

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, 2023 and 2022, the statement of comprehensive income, changes in equity and cash flows for the years ended December 31, 2023 and 2022, 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, 2023 and 2022, and its financial performance and its cash flows for the years then ended December 31, 2023 and 2022, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Account of Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirement. 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.

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)(f) 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, judgement of specific items, 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 Standards on Auditing of 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 the Standards on Auditing of the Republic of China, we exercise professional judgment and 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 Kuan-Ying Kuo and Szu-Chuan Chien.

KPMG

Taipei, Taiwan (Republic of China)

February 29, 2024

COMPAL ELECTRONICS, INC.
Balance Sheets
December 31, 2023 and 2022
(Expressed in Thousands of New Taiwan Dollars)

Assets	December 31, 2023		December 31, 2022			Liabilities and Equity	December 31, 2023		December 31, 2022			
	Amount	%	Amount	%			Amount	%	Amount	%		
Current assets:						Current liabilities:						
1100	\$	20,511,690	5.4	30,965,694	8.2	2100	\$	46,917,800	12.4	53,068,579	14.0	
1170		171,591,962	45.4	169,758,431	44.7	2130		697,526	0.2	700,046	0.2	
1180		11,475,862	3.0	13,277,948	3.5	2170		80,947,046	21.4	78,000,744	20.6	
1200		3,951,773	1.1	3,862,484	1.0	2180		82,364,436	21.8	76,181,679	20.1	
1310		51,043,492	13.5	53,064,157	14.0	2200		12,332,111	3.3	13,119,799	3.4	
1470		1,278,640	0.3	900,626	0.2	2230		3,781,754	1.0	3,872,974	1.0	
		259,853,419	68.7	271,829,340	71.6	2280		352,900	0.1	249,553	0.1	
						2300		1,375,360	0.4	2,005,816	0.5	
Non-current assets:						Non-Current liabilities:						
1550		105,496,882	27.9	98,259,876	25.9	2365		2,763,469	0.7	2,012,229	0.5	
1510		337,855	0.1	249,567	0.1	2322		10,742,300	2.8	19,300,000	5.1	
1517		6,197,710	1.6	3,133,840	0.8			242,274,702	64.1	248,511,419	65.5	
1600		2,234,288	0.6	2,417,309	0.6							
1755		1,033,301	0.3	1,033,366	0.3	2540		12,525,000	3.3	11,225,000	3.0	
1780		349,922	0.1	529,906	0.1	2570		1,785,947	0.5	1,177,418	0.3	
1840		2,568,652	0.7	1,743,609	0.5	2580		688,466	0.2	791,427	0.2	
1990		221,733	-	336,598	0.1	2640		568,883	0.1	566,941	0.1	
		118,440,343	31.3	107,704,071	28.4	2670		828,769	0.2	966,452	0.3	
								16,397,065	4.3	14,727,238	3.9	
								258,671,767	68.4	263,238,657	69.4	
Total assets												
		\$	378,293,762	100.0	379,533,411	100.0						
						Equity:						
						3110		44,071,466	11.7	44,071,466	11.6	
						3200		4,270,915	1.0	5,078,580	1.3	
						3300		72,548,155	19.2	69,969,059	18.4	
						3400		(387,294)	(0.1)	(1,943,104)	(0.5)	
						3500		(881,247)	(0.2)	(881,247)	(0.2)	
								119,621,995	31.6	116,294,754	30.6	
								258,671,767	68.4	263,238,657	69.4	
						Total liabilities and equity						
								\$	378,293,762	100.0	379,533,411	100.0

COMPAL ELECTRONICS, INC.
Statements of Comprehensive Income
For the years ended December 31, 2023 and 2022
(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Share)

		<u>2023</u>		<u>2022</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
4000	Net sales revenue	\$ 874,914,215	100.0	1,003,642,791	100.0
5000	Cost of sales	<u>846,864,149</u>	<u>96.8</u>	<u>975,074,956</u>	<u>97.2</u>
	Gross profit	<u>28,050,066</u>	<u>3.2</u>	<u>28,567,835</u>	<u>2.8</u>
	Operating expenses:				
6100	Selling expenses	4,668,460	0.5	6,211,342	0.6
6200	Administrative expenses	2,966,700	0.4	2,831,405	0.3
6300	Research and development expenses	<u>13,086,935</u>	<u>1.5</u>	<u>12,263,065</u>	<u>1.2</u>
		<u>20,722,095</u>	<u>2.4</u>	<u>21,305,812</u>	<u>2.1</u>
	Net operating income	<u>7,327,971</u>	<u>0.8</u>	<u>7,262,023</u>	<u>0.7</u>
	Non-operating income and expenses:				
7100	Interest income	1,001,520	0.1	367,313	-
7020	Other gains and losses, net	46,734	-	790,769	0.1
7050	Finance costs	(4,059,174)	(0.5)	(2,546,827)	(0.3)
7190	Other income	304,391	0.1	334,311	-
7370	Share of profit of associates and joint ventures accounted for using equity method	<u>4,088,258</u>	<u>0.5</u>	<u>1,826,023</u>	<u>0.2</u>
	Total non-operating income and expenses	<u>1,381,729</u>	<u>0.2</u>	<u>771,589</u>	<u>-</u>
7900	Profit from continuing operations before tax	8,709,700	1.0	8,033,612	0.7
7950	Less: Income tax expenses	<u>1,042,073</u>	<u>0.1</u>	<u>745,320</u>	<u>0.1</u>
	Profit	<u>7,667,627</u>	<u>0.9</u>	<u>7,288,292</u>	<u>0.6</u>
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	(12,857)	-	134,331	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	828,717	0.1	(610,977)	(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	463,228	-	(434,424)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	<u>119,156</u>	<u>-</u>	<u>3,589</u>	<u>-</u>
	Components of other comprehensive income that will not be reclassified to profit or loss	<u>1,159,932</u>	<u>0.1</u>	<u>(914,659)</u>	<u>(0.1)</u>
8360	Components of other comprehensive income (loss) that will be reclassified to profit or loss				
8361	Exchange differences on translation of foreign financial statements	(376,004)	-	7,183,714	0.7
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	107,239	-	78,865	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Components of other comprehensive income that will be reclassified to profit or loss	<u>(268,765)</u>	<u>-</u>	<u>7,262,579</u>	<u>0.7</u>
8300	Other comprehensive income	<u>891,167</u>	<u>0.1</u>	<u>6,347,920</u>	<u>0.6</u>
8500	Total comprehensive income	<u>\$ 8,558,794</u>	<u>1.0</u>	<u>13,636,212</u>	<u>1.2</u>
	Earnings per share				
9750	Basic earnings per share	<u>\$ 1.76</u>		<u>1.67</u>	
9850	Diluted earnings per share	<u>\$ 1.75</u>		<u>1.66</u>	

COMPAL ELECTRONICS, INC.
Statements of Changes in Equity
For the years ended December 31, 2023 and 2022
(Expressed in Thousands of New Taiwan Dollars)

	Retained earnings						Total other equity interest					Total equity
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Others	Total other equity interest	Treasury shares	
Balance at January 1, 2022	\$ 44,071,466	6,724,856	21,339,412	7,266,708	41,045,820	69,651,940	(8,744,705)	537,830	125	(8,206,750)	(881,247)	111,360,265
Profit for the year ended December 31, 2022	-	-	-	-	7,288,292	7,288,292	-	-	-	-	-	7,288,292
Other comprehensive income	-	-	-	-	118,035	118,035	7,274,994	(1,032,694)	(12,415)	6,229,885	-	6,347,920
Total comprehensive income	-	-	-	-	7,406,327	7,406,327	7,274,994	(1,032,694)	(12,415)	6,229,885	-	13,636,212
Appropriation and distribution of retained earnings:												
Legal reserve appropriated	-	-	1,237,434	-	(1,237,434)	-	-	-	-	-	-	-
Special reserve appropriated	-	-	-	940,042	(940,042)	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(7,051,435)	(7,051,435)	-	-	-	-	-	(7,051,435)
Cash dividends from capital surplus	-	(1,762,859)	-	-	-	-	-	-	-	-	-	(1,762,859)
Changes in ownership interests in subsidiaries	-	33,397	-	-	(2,260)	(2,260)	-	-	-	-	-	31,137
Changes in equity of associates and joint ventures accounted for using equity method	-	(18,066)	-	-	(38,351)	(38,351)	-	36,599	-	36,599	-	(19,818)
Adjustments of capital surplus for cash dividends received by subsidiaries	-	100,035	-	-	-	-	-	-	-	-	-	100,035
Others	-	1,217	-	-	-	-	-	-	-	-	-	1,217
Disposal of investments in equity instruments measured at fair value through other comprehensive income	-	-	-	-	2,838	2,838	-	(2,838)	-	(2,838)	-	-
Balance at December 31, 2022	44,071,466	5,078,580	22,576,846	8,206,750	39,185,463	69,969,059	(1,469,711)	(461,103)	(12,290)	(1,943,104)	(881,247)	116,294,754
Profit for the year ended December 31, 2023	-	-	-	-	7,667,627	7,667,627	-	-	-	-	-	7,667,627
Other comprehensive income	-	-	-	-	(2,238)	(2,238)	(277,619)	1,162,170	8,854	893,405	-	891,167
Total comprehensive income	-	-	-	-	7,665,389	7,665,389	(277,619)	1,162,170	8,854	893,405	-	8,558,794
Appropriation and distribution of retained earnings:												
Legal reserve appropriated	-	-	736,855	-	(736,855)	-	-	-	-	-	-	-
Reversal of special reserve	-	-	-	(6,263,646)	6,263,646	-	-	-	-	-	-	-
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	-	2,213	-	-	(16,652)	(16,652)	-	3,469	-	3,469	-	(10,970)
Changes in equity of associates and joint ventures accounted for using equity method	-	10,490	-	-	(16,991)	(16,991)	-	13,433	-	13,433	-	6,932
Adjustments of capital surplus for cash dividends received by subsidiaries	-	60,021	-	-	-	-	-	-	-	-	-	60,021
Others	-	1,040	-	-	-	-	-	-	-	-	-	1,040
Disposal of investments in equity instruments measured at fair value through other comprehensive income	-	-	-	-	(645,503)	(645,503)	-	645,503	-	645,503	-	-
Balance at December 31, 2023	\$ 44,071,466	4,270,915	23,313,701	1,943,104	47,291,350	72,548,155	(1,747,330)	1,363,472	(3,436)	(387,294)	(881,247)	119,621,995

COMPAL ELECTRONICS, INC.
Statements of Cash Flows
For the years ended December 31, 2023 and 2022
(Expressed in Thousands of New Taiwan Dollars)

	2023	2022
Cash flows from (used in) operating activities:		
Profit before tax	\$ 8,709,700	8,033,612
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation and amortization	1,343,643	1,292,481
Expected credit loss	49,027	10,092
Net (gain) loss on financial assets or liabilities at fair value through profit or loss	(47,871)	17,430
Finance cost	4,059,174	2,546,827
Interest income	(1,001,520)	(367,313)
Dividend income	(90,278)	(60,493)
Share of profit of subsidiaries, associates and joint ventures accounted for using equity method	(4,088,258)	(1,826,023)
Others	340	7,903
Total adjustments to reconcile profit (loss)	224,257	1,620,904
Changes in operating assets and liabilities:		
Changes in operating assets:		
(Increase) decrease in notes and accounts receivable	(76,980)	92,993,745
Decrease in other receivables	255,955	861,286
Decrease in inventories	2,020,665	7,894,260
Increase in other current assets	(432,044)	(440,998)
Total changes in operating assets	1,767,596	101,308,293
Changes in operating liabilities:		
Increase (decrease) in notes and accounts payable	9,129,059	(56,853,309)
(Decrease) increase in other payables	(600,839)	2,252,516
Increase in refund liabilities	751,240	456,262
Decrease in contract liabilities	(2,520)	(332,145)
(Decrease) increase in other current liabilities	(630,456)	936,481
Others	(10,915)	(14,859)
Total changes in operating liabilities	8,635,569	(53,555,054)
Total changes in operating assets and liabilities	10,403,165	47,753,239
Total adjustments	10,627,422	49,374,143
Cash inflow generated from operations	19,337,122	57,407,755
Interest received	945,368	363,622
Dividends received	832,126	762,393
Interest paid	(4,246,023)	(2,149,093)
Income taxes paid	(1,468,963)	(1,345,557)
Net cash flows from operating activities	15,399,630	55,039,120
Cash flows from (used in) investing activities:		
Acquisition of financial assets at fair value through profit or loss and through other comprehensive income	(2,326,911)	(293,452)
Proceeds from disposal of financial assets at fair value through other comprehensive income	47,921	10,028
Acquisition of investments accounted for using equity method	(3,979,240)	(723,290)
Proceeds from capital reduction and liquidation of investments	3,420	2,010
Acquisition of property, plant and equipment	(256,391)	(332,902)
Proceeds from disposal of property, plant and equipment	65,706	-
Increase in other receivables due from related parties	(101,447)	(1,417,334)
Acquisition of intangible assets	(337,007)	(558,111)
Others	168,895	(116,556)
Net cash flows used in investing activities	(6,715,054)	(3,429,607)
Cash flows from (used in) financing activities:		
Decrease in short-term borrowings	(6,150,779)	(25,899,341)
Proceeds from long-term borrowings	44,267,025	79,109,500
Repayments of long-term borrowings	(51,524,725)	(72,884,500)
Payment of lease liabilities	(438,966)	(439,591)
Cash dividends paid	(5,288,576)	(8,814,294)
Others	(2,559)	4,428
Net cash flows used in financing activities	(19,138,580)	(28,923,798)
Net (decrease) increase in cash and cash equivalents	(10,454,004)	22,685,715
Cash and cash equivalents at beginning of period	30,965,694	8,279,979
Cash and cash equivalents at end of period	\$ 20,511,690	30,965,694