shall be combined with the company's endorsements/guarantees for calculation. In addition, when lending to the ultimate parent company's 100% directly or indirectly owned overseas subsidiaries, the total amount of loans is not limited by the two aforesaid restrictions, but the maximum amount shall not exceed the net worth of PFG, and shall be combined with the company's endorsements/guarantees for the borrower when calculating.

Note 7: According to CPO's Procedures for Lending Funds to Other parties, the total amount of loans to others shall not exceed 40% of the net worth of CPO. When a shortterm financing facility with CPO is necessary, the total amount for lending the borrower shall not exceed 80% of the borrower's net worth, nor shall it exceed 50% of CPO's total amount of lendable capital, and shall be combined with the company's endorsements/guarantees for calculation. In addition, when lending to the ultimate parent company's 100% directly or indirectly owned overseas subsidiaries, the total amount of loans is not limited by the two aforesaid restrictions, but the maximum amount shall not exceed the net worth of CPO, and shall be combined with the company's endorsements/guarantees for the borrower when calculating.

Note 8: According to CET's Procedures for Lending Funds to Other parties, the total amount of loans to others shall not exceed 40% of the net worth of CET. When a shortterm financing facility with CET is necessary, the total amount for lending the borrower shall not exceed 80% of the borrower's net worth, nor shall it exceed 50% of CET's total amount of lendable capital, and shall be combined with the company's endorsements/guarantees for calculation. In addition, when lending to the ultimate parent company's 100% directly or indirectly owned overseas subsidiaries, the total amount of loans is not limited by the two aforesaid restrictions, but the maximum amount shall not exceed the net worth of CET, and shall be combined with the company's endorsements/guarantees for the borrower when calculating.

Note 9: According to Panpal's Procedures for Lending Funds to Other parties, the total amount of loans to others shall not exceed 40% of the net worth of Panpal. When a shortterm financing facility with Panpal is necessary, the total amount for lending the borrower shall not exceed 80% of the borrower's net worth, nor shall it exceed 50% of Panpal's total amount of lendable capital, and shall be combined with the company's endorsements/guarantees for calculation. In addition, when lending to the total amount lendable to 100% directly or indirectly owned subsidiaries by the Company, or the ultimate parent company's 100% directly or indirectly owned overseas subsidiaries, the total amount of loans is not limited by the two aforesaid restrictions of 80%, but the maximum amount shall not exceed the of Panpal, and shall be combined with the company's endorsements/guarantees for the borrower when calculating.

Note 10: According to Arcadyan's Procedures for Lending Funds to Other parties, the total amount of loans to others shall not exceed 40% of the net worth of Arcadyan. To borrowers having business relationship with Arcadyan, the total amount for lending the borrower shall not exceed 80% of the transaction amount in the last fiscal year or the expecting amount for the current year, nor shall it exceed 20% of the net worth of Arcadyan. Also, the amount shall be combined with the Arcadyan' s endorsements/guarantees for the borrower when calculating. When a short-term financing facility is necessary, the borrower should be Arcadyan's investee. The total amount for lending the borrower shall not exceed 80% of the net worth of the borrower, nor shall it exceed 20% of the net worth of Arcadyan, and shall be combined with the Arcadyan's endorsements/guarantees for the borrower when calculating.

Note 11: The total amount of loans to others shall not exceed 40% of the net worth of Zhi-pal. To borrowers having business relationship with Zhi-pal, the total amount for lending the borrower shall not exceed 80% of the transaction amount in the last fiscal year or the expecting amount for the current year, nor shall it exceed 20% of the net worth of Zhi-pal. When a short-term financing facility is necessary, the borrower should be Zhi-pal's investee, and the total amount for lending the borrower shall not exceed 10% of the net worth of the borrower.

Note 12: According to Arcadyan Holding's Procedures of Lending Funds to Other Parties, the total amount of loans to others shall not exceed the net worth of Arcadyan Holding. When a short-term financing facility is necessary, the borrower should be Arcadyan Holding's investee. The total amount for lending the borrower shall not exceed the net worth of Arcadyan Holding, and shall be combined with the Arcadyan Holding's endorsements/ guarantees for the borrower when calculating.

COMPAL ELECTRONICS, INC.
Notes to Parent-Company-Only Financial Statements

Table 2 Guarantees and endorsements for other parties:

(December 31, 2019)

(In Thousands of New Taiwan Dollars)

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements (Note 1)and(Note 4)	Parent company endorsements /guarantees to third parties on behalf of subsidiary	Subsidiary endorsements /guarantees to third parties on behalf of parent company	Endorsements / guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company										
0	The Company	CEB	(Note 3)	26,493,158	63,200	59,960	59,960	-	0.06%	52,986,316	Y	-	-
0	The Company	CEP	(Note 2)	26,493,158	260,766	195,702	195,702	-	0.18%	52,986,316	Y	-	-
1	Arcadyan	Arcadyan Brasil	(Note 5)	1,453,963	246,160	-	-	-	-	4,361,890	Y	-	-

Note 1: According to the Company's Procedures for Endorsement and Guarantee, the total amount of endorsements/ guarantees the Company or the Group is permitted to make shall not exceed 50% of the Company's net worth. Endorsements/ guarantees the Company and the Group are permitted to make for a single company shall not exceed 25% of the Company's net worth. For entities having business relationship with the Company, the amount of endorsements/ guarantees for a single company shall not exceed 80% of the transaction amount in the last fiscal year or the expecting amount of the current year, and shall be combined with the amount lend to others when calculating. The amount of endorsements/ guarantees permitted to make between subsidiaries whose over 90% of its voting shares are owned, directly or indirectly, by the Company shall be no more than 10% of the net worth of the Company. The amount of endorsements/ guarantees permitted to make between directly or indirectly wholly owned subsidiaries is not limited by the aforementioned restriction, only the maximum amount shall be no more than 25% of the net worth of the Company.

Note 2: Subsidiary whose over 50% common stock is directly owned.

Note 3: Subsidiary whose over 50% common stock is indirectly owned.

Note 4: According to Arcadyan's Procedures for Endorsement and Guarantee, the total amount shall not exceed 40% of the net worth for latest financial statements audited or reviewed by Certified Public Accountants, and the amount for a single company shall not exceed 1/3 of the total amount.

Note 5: Subsidiary whose 100% common stock is directly owned by Arcadyan.

(Continued)

COMPAL ELECTRONICS, INC.
Notes to Parent-Company-Only Financial Statements

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

(December 31, 2019)

(In Thousands of shares/ units)

Name of holder	Category and name of security	Relationship with security issuer	Account name	Ending balance Shares/Units (thousands)	Carrying value	Holding percentage (%)	Fair value	Note
The Company	Taiwan Star	-	Financial assets at fair value through other comprehensive income-non-current	98,046	680,442	3%	680,442	
	Kinpo Electronics, Inc. ("Kinpo")	The same chairman of the Company	Financial assets at fair value through other comprehensive income-non-current	124,044	1,593,962	9%	1,593,962	
	Cal-Comp Electronics (Thailand) Public Co., Ltd.	The same chairman of the Company	Financial assets at fair value through other comprehensive income-non-current	239,631	448,110	5%	448,110	
	HWA VI Venture Capital Corp.	-	Financial assets at fair value through other comprehensive income-non-current	290	25,397	10%	25,397	
	HWA Chi Venture Capital Corp.	-	Financial assets at fair value through other comprehensive income-non-current	842	23,933	11%	23,933	
	mProbe Ltd.	-	Financial assets at fair value through other comprehensive income-non-current	4,000	40,920	2%	40,920	
	Global BioPharma, Inc.	-	Financial assets at fair value through other comprehensive income-non-current	2,000	34,260	3%	34,260	
	Chen Feng Optoelectronics	-	Financial assets at fair value through other comprehensive income-non-current	6,685	97,866	11%	97,866	
	PrimeSensor Technology Inc.	-	Financial assets at fair value through other comprehensive income-non-current	861	7,266	3%	7,266	
	IIH Biomedical Venture Fund	-	Financial assets at fair value through profit or loss-non current	2,500	24,350	8%	24,350	
	UBS Extendible Money Mkt Cert.	-	Financial assets at fair value through profit or loss-current	-	149,888	-	149,888	
	Others		Financial assets at fair value through profit or loss and other comprehensive income		113,984			
	Total				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	
	Kinpo	The same chairman of the Company	Financial assets at fair value through other comprehensive income-non-current	23,172	297,766	2%	297,766	
	CDIB Partners Investment Holding Corp.	-	Financial assets at fair value through other comprehensive income-non-current	54,000	941,220	5%	941,220	
	AcBel	The same chairman of the Company	Financial assets at fair value through other comprehensive income-non-current	5,677	137,092	1%	137,092	
	Taiwan Biotech Co., Ltd.	-	Financial assets at fair value through other comprehensive income-non-current	4,897	134,085	3%	134,085	
	Others	-	Financial assets at fair value through other comprehensive income-non-current		103,583			
	Total				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	
	Lian Hong Art. Co., Ltd.	-	Financial assets at fair value through other comprehensive income-non-current	2,140	65,670	8%	65,670	

(Continued)

COMPAL ELECTRONICS, INC.
Notes to Parent-Company-Only Financial Statements

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

(December 31, 2019)

(In Thousands of shares/ units)

Name of holder	Category and name of security	Relationship with security issuer	Account name	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Holding percentage (%)	Fair value	
Gempal	Global BioPharma, Inc.	-	Financial assets at fair value through other comprehensive income-non-current	2,000	34,265	3%	34,265	
	Others	-	Financial assets at fair value through other comprehensive income-non-current		2,699			
	Total				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	
Hong Jin	SUYIN Optronics		Financial assets at fair value through other comprehensive income-non-current	332	160	1%	160	
Arcadyan	GeoThings Inc.	-	Financial assets at fair value through profit or loss-non-current	200	-	9%	-	(Note 1)
	AirHop Communication Inc.	-	Financial assets at fair value through profit or loss-non-current	1,152	-	5%	-	(Note 1)
	Adant Technologies Inc.	-	Financial assets at fair value through profit or loss-non-current	349	-	5%	-	(Note 1)
	IOT EYE, Inc.	-	Financial assets at fair value through profit or loss-non-current	60	-	14%	-	(Note 1)
	TIEF FUND L.P.	-	Financial assets at fair value through profit or loss-non-current	-	44,262	7%	44,262	
	Chimei Motor Electronics Co., LTD		Financial assets at fair value through other comprehensive income-non-current	1,650	49,500	9%	49,500	
	Total				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%	-	(Note 1)
Mithera	Beyond Limits, Inc.	-	Financial assets at fair value through other comprehensive income-non-current	873	134,910	-	134,910	
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 carrying value is the remaining amount after deducting accumulated impairment.

(Continued)

COMPAL ELECTRONICS, INC.
Notes to Parent-Company-Only Financial Statements

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

(For the year ended December 31, 2019)

(In Thousands of New Taiwan Dollars)

Name of company	Category and name of security	Account name	Name of counter-party	Relationship with the company	Beginning Balance		Purchases		Sales				Others		Ending Balance	
					Shares/ Units (thousands)	Amount	Shares/ Units (thousands)	Amount	Shares/ Units (thousands)	Price	Cost	Gain (loss) on disposal	Shares/ Units (thousands)	Amount	Shares/ Units (thousands)	Amount
The Company	Chipbond	Financial assets at fair value through profit or loss-current	-	-	4,593	284,768	-	-	4,593	307,207	307,207	-	-	22,439 (Note 1)	-	-
The Company	Innolux Corporation	Financial assets at fair value through other comprehensive income-non-current	-	-	109,227	1,061,690	-	-	109,227	763,181	763,181	-	-	(298,509) (Note 1)	-	-
Panpal	Chipbond	Financial assets at fair value through profit or loss-current	-	-	5,251	325,560	-	-	5,251	344,843	344,843	-	-	19,283 (Note 1)	-	-
BSH	HSI	Investments accounted for using equity method	Issued for cash	-	-	-	37,000	1,109,260	-	-	-	-	-	- (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.
Notes to Parent-Company-Only Financial Statements

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

(For the year ended December 31, 2019)

(In Thousands of New Taiwan Dollars)

Name of company	Category and name of security	Account name	Name of counter-party	Relationship with the company	Beginning Balance		Purchases		Sales				Others		Ending Balance	
					Shares/ Units (thousands)	Amount	Shares/ Units (thousands)	Amount	Shares/ Units (thousands)	Price	Cost	Gain (loss) on disposal	Shares/ Units (thousands)	Amount	Shares/ Units (thousands)	Amount
CET	Structured deposits-SPD Bank Yield Plus Structured Deposit	Financial assets at fair value through profit or loss-current	Shanghai Pudong Development Bank	-	-	-	-	1,297,509	-	858,447	850,092	8,355 (Note 2)	-	(1,222) (Note 1)	-	437,840
CET	Structured deposits-Win-win Interest Rate Structure RMB Structural Deposits	Financial assets at fair value through profit or loss-current	China CITIC Bank	-	-	-	-	1,297,509	-	1,307,480	1,297,509	9,971 (Note 2)	-	9,971 (Note 1)	-	-
Arcadyan	Arcadyan Holding	Investments accounted for using equity method	Issued for cash	-	32,780	1,221,252	27,000	823,505	-	-	-	-	-	(87,955) (Note 3)	59,780	1,956,802

Note 1:Others were valuation gains and losses and foreign exchange gains and losses.
Note 2:Including gains and losses on disposal and foreign exchange gains and losses.
Note 3:Including share of profit (loss) accounted for using equity method and exchange differences on translation of foreign financial statements.

(Continued)

COMPAL ELECTRONICS, INC.
Notes to Parent-Company-Only Financial Statements

Table 5 Related-party transactions for purchases and sales with amounts exceeding the lower of NT$100 million or 20% of the capital stock:

(For the year ended December 31, 2019)

(In Thousands of New Taiwan Dollars)

Company Name	Counter party	Nature of relationship	Transaction details: Purchase/ (Sale)	Transaction details: Amount	Transaction details: Percentage of total purchases/ (sales)	Transaction details: Payment terms	Transactions with terms different from others: Unit price	Transactions with terms different from others: Payment Terms	Notes/Accounts receivable (payable): Ending Balance	Notes/Accounts receivable (payable): 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	-	
	CBN	The Company's subsidiaries	Sale	(962,973)	(0.1)%	90 days	Similar to non-related parties	There is no significant difference	330,670	0.2%	
	CIH and its subsidiaries	Subsidiaries wholly owned by the Company	Purchase	189,074,111	21.6%	120 days	Similar to non-related parties	There is no significant difference, and adjustments will be made based on demand for funding if necessary	(51,022,067)	(34.2)%	
	Just and its subsidiaries	Subsidiaries wholly owned by the Company	Purchase	102,586,790	11.7%	120 days	Similar to non-related parties	There is no significant difference, and adjustments will be made based on demand for funding if necessary	(6,799,206)	(4.6)%	
	HSI and its subsidiaries	Subsidiaries wholly owned by the Company	Purchase	4,571,105	0.5%	120 days	Similar to non-related parties	There is no significant difference, and adjustments will be made based on demand for funding if necessary	(2,369,841)	(1.6)%	
	BCI and its subsidiaries	Subsidiaries wholly owned by the Company	Purchase	24,316,409	2.8%	120 days	Markup based on BCI and its subsidiaries's cost	There is no significant difference, and adjustments will be made based on demand for funding if necessary	(7,460,959)	(5.0)%	
	Etrade and its subsidiaries	Subsidiaries wholly owned by the Company	Purchase	19,044,223	2.2%	Net 60 days from purchase	Markup based on Etrade and its subsidiaries's cost	There is no significant difference, and adjustments will be made based on demand for funding if necessary	(5,904,962)	(4.0)%	
	Webtek	Subsidiaries wholly owned by the Company	Purchase	34,469,915	3.9%	Net 60 days from purchase	Markup based on Webtek's cost	There is no significant difference, and adjustments will be made based on demand for funding if necessary	(556,913)	(0.4)%	
	Palcom	Subsidiaries wholly owned by the Company	Sale	(105,081)	-	Net 60 days from delivery	Similar to non-related parties	There is no significant difference	22,720	-	
	Forever	Subsidiaries wholly owned by the Company	Purchase	18,139,071	2.1%	Net 60 days from purchase	Markup based on Forever's cost	There is no significant difference, and adjustments will be made based on demand for funding if necessary	(778,369)	(0.5)%	
Just and its subsidiaries	Webtek	With the same ultimate parent company	Sale	(24,375,017)	(19.0)%	Net 60 days from delivery	According to markup pricing	Adjustments will be made based on demand for funding	-	-	
	Compal Electronic, Inc.	Parent company	Sale	(102,586,790)	(45.0)%	120 days	Similar to non-related parties	There is no significant difference, and adjustments will be made based on demand for funding if necessary	6,799,206	20.0%	
	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	-	-	
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%	
	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	-	
	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	-	-	
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)%	
BCI and its subsidiaries	Compal Electronic, Inc.	Parent company	Sale	(24,324,646)	(84.1)%	120 days	Markup based on BCI and its subsidiaries's cost	Adjustments will be made based on demand for funding	7,460,959	78.4%	
	CEB	With the same ultimate parent company	Sale	(1,962,595)	(7.0)%	120 days	According to markup pricing	There is no significant difference	772,909	4.7%	

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COMPAL ELECTRONICS, INC.
Notes to Parent-Company-Only Financial Statements

Table 5 Related-party transactions for purchases and sales with amounts exceeding the lower of NT$100 million or 20% of the capital stock:

(For the year ended December 31, 2019)

(In Thousands of New Taiwan Dollars)

			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**
Webtek	Compal Electronic, Inc.	Parent company	Sale	(34,469,915)	(100.0)%	Net 60 days from delivery	According to markup pricing	Adjustments will be made based on demand for funding	556,913	100.0%	
	Etrade and its subsidiaries	With the same ultimate parent company	Purchase	10,091,875	29.0%	Net 60 days from purchase	According to markup pricing	Adjustments will be made based on demand for funding	-	-	
	JUST and its subsidiaries	With the same ultimate parent company	Purchase	24,375,017	71.0%	Net 60 days from purchase	According to markup pricing	Adjustments will be made based on demand for funding	-	-	
CEB	BCI and its subsidiaries	With the same ultimate parent company	Purchase	1,944,054	17.1%	120 days	Similar to non-related parties	There is no significant difference	(765,855)	(47.8)%	
	CIH and its subsidiaries	With the same ultimate parent company	Purchase	202,987	1.8%	120 days	Similar to non-related parties	There is no significant difference	(51,677)	(3.2)%	
Etrade and its subsidiaries	Webtek	With the same ultimate parent company	Sale	(10,091,875)	(35.0)%	Net 60 days from delivery	According to markup pricing	Adjustments will be made based on demand for funding	-	-	
	Compal Electronic, Inc.	Parent company	Sale	(19,044,223)	(65.0)%	Net 60 days from delivery	According to markup pricing	Adjustments will be made based on demand for funding	5,904,962	100.0%	
Forever	Compal Electronic, Inc.	Parent company	Sale	(18,139,071)	(85.0)%	Net 60 days from delivery	According to markup pricing	Adjustments will be made based on demand for funding	778,369	100.0%	
	CIH and its subsidiaries	With the same ultimate parent company	Purchase	9,187,778	43.0%	Net 60 days from purchase	Similar to non-related parties	Adjustments will be made based on demand for funding	-	-	
	JUST and its subsidiaries	With the same ultimate parent company	Purchase	6,892,761	32.0%	Net 60 days from purchase	Similar to non-related parties	Adjustments will be made based on demand for funding	-	-	
UCGI	Compal Electronic, Inc.	Parent company	Purchase	195,680	68.2%	120 days	Similar to non-related parties	There is no significant difference	(45,124)	(86.5)%	
Palcom	Compal Electronic, Inc.	Parent company	Purchase	105,081	100.0%	Net 60 days from purchase	Similar to non-related parties	There is no significant difference	(22,720)	-	
HSI and its subsidiaries	Compal Electronic, Inc.	Parent company	Sale	(4,571,105)	(100.0)%	120 days	Similar to non-related parties	Adjustments will be made based on demand for funding	2,383,869	100.0%	
Arcadyan	Acradyan Germany	Arcadyan's subsidiary	Sale	(1,465,691)	(5.0)%	Net 120 days from delivery	-	-	392,466	6.0%	
	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%	
	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%	
	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)
	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 2)	-	(Note 1)
CNC	Arcadyan	With the same ultimate parent company	Sale	(11,451,395)	(100.0)%	Net 45 days from the end of the month of delivery	According to markup pricing	-	3,117,484	99.0%	(Note 1)
	THAC	With the same ultimate parent company	Sale	(158,620)	(1.0)%	Net 90 days from the end of the month of delivery	-	-	23,396	1.0%	(Note 1)
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 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)%	
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)%	
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)%	
THAC	TTI	With the same ultimate parent company	Sale	(378,225)	(100.0)%	Net 60 days from the end of the month of delivery	According to markup pricing	-	(Note 3)	-	(Note 1)
	CNC	With the same ultimate parent company	Purchase	158,620	2.0%	Net 90 days from the end of the month of delivery	-	-	(23,396)	(54.0)%	(Note 1)
TTI	THAC	With the same ultimate parent company	Purchase	378,225	8.0%	Net 60 days from the end of the month of delivery	-	-	(Note 3)	-	(Note 1)

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

Note 2: The amount of other receivables (other payables) on December 31, 2019 is 362,695 thousand dollars.

Note 3: The amount of unearned sales revenue (prepayment for purchases) on December 31,2019 is 103,079 thousand dollars.

(Continued)

COMPAL ELECTRONICS, INC.
Notes to Parent-Company-Only Financial Statements

Table 6 Receivables from related parties with amounts exceeding the lower of NT$100 million or 20% of the capital stock:

(December 31, 2019)

(In Thousands of New Taiwan Dollars)

Name of Company	Counter-party	Nature of relationship	Ending Balance	Turnover rate	Overdue		Amounts received in subsequent period		Allowance for bad debts
					Amount	Action taken			
The Company	CBN	The Company's subsidiary	330,670	1.80	-	-	238,935	(Note 1)	-
Just and its subsidiaries	Compal Electronic, Inc.	Parent company	6,799,206	28.09	-	-	3,224,612	(Note 1)	-
CIH and its subsidiaries	Compal Electronic, Inc.	Parent company	51,022,056	3.78	-	-	48,763,927	(Note 1)	-
BCI and its subsidiaries	Compal Electronic, Inc.	Parent company	7,460,959	5.92	-	-	7,282,087	(Note 1)	-
BCI and its subsidiaries	CEB	With the same ultimate parent company	772,909	2.94	-	-	197,195	(Note 1)	-
Forever	Compal Electronic, Inc.	Parent company	778,369	1.68	-	-	-	(Note 1)	-
Webtek	Compal Electronic, Inc.	Parent company	556,913	9.04	-	-	-	(Note 1)	-
Etrade and its subsidiaries	Compal Electronic, Inc.	Parent company	5,904,962	3.42	-	-	5,843,969	(Note 1)	-
HSI and its subsidiaries	Compal Electronic, Inc.	Parent company	2,383,869	3.80	-	-	-	(Note 1)	-
Arcadyan	Arcadyan Germany	Arcadyan's subsidiary	392,466	2.45	-	-	75,366	(Note 2)	-
Arcadyan	Arcadyan USA	Arcadyan's subsidiary	2,683,393	2.15	-	-	708,279	(Note 2)	-
Arcadyan	Arcadyan AU	Arcadyan's subsidiary	634,154	3.59	-	-	509,314	(Note 2)	-
Arcadyan	Arcadyan Vietnam	Arcadyan's subsidiary	362,695 (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.
Notes to Parent-Company-Only Financial Statements

Table 7 The following is the information on investees for the year ended December 31, 2019 (excluding information on investees in Mainland China):

(December 31, 2019)

(In Thousands of New Taiwan Dollars/ shares)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount December 31, 2019	Original Investment Amount December 31, 2018	Ending Balance Shares	Ending Balance Percentage of Ownership	Ending Balance Carrying Value	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	16,485	16,485	
	Just	British Virgin Islands	Investment	1,480,509	1,480,509	48,010	100%	7,954,899	209,804	209,804	
	CIH	British Virgin Islands	Investment	1,787,680	1,787,680	53,001	100%	34,558,369	473,752	473,752	
	Panpal	Taipei City	Investment	5,171,837	5,171,837	500,000	100%	5,304,500 (Note 1)	251,199	213,221	
	Gempal	Taipei City	Investment	900,036	900,036	90,000	100%	1,603,518 (Note 1)	96,808	74,765	
	Kinpo Group management consultant company (“Kinpo Group management”)	Taipei City	Consultation, training services, etc.	3,000	3,000	300	38%	4,628	237	90	
	Ripal	Tainan City	Manufacturing of electric appliance and audiovisual electric products	60,000	60,000	6,000	100%	76,632	24,978	24,834	
	Unicore	Taipei City	Management&Consultant, rental and leasing business and wholesale and retail of medical equipments	200,000	200,000	20,000	100%	145,664	(18,865)	(18,984)	
	Lead-Honor Optronics. Co., Ltd. (“Lead-Honor”)	Taoyuan City	Manufacturing of electric appliance and audiovisual electric products	42,000	42,000	2,772	42%	-	-	-	
	CEH	British Virgin Islands	Investment	34	34	1	100%	3,533,243	-	-	
	Shennona Taiwan	Taipei City	Management&Consultant, rental and leasing business, wholesale and retail sale of precision instruments and International Trade	6,000	-	600	100%	4,292	(1,708)	(1,708)	
	Allied Circuit	Taoyuan City	Production and sales of PCB boards	395,388	395,388	10,158	20%	318,932	222,022	45,327	
	Maxima Ventures I, Inc. (“Maxima”)	Taipei City	Investment	1,260	1,260	126	23%	2,693	(201)	37	
	Aco Smartcare	Hsinchu City	Wholesale and retail sale of computer software, software design services, data processing services, wholesale and retail sale of electronic materials, wholesale and retail sale of precision instruments, and biotechnology services	90,000	-	100,000	52%	85,978	(10,302)	(4,022)	
	Lipo Holding Co., Ltd.(“Lipo”)	Cayman Islands	Investment	489,450	489,450	98	49%	508,166	(255,302)	(125,098)	
	CPE	The Netherlands	Investment	197,463	197,463	6,427	100%	823,429	16,394	16,394	
	ATK	Hsinchu City	Design, research & development, and selling of DVD, Combo, CD-RW Drives	202,908	202,908	899	28%	8,545	(6,575)	(1,826)	
	Crownpo Technology Inc. (“Crownpo”)	Taipei City	Manufacturing, processing, and selling resistor chips, networking chips, diodes, multilayer ceramic capacitors, semiconductor devices, and selling electronic products	149,547	149,547	3,739	33%	55,769	(49,191)	(16,347)	
	Hong Ji	Taipei City	Investment	1,000,000	1,000,000	100,000	100%	1,078,453	61,267	61,267	
	Hong Jin	Taipei City	Investment	295,000	295,000	29,500	100%	342,169	29,774	29,774	
	Mactech	Taichung City	Manufacturing of equipment and lighting, retailing of equipment and international trading	219,601	219,601	21,756	53%	237,496	25,927	12,703	
	Auscom	Austin, TX USA	R&D of notebook PC related products and components	101,747	101,747	3,000	100%	126,700	3,919	3,919	
	Arcadyan	Hsinchu City	R&D, manufacturing and sales of wireless network, integrated household electronics, and mobile office products	1,325,132	1,325,132	41,305	20%	2,260,060	1,313,498	278,206	
	FGH	British Virgin Islands	Investment	2,754,741	2,754,741	89,755	100%	4,462,874	131,815	131,815	
	Shennona	Delaware, USA	Medical care IOT business	32,665	29,558	2,600	100%	1,372	(7,150)	(7,150)	
	HSI	British Virgin Islands	Investment	1,346,814	1,346,814	42,700	54%	541,383	(180,050)	(180,050)	
	CEP	Poland	Maintenance and warranty services of notebook PCs	90,156	90,156	136	100%	17,372	2,224	2,224	

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COMPAL ELECTRONICS, INC.
Notes to Parent-Company-Only Financial Statements

Table 7 The following is the information on investees for the year ended December 31, 2019 (excluding information on investees in Mainland China):

(December 31, 2019)

(In Thousands of New Taiwan Dollars/ shares)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount December 31, 2019	Original Investment Amount December 31, 2018	Ending Balance Shares	Ending Balance Percentage of Ownership	Ending Balance Carrying Value	Net income (losses) of investee	Share of profits/losses of investee	Note
The Company	Zhaopal	Taipei City	Investment	-	1,358,000	-	-	-	1	1	
	Yongpal	Taipei City	Investment	-	1,188,500	-	-	-	-	-	
	Kaipal	Taipei City	Investment	-	510,500	-	-	-	-	-	
	Hippo Screen Neurotech Co., Ltd.	Taipei City	Management&Consultant, Rental and Leasing Business, wholesale and retail sale of precision instruments and International Trade	42,000	-	4,200	70%	34,869	(10,187)	(7,131)	
	Infinno Technology Corporation ("Infinno")	Hsinchu County	Manufacturing of electronic components, wholesale and retail sale of precision instruments and electronic materials	109,837	109,837	5,650	27%	17,199	(16,010)	(4,354)	
	HengHao	Taipei City	Manufacturing of PCs, computer periphery devices, and electronic components	5,529,757	5,329,757	20,015	100%	(485,074)	(569,058)	(569,058)	
	BCI	British Virgin Islands	Investment	2,636,051	2,636,051	90,820	100%	6,181,036	296,503	296,503	
	CBN	Hsinchu County	R&D and sales of cable modem, digital setup box, and other communication products	284,827	284,827	29,060	43%	734,059	10,514	4,619	
	Rayonnant	Taipei City	Manufacturing and sales of PCs, computer periphery devices, and electronic components	295,000	295,000	29,500	100%	62,310	24,012	22,907	
	CRH	British Virgin Islands	Investment	377,328	377,328	12,500	100%	131,698	27,806	27,806	
	Acendant Private Equity Investment Ltd. ("APE")	British Virgin Islands	Investment	943,922	943,922	31,253	35%	1,061,446	205,756	71,442	
	Etrade	British Virgin Islands	Investment	1,532,029	1,532,029	46,900	65%	(606,199)	(354,085)	(311,924)	
	Webtek	British Virgin Islands	Investment	3,340	3,340	100	100%	527,529	(39,957)	(39,957)	
	Forever	British Virgin Islands	Investment	1,575	1,575	50	100%	1,453,833	1,497	1,497	
	UCGI	Taipei City	Manufacturing and retail sale of computers and electronic components	100,000	100,000	10,000	100%	(459,297)	(83,034)	(83,034)	
	Palcom	Taipei City	Selling of mobile phones	100,000	100,000	10,000	100%	105,623	(2,453)	(2,453)	
	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	453,494	99,281	
	CORE	British Virgin Islands	Investment	4,318,860	4,318,860	147,000	100%	7,668,192	232,282	232,282	
	GLB	New Taipei City	Manufacturing and wholesale of medical equipment	246,860	246,860	15,000	50%	305,987	90,284	45,053	
								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	1,313,498	Investment gain(losses) recognized by Panpal	
	Allied Circuit	Taoyuan City	Production and selling of PCB boards	148,263	148,263	2,927	6%	91,903	222,022	Investment gain(losses) recognized by Panpal	
	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	1,313,498	Investment gain(losses) recognized by Gempal	
	Allied Circuit	Taoyuan City	Production and selling of PCB boards	53,645	53,645	3,220	6%	101,093	222,022	Investment gain(losses) recognized by Gempal	
	Others							3,274			

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Notes to Parent-Company-Only Financial Statements

Table 7 The following is the information on investees for the year ended December 31, 2019 (excluding information on investees in Mainland China):

(December 31, 2019)

(In Thousands of New Taiwan Dollars/ shares)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount: December 31, 2019	Original Investment Amount: December 31, 2018	Ending Balance: Shares	Ending Balance: Percentage of Ownership	Ending Balance: Carrying Value	Net income (losses) of investee	Share of profits/losses of investee	Note
Hong Ji	Arcadyan	Hsinchu City	Telecommunication equipment and apparatus manufacturing, electronic parts and components manufacturing, restrained telecom radio frequency equipments and materials import and manufacturing	306,655	203,500	9,279	4%	583,444	1,313,498	Investment gain(losses) recognized by Hong Ji	
	Allied Circuit	Taoyuan City	Production and selling of PCB boards	12,274	12,274	1,041	2%	26,724	222,022	Investment gain(losses) recognized by Hong Ji	
Hong Jin	Arcadyan	Hsinchu City	Telecommunication equipment and apparatus manufacturing, electronic parts and components manufacturing, restrained telecom radio frequency equipments and materials import and manufacturing	131,942	112,569	4,609	2%	274,806	1,313,498	Investment gain(losses) recognized by Hong Jin	
Just	CDH (HK)	Hong Kong	Investment	1,867,679	1,867,679	62,298	100%	5,559,135	121,268	Investment gain(losses) recognized by Just	
	CII	British Virgin Islands	Investment	277,165	277,165	9,245	100%	252,744	38,910	Investment gain(losses) recognized by Just	
	CPI	British Virgin Islands	Investment	14,990	14,990	500	100%	887,886	12,474	Investment gain(losses) recognized by Just	
CII	Smart	British Virgin Islands	Investment	30	30	1	100%	385	(6)	Investment gain(losses) recognized by CII	
	AEI	U.S.A	Sales and maintenance of LCD TVs	29,980	29,980	1,000	100%	48,020	(256)	Investment gain(losses) recognized by CII	
	MEL	U.S.A	Investment	246,855	246,855	-	100%	204,349	(49,788)	Investment gain(losses) recognized by CII	
	MTL	U.S.A	Investment	30	30	-	100%	30	-	Investment gain(losses) recognized by CII	
MEL and MTL	CMX	Mexico	Manufacturing, sales and maintenance of LCD TVs	-	241,339	-	-	-	(12,236)	Investment gain(losses) recognized by MEL and MTL	
CIH	CIH (HK)	Hong Kong	Investment	2,242,579	2,242,579	74,803	100%	32,770,648	597,121	Investment gain(losses) recognized by CIH	
	Jenpal	British Virgin Islands	Investment	220,353	220,353	7,350	100%	105,192	2,742	Investment gain(losses) recognized by CIH	
	PFG	British Virgin Islands	Investment	30	30	1	100%	435,070	24,092	Investment gain(losses) recognized by CIH	
	FWT	British Virgin Islands	Investment	446,702	446,702	14,900	100%	447,152	152	Investment gain(losses) recognized by CIH	
	CCM	British Virgin Islands	Investment	152,898	152,898	5,100	51%	26,994	(57,524)	Investment gain(losses) recognized by CIH	
HSI	IUE	British Virgin Islands	Investment	2,008,660	899,400	67,000	100%	1,361,867	(197,879)	Investment gain(losses) recognized by HSI	
	Goal	British Virgin Islands	Investment	380,746	380,746	12,700	100%	316,738	17,829	Investment gain(losses) recognized by HSI	

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COMPAL ELECTRONICS, INC.
Notes to Parent-Company-Only Financial Statements

Table 7 The following is the information on investees for the year ended December 31, 2019 (excluding information on investees in Mainland China):

(December 31, 2019)

(In Thousands of New Taiwan Dollars/ shares)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount: December 31, 2019	Original Investment Amount: December 31, 2018	Ending Balance: Shares	Ending Balance: Percentage of Ownership	Ending Balance: Carrying Value	Net income (losses) of investee	Share of profits/losses of investee	Note
IUE	CVC	Vietnam	R&D, manufacturing, sales, and maintenance of notebook PCs, computer monitors, LCD TVs and electronic components	2,008,660	899,400	67,000	100%	1,385,963	(197,879)	Investment gain(losses) recognized by IUE	
Goal	CDM	Vietnam	Construction of and investment in infrastructure in Ba-Thien industrial district of Vietnam	380,746	380,746	12,700	100%	373,914	17,829	Investment gain(losses) recognized by Goal	
BCI	CMI	British Virgin Islands	Investment	2,422,984	2,422,984	80,820	100%	3,855,996	164,336	Investment gain(losses) recognized by BCI	
	PRI	British Virgin Islands	Investment	299,800	299,800	10,000	100%	2,325,040	132,167	Investment gain(losses) recognized by BCI	
CORE	BSH	British Virgin Islands	Investment	4,407,060	4,407,060	147,000	100%	7,668,193	232,282	Investment gain(losses) recognized by CORE	
BSH	Mithera	Cayman Islands	Investment	149,900	-	-	99%	146,594	(3,444)	Investment gain(losses) recognized by BSH	
	HSI	British Virgin Islands	Investment	1,109,260	-	37,000	46%	1,109,260	(180,050)	Investment gain(losses) recognized by BSH	
Forever	GIA	British Virgin Islands	Selling of mobile phones	-	-	-	100%	-	-	Investment gain(losses) recognized by Forever	
Webtek	Etrade	British Virgin Islands	Investment	749,500	749,500	25,000	35%	(205,213)	(354,085)	Investment gain(losses) recognized by Webtek	
Unicore	Raycore	Taipei City	Animal medication retail and wholesale	25,500	25,500	1,275	51%	17,675	(9,082)	Investment gain(losses) recognized by Unicore	
Arcadyan	Arcadyan Holding	British Virgin Islands	Investment	2,064,032	1,240,526	59,780	100%	1,956,802	(24,302)	Investment gain(losses) recognized by Arcadyan	
	Arcadyan USA	U.S.A	Sales of wireless network products	23,055	23,055	1	100%	(250,530)	14,289	Investment gain(losses) recognized by Arcadyan	
	Arcadyan Germany	Germany	Technology support and sales of wireless network products	1,125	1,125	0.5	100%	68,318	7,022	Investment gain(losses) recognized by Arcadyan	
	Arcadyan Korea	Korea	Sales of wireless network products	2,879	2,879	20	100%	7,047	(310)	Investment gain(losses) recognized by Arcadyan	
	Zhi-Pal	Taipei City	Investment	48,000	48,000	34,980	100%	416,421	2,169	Investment gain(losses) recognized by Arcadyan	
	TTI	Taipei City	R&D and sales of household digital products	308,726	308,726	25,028	61%	627,585	105,625	Investment gain(losses) recognized by Arcadyan	
	AcBel Telecom	Taipei City	Investment	23,000	23,000	4,494	51%	36,163	4,784	Investment gain(losses) recognized by Arcadyan	
	Arcadyan UK	UK	Technical support of wireless network products	1,988	1,988	50	100%	3,170	452	Investment gain(losses) recognized by Arcadyan	
	Arcadyan AU	Australia	Sales of wireless network products	1,161	1,161	50	100%	27,970	29,187	Investment gain(losses) recognized by Arcadyan	

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Notes to Parent-Company-Only Financial Statements

Table 7 The following is the information on investees for the year ended December 31, 2019 (excluding information on investees in Mainland China):

(December 31, 2019)

(In Thousands of New Taiwan Dollars/ shares)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount December 31, 2019	Original Investment Amount December 31, 2018	Ending Balance Shares	Ending Balance Percentage of Ownership	Ending Balance Carrying Value	Net income (losses) of investee	Share of profits/losses of investee	Note
Arcadyan	CBN	Hsinchu County	Sales of communication and electronic components	11,925	11,925	533	1%	13,581	10,514	Investment gain(losses) recognized by Arcadyan	
	Golden Smart Home Technology Corp.	Taipei City	Selling of hardware and software integration of high-tech systems	15,692	15,692	1,229	11%	-	(36,152)	Investment gain(losses) recognized by Arcadyan	
Arcadyan and Zhi-pal	Arcadyan Brasil	Brazil	Sales of wireless network products	81,593	81,593	968	100%	(7,767)	(22,421)	Investment gain(losses) recognized by Arcadyan	
Arcadyan Holding	Sinoprime	British Virgin Islands	Investment	271,681	271,681	9,050	100%	188,856	(86,152)	Investment gain(losses) recognized by Arcadyan Holding	
	Arch Holding	British Virgin Islands	Investment	330,550	330,550	35	100%	871,120	57,002	Investment gain(losses) recognized by Arcadyan Holding	
TTI	Quest	Samoa	Investment	36,024	36,024	1,200	100%	77,839	10,673	Investment gain(losses) recognized by TTI	
	TTJC	Japan	Sales of household digital electronic products	4,130	1,341	0.3	100%	2,015	(1,550)	Investment gain(losses) recognized by TTI	
Quest	Exquisite	Samoa	Investment	35,123	35,123	1,170	100%	80,994	10,665	Investment gain(losses) recognized by Quest	
AcBel Telecom	Leading Images	British Virgin Islands	Investment	1,501	1,501	50	100%	13,985	4,623	Investment gain(losses) recognized by AcBel Telecom	
Sinoprime	Arcadyan Vietnam	Vietnam	Manufacturing of wireless network products	270,180	-	-	100%	184,443	(88,285)	Investment gain(losses) recognized by Sinoprime	
Leading Images	Astoria GmbH	Germany	Sales of wireless network products	841	841	25	100%	13,599	4,637	Investment gain(losses) recognized by Leading Images	
Zhi-Pal	CBN	Hsinchu County	Produces and sales of communication and electronic components	36,272	36,272	13,140	20%	334,669	10,514	Investment gain(losses) recognized by Zhi-Pal	
Rayonnant	APH	British Virgin Islands	Investment	257,454	257,454	8,651	41%	85,269	47,050	Investment gain(losses) recognized by Rayonnant	
	Forming Co., Ltd.	Taoyuan City	R&D and manufacturing of electronic materials	27,300	27,300	1,820	21%	-	-	Investment gain(losses) recognized by Rayonnant	
CRH	APH	British Virgin Islands	Investment	374,750	374,750	12,500	59%	131,698	47,050	Investment gain(losses) recognized by CRH	
APH	PEL	British Virgin Islands	Investment	94,467	94,467	3,151	100%	36,058	(16,756)	Investment gain(losses) recognized by APH	
	Rayonnant(HK)	Hong Kong	Investment	539,640	539,640	18,000	100%	172,950	63,805	Investment gain(losses) recognized by APH	
HHT	HHA	British Virgin Islands	Investment	1,429,235	1,429,235	46,882	100%	(27,044)	(281,360)	Investment gain(losses) recognized by HHT	
HHA	HHB	British Virgin Islands	Investment	1,405,523	1,405,523	46,882	100%	(9,895)	(281,375)	Investment gain(losses) recognized by HHA	

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Table 7 The following is the information on investees for the year ended December 31, 2019 (excluding information on investees in Mainland China):

(December 31, 2019)

(In Thousands of New Taiwan Dollars/ shares)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount December 31, 2019	Original Investment Amount December 31, 2018	Ending Balance Shares	Ending Balance Percentage of Ownership	Ending Balance Carrying Value	Net income (losses) of investee	Share of profits/losses of investee	Note
HHB	HengHao Trading Co., Ltd.	British Virgin Islands	Marketing and international trade	300	300	10	100%	479	90	Investment gain(losses) recognized by HHB	
CBN	Speedlink	British Virgin Islands	Import and export business	-	1,514	-	-	-	86	Investment gain(losses) recognized by CBN	(Note 2)
	CBNB	Belgium	The import and export business of broad band network products and related components, as well as technical support and advisory services	6,842	6,842	20	100%	6,338	(279)	Investment gain(losses) recognized by CBN	
	CBNN	The Netherlands	The import and export business of broad band network products and related components, as well as technical support and advisory services	7,016	-	20	100%	6,724	-	Investment gain(losses) recognized by CBN	
FGH	Wah Yuen Technology Holding Ltd. and its subsidiaries	Mauritius	Investment	2,690,870	2,690,870	95,862	37%	4,531,552	361,173	Investment gain(losses) recognized by FGH	
GLB	Rapha	New Taipei City	Detectors and test strip	6,500	6,500	1,275	100%	298	(162)	Investment gain(losses) recognized by GLB	
Mactech	Taiwan Intelligent Robotics Company, LTD.	Taipei City City	Manufacturing of equipment	43,200	-	2,160	20%	39,468	(19,504)	Investment gain(losses) recognized by Mactech	

Note 1: The carrying value had been deducted $559,812 and $321,435 of the Company's stock held by Panpal and Gempal, respectively.

Note 2: CBN had received the capital returned from Speedlink in November 2019, however, the liquidation procedures of Speedlink has not been completed as of December 31, 2019.

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COMPAL ELECTRONICS, INC.
Notes to Parent-Company-Only Financial Statements

Table 8 Information on investment in Mainland China:

(December 31, 2019)

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

(In Thousands of New Taiwan Dollars/ shares)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2019	Investment flows		Accumulated outflow of investment from Taiwan as of December 31,	Net income (losses) of the investee	Percentage of ownership	Investment income (losses) (Note 4)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow						
CPC	Manufacturing and sales of monitors	1,109,260	(Note 1)	1,109,260	-	-	1,109,260	108,135	100%	108,135	2,104,710	-
CDT	Manufacturing and sales of notebook PCs, mobile phones, and Digital products	599,600	(Note 2)	599,600	-	-	599,600	(82,463)	100%	(82,463)	111,528	-
CET	Manufacturing of notebook PCs	359,760	(Note 2)	359,760	-	-	359,760	(86,495)	100%	(86,495)	4,633,042	-
CSD	Manufacturing of notebook PCs	258,200	(Note 2)	(Note 3)	-	-	-	50,016	100%	50,016	(194,926)	-
Zheng Ying Electronics (Chongqing) Co., Ltd.	Research & development, and manufacturing latest electronic components, precision cavity mold, design and manufacturing for standard parts for molds, and selling self -produced products	67,890	(Note 2)	(Note 3)	-	-	-	(5,369)	51%	(2,738)	(41,719)	-
BT	Maintenance and warranty service of notebook PCs	29,980	(Note 2)	29,980	-	-	29,980	(49,888)	100%	(49,888)	(241,226)	-
CGS	Production and processing chipresistors, ceramic capacitors, diodes, and other latest electronic components and related precision electronic equipment; selling self-produced products	8,607	(Note 2)	(Note 3)	-	-	-	9,113	100%	9,113	(27,249)	-
LIZ Electronics (Kunshan) Co., Ltd.	Research & development, and manufacturing chip components(chip resistors, ceramic chip diode； selling self-produced products and providing after-sales service. Performing wholesale and trading business of electronic components, semiconductors, special materials for electronic components, and spare parts	959,360	(Note 1)	399,633	-	-	399,633	(265,239)	43%	(114,530)	372,172	-
LIZ Electronics (Nantong) Co., Ltd.	Research, manufacture and sales of communication devices, mobile phones, electronic computer, smart watch, and provide related technology service	599,600	(Note 1)	44,071	-	-	44,071	(134,637)	48%	(64,155)	362,578	-
CIC	Manufacturing of notebook PCs	359,760	(Note 2)	359,760	-	-	359,760	238,365	100%	238,365	7,523,588	-
CPO	Manufacturing and sales of LCD TVs	362,758	(Note 1)	362,758	-	-	362,758	89,531	100%	89,531	2,777,145	-
CIT	Manufacturing of notebook PCs	719,520	(Note 2)	719,520	-	-	719,520	601,984	100%	601,984	20,539,996	-

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COMPAL ELECTRONICS, INC.
Notes to Parent-Company-Only Financial Statements

Table 8 Information on investment in Mainland China:

(December 31, 2019)

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

(In Thousands of New Taiwan Dollars/ shares)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2019	Investment flows		Accumulated outflow of investment from Taiwan as of December 31,	Net income (losses) of the investee	Percentage of ownership	Investment income (losses) (Note 4)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow						
CST	International trade and distribution of computers and electronic components	41,972	(Note 2)	41,972	-	-	41,972	(834)	100%	(834)	47,429	-
CIN	Software and hardware R&D of computers, mobile phones and electronic components	59,960	(Note 2)	59,960	-	-	59,960	(2)	-	(2)	-	-
Sheng Bao Precision Electronics (Taicang) Co., Ltd.	Research & development, and manufacturing latest electronic components, precision cavity mold, design and manufacturing for standard parts for molds, and selling self-produced products	299,800	(Note 2)	152,898	-	-	152,898	(52,865)	51%	(26,961)	31,056	-
CIJ	Investment and consulting services	467,688	(Note 2)	467,688	-	-	467,688	(99,921)	100%	(99,921)	832,860	-
CDE	Manufacturing and sales of LCD TVs	449,700	(Note 2)	(Note 3)	-	-	-	(104,887)	100%	(104,887)	799,252	-
CIS	Outward investment and consulting services	2,422,984	(Note 1)	2,422,984	-	-	2,422,984	164,336	100%	164,336	3,855,996	-
CEC	R&D and manufacturing of notebook PCs, tablet PCs, digital products, network switches, wireless AP, and automobile electronic products	2,398,400	(Note 2)	(Note 3)	-	-	-	164,343	100%	164,343	3,825,842	-
CMC	Corporate management consulting, financial and tax consulting, investment consulting, and investment management 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.
Notes to Parent-Company-Only Financial Statements

Table 8 Information on investment in Mainland China:

(December 31, 2019)

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

(In Thousands of New Taiwan Dollars/ shares)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2019	Investment flows		Accumulated outflow of investment from Taiwan as of December 31,	Net income (losses) of the investee	Percentage of ownership	Investment income (losses) (Note 4)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow						
Hanhelt	R&D and manufacturing of electronic communication equipment	59,960	(Note 1)	59,960	-	-	59,960	(31)	100%	(31)	2,998	-
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".