

**COMPAL ELECTRONICS, INC.
AND SUBSIDIARIES**

Consolidated Financial Statements

**With Independent Auditors' Review Report
For the Six Months Ended June 30, 2020 and 2019**

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Independent Auditors' Review Report

To COMPAL ELECTRONICS, INC.:

Introduction

We have reviewed the accompanying consolidated balance sheets of COMPAL ELECTRONICS, INC. and its subsidiaries (the "Group") as of June 30, 2020 and 2019, and the related consolidated statements of comprehensive income for the three months and six months ended June 30, 2020 and 2019, as well as the changes in equity and cash flows for the six months ended June 30, 2020 and 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

Except as explained in the Basis for Qualified Conclusion paragraph, we conducted our reviews in accordance with Statement of Auditing Standard 65, "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of the consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the generally accepted auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As stated in Note 4(b), the consolidated financial statements included the financial statements of certain non-significant subsidiaries, which were not reviewed by independent auditors. These financial statements reflect total assets amounting to \$17,652,696 thousand and \$22,710,380 thousand, constituting 4.3% and 5.4% of consolidated total assets as of June 30, 2020 and 2019, respectively, total liabilities amounting to \$2,607,206 thousand and \$3,914,466 thousand, constituting 0.9% and 1.3% of consolidated total liabilities as of June 30, 2020 and 2019, respectively, and the absolute value of total comprehensive income (loss) amounting to \$304,389 thousand, \$76,309 thousand, \$(217,340) thousand and \$8,509 thousand, constituting 35.1%, 3.7%, 19.0% and 0.2% of consolidated total comprehensive income (loss) for the three months and six months ended June 30, 2020 and 2019, respectively.

Qualified Conclusion

Except for the adjustments, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries described in the Basis for Qualified Conclusion paragraph above been reviewed by independent auditors, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of COMPAL ELECTRONICS, INC. and its subsidiaries as of June 30, 2020 and 2019, and of its consolidated financial performance for the three months and six months ended June 30, 2020 and 2019, as well as its consolidated cash flows for the six months ended June 30, 2020 and 2019 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

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



KPMG

Taipei, Taiwan (Republic of China)
August 12, 2020

Notes to Readers

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

Reviewed only, not audited in accordance with the generally accepted auditing standards as of June 30, 2020 and 2019

COMPAL ELECTRONICS, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

June 30, 2020, December 31, 2019, and June 30, 2019

(Expressed in Thousands of New Taiwan Dollars)

	June 30, 2020		December 31, 2019		June 30, 2019	
	Amount	%	Amount	%	Amount	%
Assets						
Current assets:						
1100 Cash and cash equivalents (note 6)(e)	\$ 58,264,469	14.3	66,559,397	17.4	65,769,472	15.6
1110 Current financial assets at fair value through profit or loss (note 6)(b)	1,213,880	0.3	1,346,379	0.4	4,817,802	1.1
1135 Current financial assets for hedging (note 6)(d)	-	-	61	-	-	-
1170 Notes and accounts receivable, net (note 6)(g)	218,004,310	53.5	191,692,152	50.1	215,780,768	51.3
1180 Notes and accounts receivable due from related parties, net (notes 6)(e) and (7))	54,591	-	44,512	-	32,339	-
1200 Other receivables, net (notes 6)(e) and (7))	1,976,666	0.5	2,006,113	0.5	3,066,726	0.7
1310 Inventories (note 6)(f))	86,517,937	21.3	78,433,538	20.5	89,126,565	21.2
1470 Other current assets (note 8))	2,447,062	0.6	3,072,661	0.8	3,367,906	0.8
	<u>368,502,480</u>	<u>90.5</u>	<u>343,154,813</u>	<u>89.7</u>	<u>381,961,578</u>	<u>90.7</u>
Non-current assets:						
1550 Investments accounted for using equity method (note 6)(g))	7,318,246	1.8	7,319,086	1.9	7,349,510	1.8
1510 Non-current financial assets at fair value through profit or loss (note 6)(b))	171,246	-	115,359	-	114,275	-
1517 Non-current financial assets at fair value through other comprehensive income (note 6)(c))	4,219,210	1.0	4,928,053	1.3	5,196,750	1.2
1600 Property, plant and equipment (notes 6)(j) and (8))	19,552,055	4.8	19,972,347	5.2	20,741,673	4.9
1755 Right-of-use assets (note 6)(k))	3,773,702	0.9	3,350,172	0.9	2,607,456	0.6
1780 Intangible assets	1,530,657	0.4	1,553,342	0.4	1,719,730	0.4
1840 Deferred tax assets	1,648,319	0.4	1,637,626	0.4	1,035,973	0.2
1990 Other non-current assets (note 8))	603,567	0.2	617,621	0.2	621,743	0.2
	<u>38,817,002</u>	<u>9.5</u>	<u>39,493,606</u>	<u>10.3</u>	<u>39,387,110</u>	<u>9.3</u>
Total assets	<u>\$ 407,319,482</u>	<u>100.0</u>	<u>382,648,419</u>	<u>100.0</u>	<u>421,348,688</u>	<u>100.0</u>
Liabilities and Equity						
Current liabilities:						
Short-term borrowings (note 6)(l))	2100		2100		2100	
Current financial liabilities at fair value through profit or loss (note 6)(b))	2120		2120		2120	
Current financial liabilities for hedging (note 6)(d))	2125		2125		2125	
Current contract liabilities (note 6)(y))	2130		2130		2130	
Notes and accounts payable	2170		2170		2170	
Notes and accounts payable to related parties (note 7))	2180		2180		2180	
Other payables (note 7))	2200		2200		2200	
Dividends payable	2216		2216		2216	
Current tax liabilities	2230		2230		2230	
Current provisions (note 6)(p))	2250		2250		2250	
Current lease liabilities (note 6)(o))	2280		2280		2280	
Other current liabilities	2300		2300		2300	
Current refund liabilities	2365		2365		2365	
Long-term borrowings, current portion (note 6)(m))	2322		2322		2322	
Non-Current liabilities:						
Bonds payable (note 6)(n))	2530		2530		2530	
Long-term borrowings (note 6)(m))	2540		2540		2540	
Deferred tax liabilities	2570		2570		2570	
Non-current lease liabilities (note 6)(o))	2580		2580		2580	
Non-current net defined benefit liability (note 6)(q))	2640		2640		2640	
Non-current liabilities, others (note 6)(g))	2670		2670		2670	
Total liabilities						
Equity:						
Equity attributable to owners of parent (notes 6)(s)):						
Ordinary share	3110		3110		3110	
Capital surplus	3200		3200		3200	
Retained earnings	3300		3300		3300	
Other equity interest	3400		3400		3400	
Treasury shares	3500		3500		3500	
Non-controlling interests	36XX		36XX		36XX	
Total equity						
Total liabilities and equity	<u>\$ 407,319,482</u>	<u>100.0</u>	<u>382,648,419</u>	<u>100.0</u>	<u>421,348,688</u>	<u>100.0</u>

See accompanying notes to consolidated financial statements.

Reviewed only, not audited in accordance with generally accepted auditing standards

COMPAL ELECTRONICS, INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the three months and six months ended June 30, 2020 and 2019

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

	For the three months ended June 30				For the six months ended June 30				
	2020		2019		2020		2019		
	Amount	%	Amount	%	Amount	%	Amount	%	
4000	Net sales revenue (notes (6)(v) and (7))								
	\$ 263,653,504	100.0	252,395,071	100.0	445,700,550	100.0	462,995,624	100.0	
5000	Cost of sales (notes (6)(f),(6)(q), (7) and (12))								
	<u>255,384,585</u>	<u>96.9</u>	<u>243,728,392</u>	<u>96.6</u>	<u>431,485,720</u>	<u>96.8</u>	<u>446,666,766</u>	<u>96.5</u>	
	Gross profit	8,268,919	3.1	8,666,679	3.4	14,214,830	3.2	16,328,858	3.5
	Operating expenses: (notes (6)(o), (6)(q) and (12))								
6100	Selling expenses	1,167,777	0.4	1,380,580	0.5	1,958,382	0.4	2,439,844	0.5
6200	Administrative expenses	995,863	0.4	1,071,743	0.4	2,064,048	0.5	2,011,426	0.4
6300	Research and development expenses	<u>3,723,746</u>	<u>1.4</u>	<u>3,554,962</u>	<u>1.4</u>	<u>6,905,018</u>	<u>1.6</u>	<u>6,796,696</u>	<u>1.5</u>
		<u>5,887,386</u>	<u>2.2</u>	<u>6,007,285</u>	<u>2.3</u>	<u>10,927,448</u>	<u>2.5</u>	<u>11,247,966</u>	<u>2.4</u>
	Net operating income	<u>2,381,533</u>	<u>0.9</u>	<u>2,659,394</u>	<u>1.1</u>	<u>3,287,382</u>	<u>0.7</u>	<u>5,080,892</u>	<u>1.1</u>
	Non-operating income and expenses:								
7100	Interest income (note (6)(x))	428,148	0.2	469,256	0.2	907,391	0.2	849,006	0.2
7020	Other gains and losses, net (notes (6)(d), (6)(g), (6)(x)and (6)(z))	(168,305)	(0.1)	29,936	-	(222,278)	-	91,756	-
7050	Finance costs (notes (6)(n) and (6)(o))	(241,610)	(0.1)	(750,541)	(0.3)	(624,388)	(0.1)	(1,489,942)	(0.3)
7190	Other income (note (6)(x))	182,576	0.1	172,192	-	250,617	-	221,006	-
7590	Miscellaneous disbursements	(19,375)	-	(11,781)	-	(26,268)	-	(12,379)	-
7770	Share of profit (loss) of associates and joint ventures accounted for using equity method (note (6)(g))	<u>282,186</u>	<u>0.1</u>	<u>54,079</u>	<u>-</u>	<u>361,357</u>	<u>0.1</u>	<u>(8,004)</u>	<u>-</u>
	Total non-operating income and expenses	<u>463,620</u>	<u>0.2</u>	<u>(36,859)</u>	<u>(0.1)</u>	<u>646,431</u>	<u>0.2</u>	<u>(348,557)</u>	<u>(0.1)</u>
7900	Profit from continuing operations before tax	<u>2,845,153</u>	<u>1.1</u>	<u>2,622,535</u>	<u>1.0</u>	<u>3,933,813</u>	<u>0.9</u>	<u>4,732,335</u>	<u>1.0</u>
7950	Less: Income tax expenses (note (6)(r))	<u>659,313</u>	<u>0.3</u>	<u>590,149</u>	<u>0.2</u>	<u>976,671</u>	<u>0.2</u>	<u>1,040,248</u>	<u>0.2</u>
	Profit	<u>2,185,840</u>	<u>0.8</u>	<u>2,032,386</u>	<u>0.8</u>	<u>2,957,142</u>	<u>0.7</u>	<u>3,692,087</u>	<u>0.8</u>
8300	Other comprehensive income:								
8310	Components of other comprehensive income that will not be reclassified to profit or loss								
8311	Gains (losses) on remeasurements of defined benefit plans	(1,938)	-	-	-	(1,938)	-	-	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	179,039	-	(343,734)	(0.1)	(681,775)	(0.2)	(28,545)	-
8320	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	27,878	-	(2,100)	-	(60,110)	-	35,019	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (note (6)(r))	<u>7,794</u>	<u>-</u>	<u>3,805</u>	<u>-</u>	<u>(47,169)</u>	<u>-</u>	<u>19,500</u>	<u>-</u>
	Components of other comprehensive income that will not be reclassified to profit or loss	<u>197,185</u>	<u>-</u>	<u>(349,639)</u>	<u>(0.1)</u>	<u>(696,654)</u>	<u>(0.2)</u>	<u>(13,026)</u>	<u>-</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	(1,352,549)	(0.5)	506,199	0.1	(971,303)	(0.2)	754,214	0.2
8368	Gains (losses) on hedging instrument (note (6)(y))	(50,123)	-	1,990	-	28,436	-	-	-
8370	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	(119,755)	-	(105,102)	-	(178,023)	-	59,680	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss (note (6)(r))	<u>(7,577)</u>	<u>-</u>	<u>1,826</u>	<u>-</u>	<u>(5,735)</u>	<u>-</u>	<u>2,699</u>	<u>-</u>
	Components of other comprehensive income that will be reclassified to profit or loss	<u>(1,514,850)</u>	<u>(0.5)</u>	<u>401,261</u>	<u>0.1</u>	<u>(1,115,155)</u>	<u>(0.2)</u>	<u>811,195</u>	<u>0.2</u>
8300	Other comprehensive income	<u>(1,317,665)</u>	<u>(0.5)</u>	<u>51,622</u>	<u>-</u>	<u>(1,811,809)</u>	<u>(0.4)</u>	<u>798,169</u>	<u>0.2</u>
8500	Total comprehensive income	<u>\$ 868,175</u>	<u>0.3</u>	<u>2,084,008</u>	<u>0.8</u>	<u>1,145,333</u>	<u>0.3</u>	<u>4,490,256</u>	<u>1.0</u>
	Profit, attributable to:								
8610	Profit, attributable to owners of parent	\$ 1,986,712	0.7	1,791,378	0.7	2,591,723	0.6	3,141,636	0.7
8620	Profit, attributable to non-controlling interests	<u>199,128</u>	<u>0.1</u>	<u>241,008</u>	<u>0.1</u>	<u>365,419</u>	<u>0.1</u>	<u>550,451</u>	<u>0.1</u>
		<u>\$ 2,185,840</u>	<u>0.8</u>	<u>2,032,386</u>	<u>0.8</u>	<u>2,957,142</u>	<u>0.7</u>	<u>3,692,087</u>	<u>0.8</u>
	Comprehensive income attributable to:								
8710	Comprehensive income (loss), attributable to owners of parent	\$ 724,754	0.2	1,836,353	0.7	776,182	0.2	3,932,126	0.9
8720	Comprehensive income (loss), attributable to non-controlling interests	<u>143,421</u>	<u>0.1</u>	<u>247,655</u>	<u>0.1</u>	<u>369,151</u>	<u>0.1</u>	<u>558,130</u>	<u>0.1</u>
		<u>\$ 868,175</u>	<u>0.3</u>	<u>2,084,008</u>	<u>0.8</u>	<u>1,145,333</u>	<u>0.3</u>	<u>4,490,256</u>	<u>1.0</u>
	Earnings per share (note 6(u))								
9750	Basic earnings per share	<u>\$ 0.46</u>		<u>0.41</u>		<u>0.59</u>		<u>0.72</u>	
9850	Diluted earnings per share	<u>\$ 0.45</u>		<u>0.41</u>		<u>0.59</u>		<u>0.71</u>	

See accompanying notes to consolidated financial statements.

Reviewed only, not audited in accordance with generally accepted auditing standards
COMPAL ELECTRONICS, INC. AND SUBSIDIARIES
Consolidated Statements of Changes in Equity
For the six months ended June 30, 2020 and 2019
(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent											Total equity		
	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	Others	Total other equity interest	Treasury shares		Total equity attributable to owners of parent	Non-controlling interests
Balance at January 1, 2019	\$ 44,071,466	9,932,434	18,827,814	8,831,148	32,401,419	60,060,381	(1,852,952)	(5,606,436)	-	(7,459,388)	(881,247)	105,723,646	7,438,202	113,161,848
Profit for the six months ended June 30, 2019	-	-	-	-	3,141,636	3,141,636	803,361	(13,322)	-	790,039	-	790,490	550,451	3,692,087
Other comprehensive income	-	-	-	-	451	451	803,361	(13,322)	-	790,039	-	790,490	7,679	798,169
Total comprehensive income	-	-	-	-	3,142,087	3,142,087	803,361	(13,322)	-	790,039	-	3,932,126	558,130	4,490,256
Appropriation and distribution of retained earnings:														
Legal reserve appropriated	-	-	891,336	-	(891,336)	-	-	-	-	-	-	-	-	-
Special reserve appropriated	-	-	-	(1,363,317)	1,363,317	-	-	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(4,407,147)	(4,407,147)	-	-	-	-	-	(4,407,147)	-	(4,407,147)
Cash dividends from capital surplus	-	(881,429)	-	-	-	-	-	-	-	-	-	(881,429)	-	(881,429)
Changes in ownership interests in subsidiaries	-	18,103	-	-	-	-	-	-	-	-	-	18,103	-	18,103
Changes in equity of associates and joint ventures accounted for using equity method	-	11,092	-	-	(17,020)	(17,020)	-	-	-	-	-	(5,928)	-	(5,928)
Adjustments of capital surplus for cash dividends received by subsidiaries	-	60,021	-	-	-	-	-	-	-	-	-	60,021	-	60,021
Disposal of investments in equity instruments measured at fair value through other comprehensive income	-	-	-	-	15,522	15,522	-	(15,522)	-	(15,522)	-	-	-	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(419,255)	(419,255)
Balance at June 30, 2019	\$ 44,071,466	9,140,221	19,719,150	7,467,831	31,606,842	58,793,823	(1,049,591)	(5,635,280)	-	(6,684,871)	(881,247)	104,439,392	7,577,077	112,016,469
Balance at January 1, 2020	\$ 44,071,466	9,159,259	19,719,150	7,467,831	30,539,623	57,726,604	(3,794,980)	(306,763)	(1,706)	(4,103,449)	(881,247)	105,972,633	8,786,711	114,759,344
Profit for the six months ended June 30, 2020	-	-	-	-	2,591,723	2,591,723	(1,128,592)	(694,904)	8,806	(1,814,690)	-	2,591,723	365,419	2,957,142
Other comprehensive income	-	-	-	-	(851)	(851)	(1,128,592)	(694,904)	8,806	(1,814,690)	-	(1,815,541)	3,732	(1,811,809)
Total comprehensive income	-	-	-	-	2,590,872	2,590,872	(1,128,592)	(694,904)	8,806	(1,814,690)	-	776,182	3,691,151	1,145,333
Appropriation and distribution of retained earnings:														
Legal reserve appropriated	-	-	695,590	-	(695,590)	-	-	-	-	-	-	-	-	-
Special reserve appropriated	-	-	-	(3,366,088)	3,366,088	-	-	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(4,407,147)	(4,407,147)	-	-	-	-	-	(4,407,147)	-	(4,407,147)
Cash dividends from capital surplus	-	(881,429)	-	-	-	-	-	-	-	-	-	(881,429)	-	(881,429)
Changes in ownership interests in subsidiaries	-	804	-	-	(33,051)	(33,051)	-	33,051	-	33,051	-	804	-	804
Changes in equity of associates and joint ventures accounted for using equity method	-	1,039	-	-	(9,173)	(9,173)	-	8,978	-	8,978	-	844	-	844
Adjustments of capital surplus for cash dividends received by subsidiaries	-	60,021	-	-	-	-	-	-	-	-	-	60,021	-	60,021
Disposal of investments in equity instruments measured at fair value through other comprehensive income	-	-	-	-	(22,034)	(22,034)	-	22,034	-	22,034	-	-	-	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(642,180)	(642,180)
Balance at June 30, 2020	\$ 44,071,466	8,339,694	20,414,740	4,101,743	31,329,588	55,846,071	(4,923,572)	(937,604)	7,100	(5,854,076)	(881,247)	101,521,908	8,513,682	110,035,590

See accompanying notes to consolidated financial statements.

Reviewed only, not audited in accordance with generally accepted auditing standards

COMPAL ELECTRONICS, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the six months ended June 30, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	For the six months ended June 30	
	2020	2019
Cash flows from (used in) operating activities:		
Profit before tax	\$ 3,933,813	4,732,335
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation and amortization	2,958,445	3,126,771
Increase (decrease) in expected credit loss	(2,653)	6,215
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	4,113	(29,835)
Finance cost	624,388	1,489,942
Interest income	(907,391)	(849,006)
Dividend income	(103,473)	(116,880)
Compensation cost of share-based payments	44,332	50,222
Share of loss (profit) of associates and joint ventures accounted for using equity method	(361,357)	8,004
Gain on disposal of property, plant and equipment	(8,489)	(33,525)
Gain on disposal of investments	(4,899)	-
Total adjustments to reconcile profit (loss)	2,243,016	3,651,908
Changes in operating assets and liabilities:		
Changes in operating assets:		
Decrease (increase) in financial assets at fair value through profit or loss	132,499	(613,049)
Decrease (increase) in notes and accounts receivable	(26,316,142)	(12,052,020)
Decrease (increase) in other receivables	216,668	(1,362,635)
Decrease (increase) in inventories	(8,084,399)	(9,977,643)
Decrease (increase) in other current assets	625,599	(468,577)
Decrease (increase) in other non-current assets	107,956	555
Total changes in operating assets	(33,317,819)	(24,473,369)
Changes in operating liabilities:		
Increase (decrease) in financial liabilities at fair value through profit or loss	16,658	57,275
Increase (decrease) in notes and accounts payable	22,957,718	10,710,766
Increase (decrease) in other payables	(2,894,100)	116,725
Increase (decrease) in refund liabilities	263,047	219,225
Increase (decrease) in provisions	24,367	56,249
Increase (decrease) in contract liabilities	(168,306)	(138,438)
Increase (decrease) in other current liabilities	(627,174)	(194,989)
Others	(8,644)	(7,089)
Total changes in operating liabilities	19,563,566	10,819,724
Total changes in operating assets and liabilities	(13,754,253)	(13,653,645)
Total adjustments	(11,511,237)	(10,001,737)
Cash inflow (outflow) generated from operations	(7,577,424)	(5,269,402)
Interest received	938,906	1,050,177
Dividends received	7,427	16,871
Interest paid	(724,485)	(1,551,877)
Income taxes paid	(1,087,351)	(845,314)
Net cash flows from (used in) operating activities	(8,442,927)	(6,599,545)
Cash flows from (used in) investing activities:		
Redemption from financial assets at amortized cost	-	350,000
Acquisition of financial assets at fair value through profit or loss and through other comprehensive income	(77,434)	(187,902)
Proceeds from disposal of financial assets at fair value through profit or loss and through other comprehensive income	44,915	521,262
Acquisition of investments accounted for using equity method	-	(43,200)
Proceeds from disposal of investments accounted for using equity method	8,306	-
Proceeds from capital reduction of investments	-	5,272
Acquisition of property, plant and equipment	(2,719,361)	(2,355,878)
Proceeds from disposal of property, plant and equipment	72,250	45,140
Acquisition of intangible assets	(222,866)	(411,313)
Acquisition of right-of-use assets	(321,745)	(75,304)
Others	(93,902)	(15,997)
Net cash flows from (used in) investing activities	(3,309,837)	(2,167,920)
Cash flows from (used in) financing activities:		
Increase (decrease) in short-term borrowings	10,954,098	7,418,635
Proceeds from issuing bonds	-	1,007,240
Proceeds from long-term borrowings	31,087,890	23,703,625
Repayments of long-term borrowings	(37,387,288)	(27,868,863)
Payment of lease liabilities	(450,693)	(386,335)
Change in non-controlling interests	(930)	17,067
Others	(32,063)	(68,027)
Net cash flows from (used in) financing activities	4,171,014	3,823,342
Effect of exchange rate changes on cash and cash equivalents	(713,178)	417,050
Net increase (decrease) in cash and cash equivalents	(8,294,928)	(4,527,073)
Cash and cash equivalents at beginning of period	66,559,397	70,296,545
Cash and cash equivalents at end of period	\$ 58,264,469	65,769,472

See accompanying notes to consolidated financial statements.

Reviewed only, not audited in accordance with generally accepted auditing standards

COMPAL ELECTRONICS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

June 30, 2020 and 2019

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

(1) Company history

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

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

These consolidated financial statements were authorized for issuance by the Board of Directors and issued on August 12, 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, 2020.

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020
Amendments to IFRS 9, IAS39 and IFRS7 “Interest Rate Benchmark Reform”	January 1, 2020
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020
Amendments to IFRS 16 “Covid-19-Related Rent Concessions”	June 1, 2020

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

- (b) 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:

(Continued)

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

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”	Effective date to be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 16 “Property, Plant and Equipment—Proceeds before Intended Use”	January 1, 2022
Amendments to IAS 37 “Onerous Contracts—Cost of Fulfilling a Contract”	January 1, 2022
Annual Improvements to IFRS Standards 2018-2020	January 1, 2022
Amendments to IFRS 17 “Insurance Contracts”	January 1, 2023

Those which may be relevant to the Group are set out below:

<u>Issuance / Release Dates</u>	<u>Standards or Interpretations</u>	<u>Content of amendment</u>
January 23, 2020	Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.

The Group is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its consolidated financial position and consolidated financial performance. The results thereof will be disclosed when the Group completes its evaluation.

(4) Summary of significant accounting policies:

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as the Regulations) and the guidelines of IAS 34 Interim Financial Reporting which are endorsed by the FSC. These consolidated interim financial statements do not include all of the information required by the Regulations and by the International Financial Reporting Standards, the International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed by the FSC (hereinafter referred to as the IFRS endorsed by the FSC) for a complete set of the annual financial statements.

(Continued)

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

Except as described in the following paragraph, the significant accounting policies used in the interim financial statement are consistent with the consolidated financial statement for the year ended December 31, 2019. For related information, please refer to note (4) of the consolidated financial statement for the year ended December 31, 2019.

(b) Basis of consolidation

Principles of preparation of the consolidated financial statements are consistent with the consolidated financial statement for the year ended December 31, 2019. For related information, please refer to note (4)(c) of the consolidated financial statement for the year ended December 31, 2019.

To list of subsidiaries in the consolidated financial statements as follows:

Name of investor	Name of Subsidiary	Nature of Operation	Percentage of ownership			Description
			June 30, 2020	December 31, 2019	June 30, 2019	
The Company	Panpal Technology Corp. ("Panpal")	Investment	100%	100%	100%	Panpal held 31,648 thousand shares of the Company as of June 30, 2020, which represented 0.7% of the Company's outstanding shares. (note 1 & 2)
"	Gempal Technology Corp. ("Gempal")	"	100%	100%	100%	Gempal held 18,369 thousand shares of the Company as of June 30, 2020, which represented 0.4% of the Company's outstanding shares. (note 1 & 2)
"	Hong Ji Capital Co., Ltd. ("Hong Ji")	"	100%	100%	100%	
"	Hong Jin Investment Co., Ltd. ("Hong Jin")	"	100%	100%	100%	
The Company, Panpal, et al.	Accesstek, Inc. ("ATK")	Design, manufacturing and sales of optical disk drives and components	-	38%	38%	The Group had control over ATK. The liquidation procedures had been completed in February 2020.
"	Arcadyan Technology Corp. ("Arcadyan")	R&D, manufacturing and sales of wireless network, integrated household electronics, and mobile office products	35%	35%	35%	The Group had the ability to control Arcadyan.
The Company	Rayonnant Technology Co., Ltd. ("Rayonnant Technology")	Manufacturing and sales of PCs, computer periphery devices, and electronic components	100%	100%	100%	
"	HengHao Technology Co., Ltd. ("HengHao")	Manufacturing and sales of PCs, computer periphery devices, and electronic components	100%	100%	100%	
"	Ripal Optoelectronics Co., Ltd. ("Ripal")	Manufacturing of electric appliance and audiovisual electric products	100%	100%	100%	
"	Mactech Co., Ltd ("Mactech")	Manufacturing of equipment and lighting, retailing of equipment and international trading	53%	53%	53%	
"	General Life Biotechnology Co., Ltd. ("GLB")	Manufacturing and sales of medical equipment	50%	50%	50%	

(Continued)

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

Name of investor	Name of Subsidiary	Nature of Operation	Percentage of ownership			Description
			June 30, 2020	December 31, 2019	June 30, 2019	
The Company	Unicore BioMedical Co., Ltd. ("Unicore")	Management consulting services, rental and leasing business, wholesale and retail sale of medical equipment	100%	100%	100%	
"	Hippo Screen Neurotech Co., Ltd. ("Hippo Screen")	Management consulting services, rental and leasing business, wholesale and retail sale of precision instruments and international trading	70%	70%	70%	
"	Shennona Taiwan Co., Ltd. ("Shennona TW")	Management consulting services, rental and leasing business, wholesale and retail sale of precision instruments and international trading	100%	100%	100%	
"	Aco Smartcare Co., Ltd. ("Aco Smartcare")	Wholesale and retail sale of computer software, software design services, data processing services, wholesale and retail sale of electronic materials, wholesale and retail sale of precision instruments, and biotechnology services	52%	52%	-	52% shares of Aco Smartcare were acquired in July 2019.
"	Shennona Corporation ("Shennona")	Medical care IOT business	100%	100%	100%	
"	Auscom Engineering Inc. ("Auscom")	R&D of notebook PC related products and components	100%	100%	100%	
"	Just International Ltd. ("Just")	Investment	100%	100%	100%	
"	Compal International Holding Co., Ltd. ("CIH")	"	100%	100%	100%	
"	Compal Electronics (Holding) Ltd. ("CEH")	"	100%	100%	100%	
"	Bizcom Electronics, Inc. ("Bizcom")	Warranty services and marketing of monitors and notebook PCs	100%	100%	100%	(notes 1 and 2)
"	Flight Global Holding Inc. ("FGH")	Investment	100%	100%	100%	(notes 1 and 2)
The Company and BSH	High Shine Industrial Corp. ("HSI")	"	100%	100%	100%	
The Company	Compal Europe (Poland) Sp. z o.o. ("CEP")	Maintenance and warranty services of notebook PCs	100%	100%	100%	
"	Big Chance International Co., Ltd. ("BCI")	Investment	100%	100%	100%	
"	Compal Rayonnant Holdings Limited ("CRH")	"	100%	100%	100%	
"	Core Profit Holdings Limited ("CORE")	"	100%	100%	100%	
"	Compalead Electronics B.V. ("CPE")	"	100%	100%	100%	

(Continued)

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

Name of investor	Name of Subsidiary	Nature of Operation	Percentage of ownership			Description (notes 1 and 2)
			June 30, 2020	December 31, 2019	June 30, 2019	
Panpal and Gempal	Compalead Eletronica do Brasil Industria e Comercio Ltda. ("CEB")	Manufacturing of notebook PCs	100%	100%	100%	
"	Compal Electronics India Private Limited ("CEIN")	Manufacturing and warranty service of mobile phones	100%	100%	100%	
Just	Compal Display Holding (HK) Limited ("CDH (HK)")	Investment	100%	100%	100%	
"	Compal Electronics International Ltd. ("CII")	"	100%	100%	100%	
"	Compal International Ltd. ("CPI")	"	100%	100%	100%	(note 2)
CDH (HK)	Compal Electronics (China) Co., Ltd. ("CPC")	Manufacturing and sales of monitors	100%	100%	100%	
"	Compal Optoelectronics (Kunshan) Co., Ltd. ("CPO")	Manufacturing and sales of LCD TVs	100%	100%	100%	
"	Compal System Trading (Kunshan) Co., Ltd. ("CST")	International trade and distribution of computers and electronic components	100%	100%	100%	
CPC	Compal Smart Device (Chongqing) Co., Ltd. ("CSD")	Research, manufacture and sales of communication devices, mobile phones, electronic computer, smart watch, and provide related technical service	100%	100%	100%	
CII	Smart International Trading Ltd. ("Smart")	Investment	100%	100%	100%	
"	Amexcom Electronics Inc. ("AEI")	Sales and maintenance of LCD TVs	100%	100%	100%	
"	Mexcom Electronics, LLC ("MEL")	Investment	100%	100%	100%	
"	Mexcom Technologies, LLC ("MTL")	"	100%	100%	100%	
MEL and MTL	CENA Electromex S.A. de C.V. ("CMX")	Manufacturing, sales, and maintenance of LCD TVs	-	-	100%	CMX was disposed in August 2019.
CIH	Compal International Holding (HK) Limited ("CIH (HK)")	Investment	100%	100%	100%	
"	Jenpal International Ltd. ("Jenpal")	"	100%	100%	100%	
"	Prospect Fortune Group Ltd. ("PFG")	"	100%	100%	100%	(note 2)
"	Fortune Way Technology Corp. ("FWT")	"	100%	100%	100%	
CIH (HK)	Compal Electronics Technology (Kunshan) Co., Ltd. ("CET")	Manufacturing of notebook PCs	100%	100%	100%	
"	Compal Information (Kunshan) Co., Ltd. ("CIC")	"	100%	100%	100%	
"	Compal Information Technology (Kunshan) Co., Ltd. ("CIT")	"	100%	100%	100%	

(Continued)

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

Name of investor	Name of Subsidiary	Nature of Operation	Percentage of ownership			Description
			June 30, 2020	December 31, 2019	June 30, 2019	
CIH (HK)	Kunshan Botai Electronics Co., Ltd. ("BT")	Manufacturing of notebook PCs	100%	100%	100%	
"	Compal Information Research and Development (Nanjing) Co., Ltd. ("CIN")	Software and hardware R&D of computers, mobile phones and electronic components	-	-	100%	The liquidation procedures has been completed in September 2019.
"	Compal Digital Technology (Kunshan) Co., Ltd. ("CDT")	Manufacturing and sales of notebook PCs, mobile phones, and digital products	100%	100%	100%	
BT	Compower Global Service Co., Ltd. ("CGS")	Maintenance and warranty service of notebook PCs	100%	100%	100%	
CDH (HK) and CIH (HK)	Compal Investment (Jiansu) Co., Ltd. ("CIJ")	Investment	100%	100%	100%	
CIJ	Compal Display Electronics (Kunshan) Co., Ltd. ("CDE")	Manufacturing and sales of LCD TVs	100%	100%	100%	
The Company and Webtek	Etrade Management Co., Ltd. ("Etrade")	Investment	100%	100%	100%	
The Company	Webtek Technology Co., Ltd. ("Webtek")	"	100%	100%	100%	
"	Forever Young Technology Inc. ("Forever")	"	100%	100%	100%	
"	UniCom Global, Inc. ("UCGI")	Manufacturing and sales of computers and electronic components	100%	100%	100%	
"	Palcom International Corporation ("Palcom")	Sales of mobile phones	100%	100%	100%	
Etrade	Compal Communication (Nanjing) Co., Ltd. ("CCI Nanjing")	Manufacturing and processing of mobile phones and tablet PCs	100%	100%	100%	
"	Compal Digital Communication (Nanjing) Co., Ltd. ("CDCN")	"	100%	100%	100%	
"	Compal Wireless Communication (Nanjing) Co., Ltd. ("CWCN")	"	100%	100%	100%	
Forever	Hanhelt Communication (Nanjing) Co., Ltd. ("Hanhelt")	R&D and manufacturing of electronic communication equipment	100%	100%	100%	
"	Giant Rank Trading Ltd. ("GIA")	Sales of mobile phones	100%	100%	100%	
ATK	OptoRite Inc.	Sales of optical disc drives	-	100%	100%	
"	MSI-ATK Optics Holding Corporation ("MSI-ATK")	Investment	-	100%	100%	
"	Maitek (BVI) Corporation ("Maitek")	"	-	100%	100%	
Arcadyan	Arcadyan Technology N.A. Corp. ("Arcadyan USA")	Sales of wireless network products	100%	100%	100%	(notes 1 and 2)
"	Arcadyan Germany Technology GmbH ("Arcadyan Germany")	Technical support and sales of wireless network products	100%	100%	100%	(notes 1 and 2)

(Continued)

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

Name of investor	Name of Subsidiary	Nature of Operation	Percentage of ownership			Description
			June 30, 2020	December 31, 2019	June 30, 2019	
Arcadyan	Arcadyan Technology Corporation Korea (“Arcadyan Korea”)	Sales of wireless network products	100%	100%	100%	(notes 1 and 2)
“	Arcadyan Holding (BVI) Corp. (“Arcadyan Holding”)	Investment	100%	100%	100%	
“	Arcadyan Technology Limited (“Arcadyan UK”)	Technical support of wireless network products	100%	100%	100%	(notes 1 and 2)
“	Arcadyan Technology Australia Pty Ltd. (“Arcadyan AU”)	Sales of wireless network products	100%	100%	100%	(notes 1 and 2)
“	Arcadyan Technology Corporation (Russia), LLC. (“Arcadyan RU”)	Sales of wireless network products	100%	-	-	Arcadyan RU was established in June 2020, with its capital fund which have yet to be received as of June 30, 2020. (note 1)
Arcadyan and Zhi-pal	Arcadyan do Brasil Ltda. (“Arcadyan Brasil”)	Sales of wireless network products	100%	100%	100%	(notes 1 and 2)
Arcadyan	Zhi-pal Technology Inc. (“Zhi-pal”)	Investment	100%	100%	100%	(notes 1 and 2)
“	Tatung Technology Inc. (“TTI”)	R&D and sales of household digital electronic products	61%	61%	61%	
“	AcBel Telecom Inc. (“AcBel Telecom”)	Investment	51%	51%	51%	(notes 1 and 2)
The Company, Arcadyan, and its subsidiaries	Compal Broadband Network Inc. (“CBN”)	R&D and sales of cable modem, digital set-up box, and other communication products	64%	64%	64%	
CBN	Speedlink Tradings Limited (“Speedlink”)	Import and export business	-	-	100%	The shares were recovered in November 2019. In the first quarter of 2020, the liquidation procedures had been completed.
“	Compal Broadband Networks Belgium BVBA (“CBNB”)	Import and export business, technical support and consulting service of broadband networks	100%	100%	100%	
“	Compal Broadband Networks Netherlands B.V. (“CBNN”)	“	100%	100%	-	CBNN was established in December 2019.
Arcadyan Holding	Sinoprime Global Inc. (“Sinoprime”)	Investment	100%	100%	100%	(notes 1 and 2)
“	Arcadyan Technology (Shanghai) Corp. (“SVA Arcadyan”)	R&D and sales of wireless network products	100%	100%	100%	
“	Arch Holding (BVI) Corp. (“Arch Holding”)	Investment	100%	100%	100%	
Arch Holding	Compal Networking (Kunshan) Co., Ltd. (“CNC”)	Manufacturing of wireless network products	100%	100%	100%	
Sinoprime	Arcadyan Technology (Vietnam) Co., Ltd. (“Arcadyan Vietnam”)	Manufacturing of wireless network products	100%	100%	100%	(note 1)
AcBel Telecom	Leading Images Ltd. (“Leading Images”)	Investment	100%	100%	100%	(notes 1 and 2)

(Continued)

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

Name of investor	Name of Subsidiary	Nature of Operation	Percentage of ownership			Description
			June 30, 2020	December 31, 2019	June 30, 2019	
Leading Images	Astoria Networks GmbH ("Astoria GmbH")	Sales of wireless network products	100%	100%	100%	Astoria GmbH applied for liquidation in December 2018. As of June 30, 2020, Astoria GmbH has yet to complete its liquidation procedures. (notes 1 and 2)
TTI	Quest International Group Co., Ltd. ("Quest")	Investment	100%	100%	100%	
"	Tatung Technology of Japan Co., Ltd. ("TTJC")	Sales of household digital electronic products	100%	100%	100%	(notes 1 and 2)
Quest	Exquisite Electronic Co., Ltd. ("Exquisite")	Investment	100%	100%	100%	
Exquisite	Tatung Home Appliances (Wujiang) Co., Ltd. ("THAC")	Manufacturing of household digital electronic products	100%	100%	100%	
HSI	Intelligent Universal Enterprise Ltd. ("IUE")	Investment	100%	100%	100%	
"	Goal Reach Enterprises Ltd. ("Goal")	"	100%	100%	100%	
IUE	Compal (Vietnam) Co., Ltd. ("CVC")	R&D, manufacturing, sales, and maintenance of notebook PCs, computer monitors, LCD TVs and electronic components	100%	100%	100%	
Goal	Compal Development & Management ("Vietnam") Co., Ltd. ("CDM")	Construction of and investment in infrastructure in Ba-Thien industrial district of Vietnam	100%	100%	100%	
Rayonnant Technology and CRH	Allied Power Holding Corp. ("APH")	Investment	100%	100%	100%	
APH	Primetek Enterprises Limited ("PEL")	"	100%	100%	100%	
"	Rayonnant Technology (HK) Co., Ltd. ("Rayonnant Technology (HK)")	"	100%	100%	100%	
Rayonnant Technology (HK)	Rayonnant Technology (Taicang) Co., Ltd. ("Rayonnant Technology (Taicang)")	Manufacturing and sales of aluminum alloy and magnesium alloy products	100%	100%	100%	
HengHao	HengHao Holdings A Co., Ltd. ("HHA")	Investment	100%	100%	100%	
HHA	HengHao Holdings B Co., Ltd. ("HHB")	"	100%	100%	100%	
HHB	HengHao Trading Co., Ltd.	Marketing and international trade	100%	100%	100%	
"	HengHao Optoelectronics Technology (Kunshan) Co., Ltd. ("HengHao Kunshan")	Production of touch panels and related components	100%	100%	100%	
"	Lucom Display Technology (Kunshan) Limited ("Lucom")	Manufacturing of touch panels and LCD TVs	100%	100%	100%	
BCI	Center Mind International Co., Ltd. ("CMP")	Investment	100%	100%	100%	
"	Prisco International Co., Ltd. ("PRI")	"	100%	100%	100%	

(Continued)

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

Name of investor	Name of Subsidiary	Nature of Operation	Percentage of ownership			Description
			June 30, 2020	December 31, 2019	June 30, 2019	
CMI	Compal Investment (Sichuan) Co., Ltd. ("CIS")	Outward investment and consulting services	100%	100%	100%	
PRI	Compal Electronics (Chongqing) Co., Ltd. ("CEQ")	R&D, manufacturing and sales of notebook PCs, related components, related maintenance and warranty services	100%	100%	100%	
CIS	Compal Electronics (Chengdu) Co., Ltd. ("CEC")	R&D and manufacturing of notebook PCs, tablet PCs, digital products, network switches, wireless AP, and automobile electronic products	100%	100%	100%	
"	Compal Management (Chengdu) Co., Ltd. ("CMC")	Corporate management consulting, training and education, business information consulting, financial and tax consulting, investment consulting, and investment management services	100%	100%	100%	
CORE	Billion Sea Holdings Limited ("BSH")	Investment	100%	100%	100%	
BSH	Mithera Capital lo LP ("Mithera")	"	99%	99%	99%	Mithera was established in June 2019.
GLB	Rapha Bio Ltd. ("RBL")	Detector and feature	100%	100%	100%	
Unicore	Raycore Biotech Co., Ltd. ("Raycore")	Animal medication retail and wholesale	51%	51%	51%	

Note 1: The financial statements of the subsidiary as of June 30, 2020 have not been reviewed by CPA.

Note 2: The financial statements of the subsidiary as of June 30, 2019 have not been reviewed by CPA.

(c) **Income taxes**

Tax expense in the interim financial statements is measured and disclosed according to paragraph B12 of IAS 34 "Interim Financial Reporting".

Income tax expense for the year is best estimated by multiplying pretax income for the interim reporting period by the effective annual tax rate as forecasted by the management. This should be recognized fully as tax expense for the current period.

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases shall be measured based on the effective tax rate at the time of realization or liquidation and recognized directly in equity or other comprehensive income as tax expense.

(d) **Employee benefits**

Under defined benefit plans, pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events.

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

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

The preparation of the consolidated financial statements in conformity with Regulations as well as IFRSs (in accordance with IAS 34 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.

In the preparation of the consolidated interim financial statements, the major sources of significant accounting assumptions, judgments and estimation uncertainty are consistent with note (5) of the annual consolidated financial statements for the year ended December 31, 2019.

(6) Explanation of significant accounts:

Except for the following disclosures, there is no significant difference compared with the consolidated financial statements for the year ended December 31, 2019. Please refer to the note (6) of the consolidated financial statements for the year ended December 31, 2019 and for other related information.

(a) Cash and cash equivalents

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Cash on hand	\$ 15,683	19,217	19,813
Checking accounts and demand deposits	11,854,112	10,455,819	15,906,591
Time deposits	46,094,641	56,034,361	49,753,365
Bonds purchased under resale agreements	<u>300,033</u>	<u>50,000</u>	<u>89,703</u>
	<u>\$ 58,264,469</u>	<u>66,559,397</u>	<u>65,769,472</u>

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

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

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Mandatorily measured at fair value through profit or loss:			
Non-derivative financial assets			
Structured deposits	\$ 1,139,451	1,330,458	4,586,046
Stock listed in domestic markets	-	-	227,478
Stock unlisted in domestic markets	87,550	24,350	25,000
Fund in domestic or foreign markets	83,696	91,009	89,275
Derivative instruments not used for hedging			
Foreign exchange contracts	56,682	466	641
Swap contracts	<u>17,747</u>	<u>15,455</u>	<u>3,637</u>
Total	<u>\$ 1,385,126</u>	<u>1,461,738</u>	<u>4,932,077</u>

(Continued)

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

	June 30, 2020	December 31, 2019	June 30, 2019
Current	\$ 1,213,880	1,346,379	4,817,802
Non-current	171,246	115,359	114,275
	\$ 1,385,126	1,461,738	4,932,077
	June 30, 2020	December 31, 2019	June 30, 2019
Financial liabilities held-for-trading:			
Derivative instruments not used for hedging			
Foreign exchange contracts	\$ 22,190	5,854	84,188
Swap contracts	322	-	-
Total	\$ 22,512	5,854	84,188

The Group uses derivative instruments to hedge foreign currency risk the Group is exposed to arising from its operating activities. The following derivative instruments not applied hedge accounting were classified as mandatorily measured at fair value through profit or loss and held-for-trading financial liabilities :

					June 30, 2020
		Contract amount (in thousands)	Currency	Maturity date	
Derivative financial assets:					
Foreign exchange contracts:					
Forward exchange sold	EUR	9,000	EUR to USD	August 25~November 27, 2020	
Forward exchange purchased	USD	330	USD to RUB	September 29, 2020	
Forward exchange purchased	USD	105,000	USD to BRL	July 2, 2020~June 24, 2021	
Swap contracts:					
Currency swap	USD	48,000	USD to TWD	July 13~October 14, 2020	
Derivative financial liabilities:					
Foreign exchange contracts:					
Forward exchange sold	EUR	29,000	EUR to USD	July 10~December 14, 2020	
Forward exchange purchased	USD	30,000	USD to TWD	July 10, 2020	
Swap contracts:					
Currency swap	USD	12,000	USD to TWD	September 18~29, 2020	

(Continued)

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

December 31, 2019			
	Contract amount (in thousands)	Currency	Maturity date
Derivative financial assets:			
Foreign exchange contracts:			
Forward exchange purchased	USD 84,500	USD to BRL	January 14~May 26, 2020
Swap contracts:			
Currency Swap	USD 55,000	USD to TWD	January 13~March 30, 2020
Derivative financial liabilities:			
Foreign exchange contracts:			
Forward exchange sold	EUR 21,000	EUR to USD	January 10~March 13, 2020
Forward exchange purchased	USD 1,000	USD to BRL	September 23, 2020
June 30, 2019			
	Contract amount (in thousands)	Currency	Maturity date
Derivative financial assets:			
Foreign exchange contracts:			
Forward exchange sold	EUR 3,000	EUR to USD	July 12~September 27, 2019
Forward exchange purchased	USD 5,167	USD to MXN	August 29, 2019
Forward exchange purchased	USD 1,100	USD to BRL	August 6, 2019
Swap contracts:			
Currency swap	USD 9,000	USD to TWD	July 30~August 14, 2019
Derivative financial liabilities:			
Forward exchange sold	EUR 49,500	EUR to USD	July 5~September 27, 2019
Forward exchange sold	EUR 5,000	EUR to TWD	July 30~August 29, 2019
Forward exchange purchased	USD 4,128	USD to MXN	July 30, 2019
Forward exchange purchased	USD 127,400	USD to BRL	July 1~December 16, 2019

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

As of June 30, 2020, December 31 and June 30, 2019, the Group did not provide any aforementioned financial assets as collaterals for its loans.

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

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

	<u>June 30,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>	<u>June 30,</u> <u>2019</u>
Equity investments at fair value through other comprehensive income:			
Stock listed in domestic markets	\$ 1,729,551	2,055,890	2,507,733
Stock listed in foreign markets	337,880	448,110	428,939
Stock unlisted in domestic markets	1,976,919	2,246,932	2,064,250
Stock unlisted in foreign markets	<u>174,860</u>	<u>177,121</u>	<u>195,828</u>
Total	<u>\$ 4,219,210</u>	<u>4,928,053</u>	<u>5,196,750</u>

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

During the first two quarters of 2020, the Group has sold all of its shareholdings, measured at fair value through other comprehensive income, in Global BioPharma, Inc. The fair value of the shares upon disposal amounted to \$44,915, resulting in a cumulative loss of \$55,085, which was reclassified from other comprehensive income to retained earnings.

During the first two quarters of 2019, the Group had sold all of its shareholdings, measured at fair value through other comprehensive income, in PrimeSensor Technology Inc. and Macroblock Inc. The fair value of the shares upon disposal amounted to \$82,021, resulting in a cumulative gain of \$15,522, which was reclassified from other comprehensive income to retained earnings.

If there is an increase (decrease) in the market price by 5% on the reporting date of the equity securities hold by the Group, the increase (decrease) in other comprehensive income (pre-tax) for the six months ended June 30, 2020 and 2019, will be \$210,961 and \$259,838, respectively. These analyses are performed on the same basis for the period and assume that all other variables remain the same.

The Group's information of market risk please refer to note (6)(z).

As of June 30, 2020, December 31 and June 30, 2019, the Group did not provide any financial assets at fair value through other comprehensive income as collaterals for its loans.

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

(d) Financial instruments used for hedging

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

	June 30, 2020	December 31, 2019	June 30, 2019
Cash flow hedge:			
Financial assets used for hedging:			
Forward exchange contracts	\$ 23,565	61	-
Financial liabilities used for hedging:			
Forward exchange contracts	\$ -	4,932	-

(ii) Cash flow hedge

The Group's strategy is to use forward exchange contracts to hedge its foreign currency exposure in respect of forecasted future sales.

As of June 30, 2019, the Group did not enter into any hedge contract.

As of June 30, 2020 and December 31, 2019, the amount related to the items designated as hedge instruments were as follows:

June 30, 2020				
	Contract amount (in thousands)	Currency	Maturity period	Average strike price
Derivative financial assets used for hedging				
Foreign exchange contracts:				
Forward exchange sold	EUR 49,000	EUR to USD	July 27~ December 29, 2020	1.1407
December 31, 2019				
	Contract amount (in thousands)	Currency	Maturity period	Average strike price
Derivative financial assets used for hedging				
Foreign exchange contracts:				
Forward exchange sold	EUR 6,000	EUR to USD	January 31~ June 29, 2020	1.1278

(Continued)

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

		December 31, 2019			
		Contract amount (in thousands)	Currency	Maturity period	Average strike price
Derivative financial liabilities used for hedging					
Foreign exchange contracts:					
Forward exchange sold	EUR 39,000	EUR to USD	January 31~ December 29, 2020	1.1327	
Forward exchange purchased	USD 3,589	USD to MXN	February 26~ March 30, 2020	19.507	
(iii) For the three months ended June 30, 2020 and 2019 and the six months ended June 30, 2020 and 2019, the ineffective portion of cash flow hedge recognized in profits (losses) amounted of \$5,335, \$(5,567), \$4,255 and \$(5,934), respectively, recorded as “other gains and losses, net”.					
(iv) For the three months ended June 30, 2020 and 2019 and the six months ended June 30, 2020 and 2019, the profits (losses) of changes in fair value of derivative financial instruments used for hedging reclassified from other equity to profit or loss is recognized as revenue in the statement of comprehensive income. Please refer to note (6)(y).					
(e) Notes and accounts receivable					
		June 30, 2020	December 31, 2019	June 30, 2019	
Notes receivables from operating activities	\$	15,792	42,418	26,837	
Accounts receivables – measured at amortized cost		186,592,671	167,615,217	194,250,370	
Accounts receivables – fair value through other comprehensive income		<u>35,373,059</u>	<u>28,007,745</u>	<u>25,483,569</u>	
		221,981,522	195,665,380	219,760,776	
Less: allowance for uncollectible accounts		<u>(3,922,621)</u>	<u>(3,928,716)</u>	<u>(3,947,669)</u>	
		<u>\$ 218,058,901</u>	<u>191,736,664</u>	<u>215,813,107</u>	
Notes and accounts receivable	\$	<u>218,004,310</u>	<u>191,692,152</u>	<u>215,780,768</u>	
Notes and accounts receivable – related parties	\$	<u>54,591</u>	<u>44,512</u>	<u>32,339</u>	

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

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

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

June 30, 2020				
Credit rating	Carrying amount of notes and accounts receivable	Weighted- average ECL rate	Lifetime ECLs	Credit- impaired
Level A	\$ 202,139,528	0%	-	No
Level B	9,747,856	0.701%	68,331	No
Level C	<u>3,817,340</u>	100%	<u>3,817,340</u>	Yes
	<u>\$ 215,704,724</u>		<u>3,885,671</u>	
December 31, 2019				
Credit rating	Carrying amount of notes and accounts receivable	Weighted- average ECL rate	Lifetime ECLs	Credit- impaired
Level A	\$ 172,692,844	0%	-	No
Level B	13,008,324	0.547%	71,101	No
Level C	<u>3,817,340</u>	100%	<u>3,817,340</u>	Yes
	<u>\$ 189,518,508</u>		<u>3,888,441</u>	
June 30, 2019				
Credit rating	Carrying amount of notes and accounts receivable	Weighted- average ECL rate	Lifetime ECLs	Credit- impaired
Level A	\$ 197,655,464	0%	-	No
Level B	10,695,625	0.654%	69,945	No
Level C	<u>3,830,424</u>	100%	<u>3,830,424</u>	Yes
	<u>\$ 212,181,513</u>		<u>3,900,369</u>	

(Continued)

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

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

June 30, 2020				
Credit rating	Carrying amount of notes and accounts receivable	Weighted- average ECL rate	Lifetime ECLs	Credit- impaired
Level A	\$ 2,584,760	0%	-	No
Level B	3,016,539	0.1%	3,053	No
Level C	648,083	1%	6,481	No
Level D	-	-	-	-
Level E	27,416	100%	27,416	Yes
	\$ 6,276,798		36,950	
December 31, 2019				
Credit rating	Carrying amount of notes and accounts receivable	Weighted- average ECL rate	Lifetime ECLs	Credit- impaired
Level A	\$ 2,620,806	0%	-	No
Level B	2,713,406	0.10%	2,789	No
Level C	783,004	1.00%	7,830	No
Level D~E	-	-	-	-
Level F	29,656	100%	29,656	Yes
	\$ 6,146,872		40,275	
June 30, 2019				
Credit rating	Carrying amount of notes and accounts receivable	Weighted- average ECL rate	Lifetime ECLs	Credit- impaired
Level A	\$ 3,555,631	0%	-	No
Level B	3,287,904	0.11%	3,512	No
Level C	704,872	1.83%	12,932	No
Level D~E	-	-	-	-
Level F	30,856	100%	30,856	Yes
	\$ 7,579,263		47,300	

(Continued)

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

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

	June 30, 2020	December 31, 2019	June 30, 2019
Overdue 1 to 180 days	\$ 1,311,212	1,707,265	2,432,380
Overdue 181 to 365 days	30,700	285	41
Overdue 365 days and over	-	-	10,874
	<u>\$ 1,341,912</u>	<u>1,707,550</u>	<u>2,443,295</u>

The movement in the allowance for notes and accounts receivable was as follows:

	For the six months ended June 30,	
	2020	2019
Balance at January 1	\$ 3,928,716	4,020,603
Impairment losses recognized (reversed)	(4,082)	7,458
Amounts written off	-	(85,918)
Effect of changes in exchange rates	(2,013)	5,526
Balance at June 30	<u>\$ 3,922,621</u>	<u>3,947,669</u>

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

The Group entered into accounts receivable factoring agreements with banks. As of June 30, 2020, December 31 and June 30, 2019, except for the amount used under the actual sales amount in accordance with certain agreements, the factoring amount granted by the banks was USD 1,000,000 thousand and EUR 59,700 thousand, USD 1,000,000 thousand and EUR 59,700 thousand, USD 950,000 thousand and EUR 59,700 thousand, respectively. Based on the agreements, the Group is not responsible for guaranteeing the ability of the accounts receivable obligor to make payment when it is affected by credit risk. Thus, this is a non-recourse accounts receivable factoring. The Group derecognized the above accounts receivable because it has transferred substantially all of the risks and rewards of their ownership and it does not have any continuing involvement in them. After the transfer of the accounts receivable, the Group can request partial advanced amount, while the interest calculated at an agreed rate is paid to the bank in the period during the time of receiving advance and the accounts receivable is collected. The remaining amounts with no advance are received when the accounts receivable are settled by the customers. As of December 31, 2019, account receivable factored were recovered. As of June 30, 2020 and 2019, the factored account receivable with no advance amounting \$16,697 and \$64,831, respectively, is accounted for as other receivables.

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COMPAL ELECTRONICS, INC. AND SUBSIDIARIES
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The Group, customers, and banks signed the three-party contracts in which the banks purchase accounts receivable from the Group. The total amount of the accounts receivable should not exceed the facility limit provided by the banks to the Group's customers. Based on the contracts, the banks have no right to request the Group to repurchase the accounts receivable. Thus, this is a non-recourse accounts receivable transfer. As of June 30, 2020, December 31 and June 30, 2019, accounts receivable factored were recovered and derecognized since the conditions of derecognition were met.

As of June 30, 2020, December 31 and June 30, 2019, the details of the factored accounts receivable but unsettled were as follows:

June 30, 2020							
Purchaser	Accounts receivable factored (gross)	Amount advanced		Amount recognized in other receivables	Collateral	Amount derecognized	Interest rate
		Unpaid	Paid				
Financial Institution	<u>\$ 23,906,479</u>	<u>-</u>	<u>23,889,782</u>	<u>16,697</u>	-	<u>23,906,479</u>	0.64%~0.73%
December 31, 2019							
Purchaser	Accounts receivable factored (gross)	Amount advanced		Amount recognized in other receivables	Collateral	Amount derecognized	Interest rate
		Unpaid	Paid				
Financial Institution	<u>\$ 25,672,764</u>	<u>-</u>	<u>25,672,764</u>	<u>-</u>	-	<u>25,672,764</u>	2.21%~2.80%
June 30, 2019							
Purchaser	Accounts receivable factored (gross)	Amount advanced		Amount recognized in other receivables	Collateral	Amount derecognized	Interest rate
		Unpaid	Paid				
Financial Institution	<u>\$ 20,853,412</u>	<u>-</u>	<u>20,788,581</u>	<u>64,831</u>	-	<u>20,853,412</u>	0.64%~2.92%

As of June 30, 2020, December 31 and June 30, 2019, the Group did not provide any aforementioned notes and accounts receivable as collaterals.

(f) Inventories

	June 30, 2020	December 31, 2019	June 30, 2019
Finished goods	\$ 22,912,036	30,269,057	34,191,959
Work in progress	7,990,853	6,455,035	4,809,183
Raw materials	54,635,803	41,213,675	49,171,156
Raw materials in transit	<u>979,245</u>	<u>495,771</u>	<u>954,267</u>
	<u>\$ 86,517,937</u>	<u>78,433,538</u>	<u>89,126,565</u>

(i) For the three months and six months ended June 30, 2020 and 2019, inventory cost recognized as cost of sales amounted to \$255,384,585, \$243,728,392, \$431,485,720 and \$446,666,766, respectively.

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COMPAL ELECTRONICS, INC. AND SUBSIDIARIES
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- (ii) The write-down of inventories to net realizable value amounted to \$178,858 for the three months ended June 30, 2019, and amounted to \$292,252 and \$395,620, for the six months ended June 30, 2020 and 2019, respectively. The Group reversed its allowance for inventory valuation loss amounting to \$176,539 due to the sale and disposal of its obsolete inventories in the three months ended June 30, 2020.
- (iii) As of June 30, 2020, December 31 and June 30, 2019, the Group did not provide any inventories as collaterals for its loans.
- (g) Investments accounted for using equity method

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

	June 30, 2020	December 31, 2019	June 30, 2019
Associates	\$ 7,409,141	7,410,134	7,471,160
Joint venture	(15,707)	(14,725)	517
	7,393,434	7,395,409	7,471,677
Plus: credit balance of investment in equity method (other non-current liability)	41,516	41,719	-
Less: unrealized profits or losses	(116,704)	(118,042)	(122,167)
	<u>\$ 7,318,246</u>	<u>7,319,086</u>	<u>7,349,510</u>

(i) Associates

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

	June 30, 2020	December 31, 2019	June 30, 2019
Allied Circuit Co., Ltd. ("Allied Circuit")	\$ 2,497,749	1,838,621	1,075,420
Avalue Technology Inc. ("Avalue")	1,004,390	1,147,839	718,569
	<u>\$ 3,502,139</u>	<u>2,986,460</u>	<u>1,793,989</u>

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

	For the three months ended June 30,		For the six months ended June 30,	
	2020	2019	2020	2019
The Group's share of the gain (loss) of associates	<u>\$ 282,535</u>	<u>67,126</u>	<u>363,287</u>	<u>8,014</u>

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

	<u>June 30,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>	<u>June 30,</u> <u>2019</u>
Carrying amount of individually immaterial associates	\$ <u>7,409,141</u>	<u>7,410,134</u>	<u>7,471,160</u>
	<u>For the three months ended</u> <u>June 30,</u>	<u>For the six months ended</u> <u>June 30,</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>
The Group's share of the net income (loss) of associates:			
Profit (loss) from continuing operations	\$ 282,535	67,126	363,287
Other comprehensive income	<u>(91,877)</u>	<u>(107,202)</u>	<u>(238,133)</u>
Total comprehensive income	<u>\$ 190,658</u>	<u>(40,076)</u>	<u>125,154</u>

- 4) For the six months ended June 30, 2020, the Group had sold parts of its shares held in Avalue, with a consideration (net of costs of disposal) amounting to \$8,306. The transaction has been completed and the price has been fully received, wherein the Group recognized a gain of \$3,914, which was accounted for as other gain and loss.

(ii) Joint venture

In April 2010, the Group and another company established a jointly controlled entity, Compal Connector Manufacture Ltd. ("CCM"), and obtained an ownership interest of 51%. CCM's actual paid-in capital amounted to USD10,000 thousands. Moreover, in May 2014, the Group and another company established a jointly controlled entity, Zheng Ying Electronics (Chongqing) Co., Ltd., ("Zheng Ying"), and obtained an ownership interest of 51%. Zheng Ying's actual paid-in capital amounted to USD 2,500 thousands.

The Group's financial information for investment accounted for using the equity method that are individually insignificant was as follows:

	<u>June 30,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>	<u>June 30,</u> <u>2019</u>
The carrying amount of the Group's interests in all individually insignificant joint ventures	\$ <u>(15,707)</u>	<u>(14,725)</u>	<u>517</u>

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COMPAL ELECTRONICS, INC. AND SUBSIDIARIES
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	For the three months ended		For the six months ended	
	June 30,		June 30,	
	2020	2019	2020	2019
The Group's share of the net income (loss) of joint ventures:				
Losses from continuing operations (also the total comprehensive losses)	\$ <u>(349)</u>	<u>(13,047)</u>	<u>(1,930)</u>	<u>(16,018)</u>

(iii) As of June 30, 2020, December 31 and June 30, 2019, the Group did not provide any investments accounted for using equity method as collaterals for its loans.

(h) Changes in subsidiaries' equity

There were no significant transactions for the six months ended June 30, 2020 and 2019. Please refer to note (6)(i) of the consolidated financial statement for the year ended December 2019.

(i) Material non-controlling interests of subsidiaries

There were no significant transactions for the six months ended June 30, 2020 and 2019. Please refer to note (6)(k) of the consolidated financial statement for the year ended December 2019.

(j) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Group for the six months ended June 30, 2020 and 2019, were as follows:

	Land	Buildings and building improvement	Machinery	Other equipment	Under construction and prepayment for purchase of equipment	Total
Cost:						
Balance on January 1, 2020	\$ 1,705,220	16,966,779	27,044,641	11,289,433	1,310,558	58,316,631
Additions	4,611	45,718	754,050	559,070	812,190	2,175,639
Disposals and derecognitions	-	(26,886)	(348,395)	(342,607)	-	(717,888)
Reclassifications	222,770	427,699	256,099	115,558	(1,022,126)	-
Effect of movements in exchange rates	<u>1</u>	<u>(172,086)</u>	<u>(452,040)</u>	<u>(266,226)</u>	<u>(81,105)</u>	<u>(971,456)</u>
Balance on June 30, 2020	<u>\$ 1,932,602</u>	<u>17,241,224</u>	<u>27,254,355</u>	<u>11,355,228</u>	<u>1,019,517</u>	<u>58,802,926</u>
Balance on January 1, 2019	\$ 1,772,214	17,020,270	26,201,597	10,642,904	1,003,490	56,640,475
Additions	-	302,223	963,483	1,043,557	303,344	2,612,607
Disposals and derecognitions	-	(35,553)	(97,933)	(577,344)	-	(710,830)
Reclassifications	-	28,182	49,821	69,326	(147,329)	-
Effect of movements in exchange rates	<u>1,043</u>	<u>326,432</u>	<u>(68,198)</u>	<u>193,236</u>	<u>55,616</u>	<u>508,129</u>
Balance on June 30, 2019	<u>\$ 1,773,257</u>	<u>17,641,554</u>	<u>27,048,770</u>	<u>11,371,679</u>	<u>1,215,121</u>	<u>59,050,381</u>

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COMPAL ELECTRONICS, INC. AND SUBSIDIARIES
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	<u>Land</u>	<u>Buildings and building improvement</u>	<u>Machinery</u>	<u>Other equipment</u>	<u>Under construction and prepayment for purchase of equipment</u>	<u>Total</u>
Depreciation and impairments loss:						
Balance on January 1, 2020	\$ -	10,352,434	19,850,259	8,141,591	-	38,344,284
Depreciation for the period	-	424,439	1,165,398	666,539	-	2,256,376
Disposals and derecognitions	-	(26,886)	(289,971)	(337,270)	-	(654,127)
Effect of movements in exchange rates	-	(107,257)	(399,660)	(188,745)	-	(695,662)
Balance on June 30, 2020	<u>\$ -</u>	<u>10,642,730</u>	<u>20,326,026</u>	<u>8,282,115</u>	<u>-</u>	<u>39,250,871</u>
Balance on January 1, 2019	\$ -	10,105,653	18,441,703	7,674,891	-	36,222,247
Depreciation for the period	-	400,984	1,245,013	860,185	-	2,506,182
Disposals and derecognitions	-	(35,551)	(92,814)	(570,849)	-	(699,214)
Effect of movements in exchange rates	-	272,225	7,961	(693)	-	279,493
Balance on June 30, 2019	<u>\$ -</u>	<u>10,743,311</u>	<u>19,601,863</u>	<u>7,963,534</u>	<u>-</u>	<u>38,308,708</u>
Carrying amounts:						
Balance on January 1, 2020	<u>\$ 1,705,220</u>	<u>6,614,345</u>	<u>7,194,382</u>	<u>3,147,842</u>	<u>1,310,558</u>	<u>19,972,347</u>
Balance on June 30, 2020	<u>\$ 1,932,602</u>	<u>6,598,494</u>	<u>6,928,329</u>	<u>3,073,113</u>	<u>1,019,517</u>	<u>19,552,055</u>
Balance on January 1, 2019	<u>\$ 1,772,214</u>	<u>6,914,617</u>	<u>7,759,894</u>	<u>2,968,013</u>	<u>1,003,490</u>	<u>20,418,228</u>
Balance on June 30, 2019	<u>\$ 1,773,257</u>	<u>6,898,243</u>	<u>7,446,907</u>	<u>3,408,145</u>	<u>1,215,121</u>	<u>20,741,673</u>

As of June 30, 2020, December 31 and June 30, 2019, part of the Group's property, plant and equipment were provided as collateral for long-term borrowings. Please refer to note (8).

(k) Right-of-use assets

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

	<u>Land</u>	<u>Buildings</u>	<u>Machinery</u>	<u>Vehicles and Other</u>	<u>Total</u>
Cost:					
Balance on January 1, 2020	\$ 1,110,813	2,809,991	86,661	88,712	4,096,177
Additions	321,745	631,468	-	5,816	959,029
Deductions	-	(123,066)	(9,115)	(7,358)	(139,539)
Effect of movements in exchange rates	(17,576)	(40,265)	(1,572)	(1,066)	(60,479)
Balance on June 30, 2020	<u>\$ 1,414,982</u>	<u>3,278,128</u>	<u>75,974</u>	<u>86,104</u>	<u>4,855,188</u>
Balance on January 1, 2019	\$ 891,147	1,934,899	87,482	67,569	2,981,097
Additions	75,304	41,770	-	35,673	152,747
Deductions	-	(121,119)	(9,319)	-	(130,438)
Effect of movements in exchange rates	9,932	1,834	516	198	12,480
Balance on June 30, 2019	<u>\$ 976,383</u>	<u>1,857,384</u>	<u>78,679</u>	<u>103,440</u>	<u>3,015,886</u>

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COMPAL ELECTRONICS, INC. AND SUBSIDIARIES
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	<u>Land</u>	<u>Buildings</u>	<u>Machinery</u>	<u>Vehicles and Other</u>	<u>Total</u>
Depreciation and impairment loss:					
Balance on January 1, 2020	\$ 31,587	659,467	22,270	32,681	746,005
Depreciation for the period	31,645	405,632	6,418	18,042	461,737
Deductions	-	(100,243)	(9,803)	(6,285)	(116,331)
Effect of movements in exchange rates	<u>(763)</u>	<u>(7,947)</u>	<u>(759)</u>	<u>(456)</u>	<u>(9,925)</u>
Balance on June 30, 2020	<u>\$ 62,469</u>	<u>956,909</u>	<u>18,126</u>	<u>43,982</u>	<u>1,081,486</u>
Balance on January 1, 2019	\$ -	-	-	-	-
Depreciation for the period	17,421	368,649	6,670	18,945	411,685
Deductions	-	(4,367)	-	-	(4,367)
Effect of movements in exchange rates	<u>942</u>	<u>225</u>	<u>(32)</u>	<u>(23)</u>	<u>1,112</u>
Balance on June 30, 2019	<u>\$ 18,363</u>	<u>364,507</u>	<u>6,638</u>	<u>18,922</u>	<u>408,430</u>
Carrying amount:					
Balance on January 1, 2020	<u>\$ 1,079,226</u>	<u>2,150,524</u>	<u>64,391</u>	<u>56,031</u>	<u>3,350,172</u>
Balance on June 30, 2020	<u>\$ 1,352,513</u>	<u>2,321,219</u>	<u>57,848</u>	<u>42,122</u>	<u>3,773,702</u>
Balance on January 1, 2019	<u>\$ 891,147</u>	<u>1,934,899</u>	<u>87,482</u>	<u>67,569</u>	<u>2,981,097</u>
Balance on June 30, 2019	<u>\$ 958,020</u>	<u>1,492,877</u>	<u>72,041</u>	<u>84,518</u>	<u>2,607,456</u>

(l) Short-term borrowings

The details of short-term borrowings were as follows:

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Unsecured bank loans	<u>\$ 71,905,942</u>	<u>60,951,844</u>	<u>79,768,832</u>
Unused credit line for short-term borrowings	<u>\$ 104,939,000</u>	<u>107,077,000</u>	<u>83,874,000</u>
Range of interest rates	<u>0.25%~7.15%</u>	<u>0.66%~5.05%</u>	<u>0.66%~5.00%</u>

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

(m) Long-term borrowings

The details of long-term borrowings were as follows:

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Unsecured bank loans	\$ 19,181,540	25,650,000	24,248,750
Secured bank loans	267,500	98,438	118,125
Less: current portion	<u>(9,958,715)</u>	<u>(18,189,375)</u>	<u>(16,613,125)</u>
Total	<u>\$ 9,490,325</u>	<u>7,559,063</u>	<u>7,753,750</u>
Unused credit line for long-term borrowings	<u>\$ 18,144,000</u>	<u>12,047,000</u>	<u>13,787,000</u>
Range of interest rates	<u>0.65%~1.50%</u>	<u>0.73%~1.67%</u>	<u>0.65%~1.67%</u>

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COMPAL ELECTRONICS, INC. AND SUBSIDIARIES
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For information on the Group's interest risk, foreign currency risk and liquidity risk, please refer to note (6)(z).

The Group pledges property, plant and equipment as collateral for its partial long-term borrowings. Please refer to note (8).

(n) Unsecured convertible corporate bonds

(i) The Company's subsidiary, Arcadyan, issued the first domestic unsecured convertible corporate bonds on June 6, 2019. The details was as follows:

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Total convertible corporate bonds issued	\$ 1,000,000	1,000,000	1,000,000
Unamortized discounts on corporate bonds payable	(24,978)	(31,383)	(37,744)
Unamortized issuance costs on corporate bonds payable	<u>(1,691)</u>	<u>(2,125)</u>	<u>(2,555)</u>
Balance of corporate bonds payable as of the reporting date	<u>\$ 973,331</u>	<u>966,492</u>	<u>959,701</u>
Conversion options included in equity component (classified as capital surplus and non-controlling interests)	<u>\$ 48,667</u>	<u>48,667</u>	<u>48,667</u>
	<u>For the three months ended June 30,</u>	<u>For the six months ended June 30,</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>
Interest expenses	<u>\$ 3,426</u>	<u>1,128</u>	<u>6,839</u>
	<u>2019</u>	<u>2019</u>	<u>2019</u>
		<u>1,128</u>	<u>1,128</u>

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

(ii) There were no significant issues, repurchases and repayments of bonds payable for the six months ended June 30, 2020. For related information, please refer to Note (6) (p) of the annual consolidated financial statements for the year ended December 31, 2019.

(o) Lease liabilities

The details of leases liabilities were as follows:

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Current	\$ 515,821	717,021	604,176
Non-current	<u>\$ 1,914,644</u>	<u>1,550,067</u>	<u>1,050,108</u>

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

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COMPAL ELECTRONICS, INC. AND SUBSIDIARIES
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The amounts recognized in profit or loss were as follows:

	For the three months ended		For the six months ended	
	June 30,		June 30,	
	2020	2019	2020	2019
Interest on lease liabilities	<u>\$ 11,369</u>	<u>13,235</u>	<u>22,934</u>	<u>22,700</u>
Variable lease payments not included in the measurement of lease liabilities	<u>\$ 971</u>	<u>1,918</u>	<u>1,563</u>	<u>6,135</u>
Expenses relating to leases of low-value assets or short-term leases	<u>\$ 25,750</u>	<u>752</u>	<u>50,042</u>	<u>30,857</u>

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

	For the six months ended	
	June 30,	
	2020	2019
Total cash outflow for leases	<u>\$ 525,232</u>	<u>446,027</u>

(i) Real estate leases

The Group leases land leasehold rights and buildings for its office and plant space. The leases of office space typically run for a period of 1~19 years, and of land leasehold rights for 50 years.

(ii) Other leases

The Group leases vehicles and equipment with lease terms of 1~5 years.

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

(p) Provisions

There is no significant changes of provisions for the six months ended June 30, 2020 and 2019. Please refer to note (6)(r) of the consolidated financial statements for the year ended December 31, 2019 for related information.

(q) Employee benefits

(i) Defined benefit plans

Management believes that there was no material volatility of the market, no material reimbursement and settlement or other material one-time events since prior fiscal year. As a result, the pension cost in the accompanying interim period was measured and disclosed according to the actuarial report as of December 31, 2019 and 2018.

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

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

	For the three months ended		For the six months ended	
	June 30,		June 30,	
	2020	2019	2020	2019
Operating cost	\$ 250	274	497	565
Selling expenses	182	213	357	423
Administrative expenses	788	931	1,566	1,856
Research and development expenses	<u>2,056</u>	<u>2,594</u>	<u>4,132</u>	<u>5,177</u>
Total	<u>\$ 3,276</u>	<u>4,012</u>	<u>6,552</u>	<u>8,021</u>

(ii) Defined contribution plans

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

The Company and all subsidiaries in domestic recognized the pension costs under the defined contribution method amounting to \$110,054, \$101,541, \$219,399 and \$203,849 for the three months and six months ended June 30, 2020 and 2019, respectively. Payment was made to the Bureau of Labor Insurance.

Other subsidiaries recognized the pension expenses, basic endowment insurance expenses, and social welfare expenses amounting to \$59,917, \$319,057, \$309,643 and \$623,209 for the three months and six months ended June 30, 2020 and 2019, respectively.

(r) Income taxes

- (i) The Group entities are subject to income tax rates according to the profit before tax of interim reporting period multiply by the best estimated measurement of the expected effective tax rate by the management in all the year. The amount of income tax were as follows:

	For the three months ended		For the six months ended	
	June 30,		June 30,	
	2020	2019	2020	2019
Current tax expense	<u>\$ 659,313</u>	<u>590,149</u>	<u>976,671</u>	<u>1,040,248</u>

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

- (ii) The amounts of income tax recognized in other comprehensive income were as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2020	2019	2020	2019
Items that will not be reclassified subsequently to profit or loss:				
Unrealized gains (losses) on equity instruments at fair value through other comprehensive income	\$ <u>7,794</u>	<u>3,805</u>	<u>(47,169)</u>	<u>19,500</u>
Items that will be reclassified subsequently to profit or loss:				
Foreign currency translation differences of foreign operations	\$ <u>(7,577)</u>	<u>1,826</u>	<u>(5,735)</u>	<u>2,699</u>

- (iii) Examination and approval

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

The ROC tax authorities have assessed the income tax returns of Panpal, Gempal, Hong Ji, Hong Jin, CBN, Unicore, Raycore, Acbel Telecom, Ripal, Palcom, RBI, Heng Hao and Zhipal through 2018, of Rayonnant Technology, UCGI, Mactech, Arcadyan, TTI and GLB through 2017, and of ATK through November, 2019.

- (s) Capital and other equities

Except for the following disclosure, there was no significant change for capital and other equity for the periods from January 1 to June 30, 2020 and 2019. Please refer to note (6)(v) of the consolidated financial statement for the year ended December 31, 2019.

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COMPAL ELECTRONICS, INC. AND SUBSIDIARIES
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(i) Capital surplus

The balances of capital surplus were as follows:

	June 30, 2020	December 31, 2019	June 30, 2019
Additional paid-in capital	\$ 5,421,061	6,302,490	6,302,490
Treasury share transactions	2,541,906	2,481,885	2,481,885
Difference between consideration and carrying amount arising from acquisition or disposal of subsidiaries	36,766	36,766	36,766
Recognition of changes in ownership interests in subsidiaries	59,919	59,115	33,745
Changes in equity of associates and joint ventures accounted for using equity method	<u>280,042</u>	<u>279,003</u>	<u>285,335</u>
	<u>\$ 8,339,694</u>	<u>9,159,259</u>	<u>9,140,221</u>

The Company's Board of Directors meeting held on March 30, 2020 and shareholders' meeting held on June 21, 2019, approved to distribute the cash dividend of \$881,429 (representing 0.2 New Taiwan Dollars per share), by using the additional paid-in capital. The related information can be accessed through the Market Observation Post System website after the related meeting.

(ii) 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.

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The lifecycle of the industry of the Company is in the growing stage. To consider the need of the Company for the future capital, capital budget, long-term financial planning, domestic and foreign competition, the need of shareholders for cash flow and other factors, if there is any profit after close of books, the dividend and bonus to be distributed to shareholders shall not be less than thirty percent of profit after tax for such year and the cash dividend allocated by the Company each year shall not be lower than ten percent of the total dividend (including cash and share dividend) for such year.

According to the law, when there is a deduction from stockholders' equity (excluding treasury stock and unearned employee benefit) during the year, an amount equal to the deduction item is set aside as a special reserve before the earnings are appropriated. A special reserve is made available for earning distribution only after the deduction of the related shareholders' equity has been reversed.

Distribution for the earnings of 2019 was approved by the Board of Directors meeting held on March 30, 2020, and 2018 was approved by the shareholders during their annual meetings held on June 21, 2019. The relevant information was as follows:

	<u>2019</u>		<u>2018</u>	
	<u>Amount per share</u>	<u>Total amount</u>	<u>Amount per share</u>	<u>Total amount</u>
Cash dividends distributed to common shareholders	\$ 1.0	<u>4,407,147</u>	1.0	<u>4,407,147</u>

(iii) Treasury stock

The subsidiaries of the Company did not sell the ordinary shares of the Company in the six months ended June 30, 2020 and 2019. As of June 30, 2020, 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 19.25, 18.85 and 20.35 New Taiwan dollars per share as of June 30, 2020, December 31 and June 30, 2019, respectively.

Pursuant to the Securities and Exchange Act, the number of treasury shares purchased cannot exceed 10% of the number of shares issued. The total purchase cost cannot exceed the sum of retained earnings, paid-in capital in excess of par value and realized capital surplus. The shares purchased for the purpose of transferring to employees shall be transferred within three years from the date of share repurchase. Those not transferred within the said limit shall be deemed as not issued by the Company and it should be cancelled. Furthermore, treasury stock cannot be pledged for debts, and treasury stock does not carry any shareholder rights until it is transferred.

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COMPAL ELECTRONICS, INC. AND SUBSIDIARIES
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(iv) 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	Others	Total
Balance on January 1, 2020	\$ (3,794,980)	(306,763)	(1,706)	(4,103,449)
The Group	(950,569)	(579,535)	8,806	(1,521,298)
Associates	(178,023)	(51,306)	-	(229,329)
Balance on June 30, 2020	<u>\$ (4,923,572)</u>	<u>(937,604)</u>	<u>7,100</u>	<u>(5,854,076)</u>
Balance on January 1, 2019	\$ (1,852,952)	(5,606,436)	-	(7,459,388)
The Group	743,681	(63,412)	-	680,269
Associates	59,680	34,568	-	94,248
Balance on June 30, 2019	<u>\$ (1,049,591)</u>	<u>(5,635,280)</u>	<u>-</u>	<u>(6,684,871)</u>

(t) Share-based payment

There were no significant changes in share-based payment during the six months ended June 30, 2020 and 2019. Please refer to note (6)(w) of the consolidated financial statements for the year ended December 31, 2019 for related information.

(u) Earnings per share

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

	For the three months ended June 30,		For the six months ended June 30,	
	2020	2019	2020	2019
Basic earnings per share:				
Profit attributable to ordinary shareholders of the Company	<u>\$ 1,986,712</u>	<u>1,791,378</u>	<u>2,591,723</u>	<u>3,141,636</u>
Weighted-average number of outstanding ordinary shares (in thousands)	<u>4,357,130</u>	<u>4,357,130</u>	<u>4,357,130</u>	<u>4,357,130</u>
Diluted earnings per share:				
Profit attributable to ordinary shareholders of the Company (after adjustment of potential diluted ordinary shares)	<u>\$ 1,986,712</u>	<u>1,791,378</u>	<u>2,591,723</u>	<u>3,141,636</u>

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COMPAL ELECTRONICS, INC. AND SUBSIDIARIES
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	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Weighted-average number of outstanding ordinary shares of potential diluted ordinary shares				
Weighted-average number of outstanding ordinary shares (in thousands)	4,357,130	4,357,130	4,357,130	4,357,130
Effect of potential diluted common stock				
Employee compensation (in thousands)	<u>16,006</u>	<u>16,412</u>	<u>36,795</u>	<u>63,034</u>
Weighted-average number of ordinary shares (after adjustment of potential diluted ordinary shares) (in thousands)	<u>4,373,136</u>	<u>4,373,542</u>	<u>4,393,925</u>	<u>4,420,164</u>

(v) Revenue from contracts with customers

(i) Disaggregation of revenue

	<u>For the three months ended June 30, 2020</u>		
	<u>IT Product Segment</u>	<u>Strategically Integrated Product Segment</u>	<u>Total</u>
Primary geographical markets:			
United states	\$ 119,743,447	1,781,697	121,525,144
China	30,653,853	243,845	30,897,698
Netherlands	21,583,369	222,294	21,805,663
United Kingdom	11,192,858	1,459,561	12,652,419
India	5,483,565	439	5,484,004
Others	<u>67,047,934</u>	<u>4,240,642</u>	<u>71,288,576</u>
	<u>\$ 255,705,026</u>	<u>7,948,478</u>	<u>263,653,504</u>
Major products:			
5C related electronics products	\$ 255,332,364	7,727,100	263,059,464
Others	<u>372,662</u>	<u>221,378</u>	<u>594,040</u>
	<u>\$ 255,705,026</u>	<u>7,948,478</u>	<u>263,653,504</u>

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For the three months ended June 30, 2019			
	IT Product Segment	Strategically Integrated Product Segment	Total
Primary geographical markets:			
United states	\$ 97,336,623	261,830	97,598,453
Netherlands	24,299,012	359,563	24,658,575
China	23,850,979	91,375	23,942,354
India	16,538,457	302,350	16,840,807
United Kingdom	10,214,369	711,237	10,925,606
Others	71,702,848	6,726,428	78,429,276
	<u>\$ 243,942,288</u>	<u>8,452,783</u>	<u>252,395,071</u>
Major products:			
5C related electronics products	\$ 243,415,292	8,312,615	251,727,907
Others	526,996	140,168	667,164
	<u>\$ 243,942,288</u>	<u>8,452,783</u>	<u>252,395,071</u>
For the six months ended June 30, 2020			
	IT Product Segment	Strategically Integrated Product Segment	Total
Primary geographical markets:			
United states	\$ 184,048,890	3,531,340	187,580,230
China	57,206,798	312,758	57,519,556
Netherlands	43,041,858	399,368	43,441,226
United Kingdom	18,486,228	2,246,589	20,732,817
India	10,671,452	439	10,671,891
Others	117,153,831	8,600,999	125,754,830
	<u>\$ 430,609,057</u>	<u>15,091,493</u>	<u>445,700,550</u>
Major products:			
5C related electronics products	\$ 429,662,906	14,780,723	444,443,629
Others	946,151	310,770	1,256,921
	<u>\$ 430,609,057</u>	<u>15,091,493</u>	<u>445,700,550</u>

(Continued)

COMPAL ELECTRONICS, INC. AND SUBSIDIARIES
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	For the six months ended June 30, 2019		
	IT Product Segment	Strategically Integrated Product Segment	Total
Primary geographical markets:			
United states	\$ 169,727,002	569,026	170,296,028
Netherlands	49,544,848	528,061	50,072,909
China	47,013,981	211,252	47,225,233
India	23,549,528	481,634	24,031,162
United Kingdom	20,886,347	1,593,484	22,479,831
Others	134,813,282	14,077,179	148,890,461
	\$ 445,534,988	17,460,636	462,995,624
Major products:			
5C related electronics products	\$ 444,348,953	17,225,928	461,574,881
Others	1,186,035	234,708	1,420,743
	\$ 445,534,988	17,460,636	462,995,624
(ii) Contract balances			
	June 30,	December 31,	June 30,
	2020	2019	2019
Notes and accounts receivable (including related parties)	\$ 221,981,522	195,665,380	219,760,776
Less: allowance for impairment	(3,922,621)	(3,928,716)	(3,947,669)
Total	\$ 218,058,901	191,736,664	215,813,107
Contract liabilities	\$ 788,149	956,455	1,337,866

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

The amount of revenue recognized for the six months ended June 30, 2020 and 2019 that were included in the balance of contract liability at the beginning of the period was \$792,356 and \$739,478, 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.

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COMPAL ELECTRONICS, INC. AND SUBSIDIARIES
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(w) Employees' and directors' compensations

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

The Company accrued and recognized its employee compensation of \$237,226, \$193,932, \$308,116 and \$333,979, and directors' compensation of \$12,672, \$10,254, \$16,459 and \$17,660 for the three months and six months ended June 30, 2020 and 2019, 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 Company accrued and recognized its employee compensation of \$731,322 and \$930,857, and directors' compensation of \$38,672 and \$49,223 for the years ended December 31, 2019 and 2018, respectively. There is no differences between the amount approved in the Board of Directors' meeting and those recognized in the financial statements, the related information can be accessed through the Market Observation Post System website.

(x) Non-operating income and expenses

(i) Interest income

	For the three months ended June 30		For the six months ended June 30	
	2020	2019	2020	2019
Interest income from bank deposits	\$ 428,096	466,753	907,286	844,099
Interest income from financial assets measured at amortized cost	-	2,503	-	4,229
Other interest income	52	-	105	678
Total Interest income	<u>\$ 428,148</u>	<u>469,256</u>	<u>907,391</u>	<u>849,006</u>

(Continued)

COMPAL ELECTRONICS, INC. AND SUBSIDIARIES
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(ii) Other income

The other income for the six months ended June 30, 2020 and 2019, were as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2020	2019	2020	2019
Dividend revenue	\$ 103,473	116,880	103,473	116,880
Other revenue	79,103	55,312	147,144	104,126
	<u>\$ 182,576</u>	<u>172,192</u>	<u>250,617</u>	<u>221,006</u>

(iii) Other gains and losses

The other gains and losses for the six months ended June 30, 2020 and 2019, were as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2020	2019	2020	2019
Gains on disposal of investments	\$ -	-	4,899	-
Gains (losses) on financial assets and liabilities at fair value through profit or loss, net	75,477	(39,669)	552,486	135,222
Foreign currency exchange losses, net	(251,183)	37,049	(788,152)	(76,991)
Gains (losses) on disposal of property, plant, and equipment, net	7,401	32,556	8,489	33,525
	<u>\$ (168,305)</u>	<u>29,936</u>	<u>(222,278)</u>	<u>91,756</u>

(y) Reclassification of the components of other comprehensive income

The details of reclassification of the components of other comprehensive income for the six months ended June 30, 2020 and 2019, were as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2020	2019	2020	2019
Cash flow hedge:				
Gains (losses) from current period	\$ (22,212)	(11,921)	80,332	(21,778)
Less: reclassification of gains and losses included in profit or loss	27,911	(13,911)	51,896	(21,778)
Profit (loss) recognized in other comprehensive income	<u>\$ (50,123)</u>	<u>1,990</u>	<u>28,436</u>	<u>-</u>

(Continued)

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

(z) Financial instruments

Except for those described below, there were no significant changes on fair value, credit risk, liquidity risk and market risk of financial instruments. Please refer to note (6)(ac) of the consolidated financial statements for the year ended December 31, 2019 for related information.

(i) Credit risk

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

Other financial assets at amortized cost include other receivables, investments in corporate bonds and time deposits. These financial assets are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses. (Regarding how the financial instruments are considered to have low credit risk, please refer to note (4)(g)) of the consolidated financial statements for the year ended December 31, 2019. Due to the counter parties and the performing parties of the Group's time deposits are financial institutions with investment grade and above, these time deposits are considered to have low credit risk.

The movements in the allowance for the three months and six months ended June 30, 2020 and 2019 were as follows:

	Other receivables
Balance on January 1, 2020	\$ 1,012
Impairment losses recognized (reversed)	<u>1,429</u>
Balance on June 30, 2020	\$ 2,441
Balance on January 1, 2019	\$ 3,577
Impairment losses recognized (reversed)	<u>(1,243)</u>
Balance on June 30, 2019	\$ 2,334

(ii) Liquidity risk

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

	Carrying Amount	Contractual cash flows	Within 1 year	1 ~ 2 years	Over 2 years
June 30, 2020					
Non-derivative financial liabilities					
Secured borrowings	\$ 267,500	(267,500)	(77,175)	(77,175)	(113,150)
Unsecured borrowings	91,087,482	(91,087,482)	(81,787,482)	(2,975,000)	(6,325,000)
Lease liabilities— current and non-current	2,430,465	(2,558,764)	(559,032)	(1,526,858)	(472,874)
Notes and accounts payable	167,403,495	(167,403,495)	(167,403,495)	-	-
Other payables and dividends payable	18,963,538	(18,963,538)	(18,963,538)	-	-
Bonds payable	973,331	(1,000,000)	-	(1,000,000)	-

(Continued)

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

	<u>Carrying Amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1 ~ 2 years</u>	<u>Over 2 years</u>
Derivative financial liabilities					
Forward exchange contracts:	22,190				
Outflow		(1,853,730)	(1,853,730)	-	-
Inflow		1,836,095	1,836,095	-	-
Forward exchange contracts used for hedging:	322				
Outflow		(354,960)	(354,960)	-	-
Inflow		355,404	355,404	-	-
	<u>\$ 281,148,323</u>	<u>(281,297,970)</u>	<u>(268,807,913)</u>	<u>(5,579,033)</u>	<u>(6,911,024)</u>
December 31, 2019					
Non-derivative financial liabilities					
Secured borrowings	\$ 98,438	(98,438)	(39,375)	(39,375)	(19,688)
Unsecured borrowings	86,601,844	(86,601,844)	(79,101,844)	(1,925,000)	(5,575,000)
Lease liabilities – current and non-current	2,267,088	(2,369,246)	(754,412)	(416,167)	(1,198,667)
Notes and accounts payable	144,445,777	(144,445,777)	(144,445,777)	-	-
Other payables and dividends payable	15,414,717	(15,414,717)	(15,414,717)	-	-
Bonds payable	966,492	(1,000,000)	-	-	(1,000,000)
Derivative financial liabilities					
Forward exchange contracts:	5,854				
Outflow		(736,484)	(736,484)	-	-
Inflow		732,377	732,377	-	-
Currency swap contracts:	4,932				
Outflow		(1,423,089)	(1,423,089)	-	-
Inflow		1,433,921	1,433,921	-	-
	<u>\$ 249,805,142</u>	<u>(249,923,297)</u>	<u>(239,749,400)</u>	<u>(2,380,542)</u>	<u>(7,793,355)</u>
June 30, 2019					
Non-derivative financial liabilities					
Secured borrowings	\$ 118,125	(118,125)	(39,375)	(39,375)	(39,375)
Unsecured borrowings	104,017,582	(104,017,582)	(96,342,582)	(3,875,000)	(3,800,000)
Lease liabilities – current and non-current	1,654,284	(1,773,287)	(643,577)	(451,356)	(678,354)
Notes and accounts payable	164,987,479	(164,987,479)	(164,987,479)	-	-
Other payables and dividends payable	21,627,982	(21,627,982)	(21,627,982)	-	-
Bonds payable	959,701	(1,000,000)	-	-	(1,000,000)
Derivative financial liabilities					
Forward exchange contracts:	84,188				
Outflow		(6,116,855)	(6,116,855)	-	-
Inflow		6,005,307	6,005,307	-	-
	<u>\$ 293,449,341</u>	<u>(293,636,003)</u>	<u>(283,752,543)</u>	<u>(4,365,731)</u>	<u>(5,517,729)</u>

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

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

(iii) Currency risk

1) Exposure to foreign currency risk

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

Unit: thousands of foreign currency / thousand of New Taiwan Dollars

	June 30, 2020			December 31, 2019			June 30, 2019		
	Foreign currency	Exchange rate	TWD	Foreign Currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
Financial assets									
Monetary items									
USD to TWD	\$ 11,408,296	29.63	338,027,810	7,070,270	29.98	211,966,695	7,298,126	31.06	226,679,794
USD to CNY	13,822	7.07465	409,546	10,525	6.9667	315,540	8,157	6.8701	253,356
EUR to TWD	58,401	33.27	1,943,001	88,303	33.59	2,966,098	130,030	35.38	4,600,461
CNY to USD	2,498,268	0.1413	10,459,546	2,577,002	0.1435	11,086,598	2,298,480	0.1456	10,394,499
Non-monetary items									
THB to TWD	351,922	0.9601	337,880	446,859	1.0028	448,110	424,272	1.0110	428,939
Financial liabilities									
Monetary items									
USD to TWD	11,216,835	29.63	332,354,821	6,441,501	29.98	193,116,200	7,554,638	31.06	234,647,056
USD to CNY	3,634	7.07465	107,675	5,424	6.9667	162,612	7,156	6.8701	222,265
USD to BRL	110,234	5.476	3,266,233	142,432	3.8322	4,270,111	160,576	3.8322	4,987,491
EUR to TWD	12,716	33.27	423,061	42,554	33.59	1,429,389	41,697	35.38	1,475,240
CNY to USD	2,644,222	0.1413	11,070,614	3,182,008	0.1435	13,689,412	2,356,832	0.1456	10,658,386

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable, other receivables, loans and borrowings, accounts payable, and other payables that are denominated in foreign currency. Assuming all other variable factors remain constant, a strengthening (weakening) 5% of appreciation (depreciation) of the each major foreign currency against Group entities' functional currency as of June 30, 2020 and 2019, would have increased (decreased) the net profit before tax as follows. The analysis is performed on the same basis for both periods.

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
USD (against the TWD)		
Strengthening 5%	\$ 283,649	(398,363)
Weakening 5%	(283,649)	398,363
USD (against the CNY)		
Strengthening 5%	15,094	1,555
Weakening 5%	(15,094)	(1,555)
USD (against the BRL)		
Strengthening 5%	(163,312)	(249,375)
Weakening 5%	163,312	249,375

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COMPAL ELECTRONICS, INC. AND SUBSIDIARIES
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	<u>June 30, 2020</u>	<u>June 30, 2019</u>
EUR (against the TWD)		
Strengthening 5%	75,997	156,261
Weakening 5%	(75,997)	(156,261)
CNY (against the USD)		
Strengthening 5%	(30,553)	(13,194)
Weakening 5%	30,553	13,194

3) Exchange gains and losses of monetary items

As the Group deals with diverse foreign currencies, gains or losses on foreign exchange were summarized as a single amount. For the three months and six months ended June 30, 2020 and 2019, the foreign exchange gains (losses), including both realized and unrealized, amounted to \$(251,183), \$37,049, \$(788,152) and \$(76,991), respectively.

(iv) Interest rate analysis

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

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

Assuming all other variable factors remaining constant, if the interest rate had increased or decreased by 0.25%, the impact to the net profit before tax would be as follows for the six months ended June 30, 2020 and 2019, which would be mainly resulted from the bank savings and borrowings with variable interest rates.

	<u>For the six months ended</u> <u>June 30,</u>	
	<u>2020</u>	<u>2019</u>
Interest increased by 0.25%	\$ 161	1,283
Interest decreased by 0.25%	(161)	(1,283)

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

(v) Fair value information

1) The categories and fair value of financial instruments

The Group's financial assets at fair value through profit or loss, financial instruments used for hedging 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.

	June 30, 2020				
	Book value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss—current and non-current					
Derivative financial assets for non-hedging	\$ 74,429	-	74,429	-	74,429
Non-derivative financial assets mandatorily measured at fair value through profit or loss	<u>1,310,697</u>	-	1,139,451	171,246	1,310,697
Subtotal	<u>1,385,126</u>				
Derivative financial assets for hedging	<u>23,565</u>	-	23,565	-	23,565
Financial assets at fair value through other comprehensive income					
Stocks listed on domestic markets	1,729,551	1,729,551	-	-	1,729,551
Stocks listed on foreign markets	337,880	337,880	-	-	337,880
Stocks unlisted on domestic markets	1,976,919	-	-	1,976,919	1,976,919
Stocks unlisted on foreign markets	174,860	-	-	174,860	174,860
Accounts receivable	<u>35,373,059</u>	-	35,373,059	-	35,373,059
Subtotal	<u>39,592,269</u>				
Financial assets measured at amortized cost					
Cash and cash equivalents	58,264,469	-	-	-	-
Notes and accounts receivable, net	182,631,251	-	-	-	-
Notes and accounts receivable due from related parties, net	54,591	-	-	-	-
Other receivables	1,976,666	-	-	-	-
Refundable deposits	<u>429,799</u>	-	-	-	-
Subtotal	<u>243,356,776</u>				
Total	<u>\$ 284,357,736</u>				

(Continued)

COMPAL ELECTRONICS, INC. AND SUBSIDIARIES
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	June 30, 2019				
	Book value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through other comprehensive income					
Stocks listed on domestic markets	2,507,733	2,507,733	-	-	2,507,733
Stocks listed on foreign markets	428,939	428,939	-	-	428,939
Stocks unlisted on domestic markets	2,064,250	-	-	2,064,250	2,064,250
Stocks unlisted on foreign markets	195,828	-	-	195,828	195,828
Accounts receivable	<u>25,483,569</u>	-	25,483,569	-	25,483,569
Subtotal	<u>30,680,319</u>				
Financial assets measured at amortized cost					
Cash and cash equivalents	65,769,472	-	-	-	-
Notes and accounts receivable, net	190,297,199	-	-	-	-
Notes and accounts receivable due from related parties, net	32,339	-	-	-	-
Other receivables	3,066,726	-	-	-	-
Refundable deposits	<u>420,877</u>	-	-	-	-
Subtotal	<u>259,586,613</u>				
Total	<u>\$ 295,199,009</u>				
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities for non-hedging	\$ <u>84,188</u>	-	84,188	-	84,188
Financial liabilities measured at amortized cost					
Short-term borrowings	79,768,832	-	-	-	-
Notes and accounts payable	162,977,604	-	-	-	-
Notes and accounts payable to related parties	2,009,875	-	-	-	-
Other payables and dividends payable	21,627,982	-	-	-	-
Bonds payable	959,701	-	-	-	-
Lease liabilities— current and non-current	1,654,284	-	-	-	-
Long-term borrowings current portion	16,613,125	-	-	-	-
Long-term borrowings	7,753,750	-	-	-	-
Deposits received	<u>137,287</u>	-	-	-	-
Subtotal	<u>293,502,440</u>				
Total	<u>\$ 293,586,628</u>				

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

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

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

a) Financial liabilities measured at amortized cost

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

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

a) Non-derivative financial instruments

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

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

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

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

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

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

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

There was no transfer from one level to another in the six months ended June 30, 2020 and 2019.

5) Changes in level 3

The change in level 3 at fair value in the six months ended June 30, 2020 and 2019, were as follow:

	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Total
Balance on January 1, 2020	\$ 115,359	2,424,053	2,539,412
Total gains and losses recognized:			
In profit or loss	(4,113)	-	(4,113)
In other comprehensive income	-	(241,239)	(241,239)
Purchased	60,000	17,434	77,434
Disposal	-	(44,915)	(44,915)
Proceeds of capital reduction of investment	-	(1,980)	(1,980)
Effect of changes in exchange rates	-	(1,574)	(1,574)
Balance on June 30, 2020	<u>\$ 171,246</u>	<u>2,151,779</u>	<u>2,323,025</u>
Balance on January 1, 2019	\$ 69,390	2,041,463	2,110,853
Total gains and losses recognized:			
In profit or loss	(2,723)	-	(2,723)
In other comprehensive income	-	84,384	84,384
Purchased	47,608	140,294	187,902
Disposal	-	(791)	(791)
Proceeds of capital reduction of investment	-	(5,272)	(5,272)
Balance on June 30, 2019	<u>\$ 114,275</u>	<u>2,260,078</u>	<u>2,374,353</u>

For the six months ended June 30, 2020 and 2019, total gains and losses that were included in “other gains and losses, net” and “other comprehensive income, before tax, equity instruments at fair value through other comprehensive income” were as follows:

	For the six months ended June 30,	
	2020	2019
Total gains and losses recognized:		
In profit or loss before tax (as “other gains and losses”)	<u>\$ (4,113)</u>	<u>(2,723)</u>

(Continued)

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

<u>Item</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Inter-relationships between significant unobservable inputs and fair value</u>
Financial assets at fair value through other comprehensive income	Net asset value method	Net asset value	Inapplicable
Financial assets at fair value through profit or loss – investment in private equity fund	Net asset value method	Net asset value	Inapplicable

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

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

		<u>Move up or down</u>	<u>Other comprehensive income</u>	
<u>Input</u>			<u>Favorable change</u>	<u>Unfavorable change</u>
June 30, 2020				
Financial assets at fair value through other comprehensive income	Price-Book ratio multiples	5%	\$ <u>40,296</u>	<u>39,252</u>
	Multiples of earnings	5%	\$ <u>4,737</u>	<u>4,675</u>
	Lack-of-Marketability discount rate	5%	\$ <u>4,928</u>	<u>3,942</u>
December 31, 2019				
Financial assets at fair value through other comprehensive income	Price-Book ratio multiples	5%	\$ <u>28,209</u>	<u>27,261</u>
	Multiples of earnings	5%	\$ <u>21,481</u>	<u>19,524</u>
	Lack-of-Marketability discount rate	5%	\$ <u>12,886</u>	<u>12,938</u>

(Continued)

COMPAL ELECTRONICS, INC. AND SUBSIDIARIES
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	Input	Move up or down	Other comprehensive income	
			Favorable change	Unfavorable change
June 30, 2019				
Financial assets at fair value through other comprehensive income	Price-Book ratio multiples	5%	\$ <u>36,179</u>	<u>35,160</u>
	Multiples of earnings	5%	\$ <u>34,922</u>	<u>23,301</u>
	Lack-of-Marketability discount rate	5%	\$ <u>743</u>	<u>757</u>

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

8) Offsetting financial assets and financial liabilities

The Group has financial instruments transactions applicable to the International Financial Reporting Standards NO. 32 Sections 42 endorsed by the FSC which requested for offsetting. Financial assets and liabilities relating to those transactions are recognized in the net amount of the balance sheets.

The following tables present the aforesaid offsetting financial assets and financial liabilities.

Unit: thousands of New Taiwan Dollars / thousands of US Dollars

June 30, 2020						
Financial assets that are offset which have an exercisable master netting arrangement or similar agreement						
	Gross amounts of recognized financial assets (a)	Gross amounts of financial liabilities offset in the balance sheet (b)	Net amount of financial assets presented in the balance sheet (c)=(a)-(b)	Amounts not offset in the balance sheet (d)		Net amount (e)=(c)-(d)
				Financial instruments	Cash collateral received	
Other current assets	\$ <u>203,441,166</u>	<u>203,441,166</u>	-	-	-	-
	(USD <u>6,866,054</u>)	(USD <u>6,866,054</u>)				

June 30, 2020						
Financial liabilities that are offset which have an exercisable master netting arrangement or similar agreement						
	Gross amounts of recognized financial liabilities (a)	Gross amounts of financial assets offset in the balance sheet (b)	Net amount of financial liabilities presented in the balance sheet (c)=(a)-(b)	Amounts not offset in the balance sheet (d)		Net amount (e)=(c)-(d)
				Financial instruments	Cash collateral received	
Short-term borrowings	\$ <u>203,441,166</u>	<u>203,441,166</u>	-	-	-	-
	(USD <u>6,866,054</u>)	(USD <u>6,866,054</u>)				

(Continued)

COMPAL ELECTRONICS, INC. AND SUBSIDIARIES
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December 31, 2019

Financial assets that are offset which have an exercisable master netting arrangement or similar agreement						
	Gross amounts of recognized financial assets (a)	Gross amounts of financial liabilities offset in the balance sheet (b)	Net amount of financial assets presented in the balance sheet (c)=(a)-(b)	Amounts not offset in the balance sheet (d)		Net amount (e)=(c)-(d)
				Financial instruments	Cash collateral received	
Other current assets	\$ 104,757,401	104,757,401	-	-	-	-
	(USD 3,494,243) (USD 3,494,243)					

December 31, 2019

Financial liabilities that are offset which have an exercisable master netting arrangement or similar agreement						
	Gross amounts of recognized financial liabilities (a)	Gross amounts of financial assets offset in the balance sheet (b)	Net amount of financial liabilities presented in the balance sheet (c)=(a)-(b)	Amounts not offset in the balance sheet (d)		Net amount (e)=(c)-(d)
				Financial instruments	Cash collateral received	
Short-term borrowings	\$ 104,757,401	104,757,401	-	-	-	-
	(USD 3,494,243) (USD 3,494,243)					

June 30, 2019

Financial assets that are offset which have an exercisable master netting arrangement or similar agreement						
	Gross amounts of recognized financial assets (a)	Gross amounts of financial liabilities offset in the balance sheet (b)	Net amount of financial assets presented in the balance sheet (c)=(a)-(b)	Amounts not offset in the balance sheet (d)		Net amount (e)=(c)-(d)
				Financial instruments	Cash collateral received	
Other current assets	\$ 58,365,343	58,365,343	-	-	-	-
	(USD 1,879,116) (USD 1,879,116)					

June 30, 2019

Financial liabilities that are offset which have an exercisable master netting arrangement or similar agreement						
	Gross amounts of recognized financial liabilities (a)	Gross amounts of financial assets offset in the balance sheet (b)	Net amount of financial liabilities presented in the balance sheet (c)=(a)-(b)	Amounts not offset in the balance sheet (d)		Net amount (e)=(c)-(d)
				Financial instruments	Cash collateral received	
Short-term borrowings	\$ 58,365,343	58,365,343	-	-	-	-
	(USD 1,879,116) (USD 1,879,116)					

(aa) Financial risk management

The Group's objectives and policies for managing the financial risk are consistent with those disclosed in the note (6)(ad) of the consolidated financial statements for the year ended December 31, 2019.

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

(ab) Capital management

The Group's objectives, policies and processes of capital management are the same as those disclosed in the consolidated financial statements for the year ended December 31, 2019. There were no significant changes of quantitative data of capital management compared to the consolidated financial statements for the year ended December 31, 2019. Please refer to note (6)(ae) of the consolidated financial statements for the year ended December 31, 2019.

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

The Group's investing and financing activities which did not affect the current cash flow in the six months ended June 30, 2020 and 2019 were acquisition of right-of-use assets by leasing, please refer to note (6)(k).

Reconciliation of liabilities arising from financing activities were as follows:

	January 1, 2020	Cash flow	Other non-cash changes	June 30, 2020
Short-term borrowings	\$ 60,951,844	10,954,098	-	71,905,942
Proceeds from issuance of convertible bonds	966,492	-	6,839	973,331
Long-term borrowings	25,748,438	(6,299,398)	-	19,449,040
Lease liabilities	2,267,088	(450,693)	614,070	2,430,465
Guarantee deposits and others	<u>246,038</u>	<u>(32,063)</u>	<u>(203)</u>	<u>213,772</u>
Total liabilities from financing activities	<u>\$ 90,179,900</u>	<u>4,171,944</u>	<u>620,706</u>	<u>94,972,550</u>
	January 1, 2019	Cash flow	Other non-cash changes	June 30, 2019
Short-term borrowings	\$ 72,350,197	7,418,635	-	79,768,832
Proceeds from issuance of convertible bonds	-	1,007,240	(47,539)	959,701
Long-term borrowings	28,534,063	(4,165,238)	(1,950)	24,366,875
Lease liabilities	2,089,950	(386,335)	(49,331)	1,654,284
Guarantee deposits and others	<u>238,324</u>	<u>(68,027)</u>	<u>-</u>	<u>170,297</u>
Total liabilities from financing activities	<u>\$ 103,212,534</u>	<u>3,806,275</u>	<u>(98,820)</u>	<u>106,919,989</u>

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

(7) Related-party transactions:

(a) Name and relationship with related parties

The followings are the entities that have had transactions with the Group during the periods covered in the financial statement.

<u>Name of related party</u>	<u>Relationship with the Group</u>
Compal Precision Module (Jiangsu) Co., Ltd. (“CPM”)	An associate
Changbao Electronic Technology (Chongqing) Co., Ltd. (“Changbao”)	An associate
Avalue Technology Inc. (“Avalue”)	An associate
Crownpo Technology Inc. (“Crownpo”)	An associate
Allied Circuit Co., Ltd. (“Allied Circuit”)	An associate
Kinpo Group Management Consultant Company (“Kinpo Group Management”)	An associate
LIZ Electronics (Kunshan) Co., Ltd.	An associate
LIZ Electronics (Nantong) Co., Ltd.	An associate
Compal Connector Manufacture Ltd. (“CCM”)	A joint venture company
AcBel Polytech Inc. (“AcBel”) and its subsidiaries	The same Chairman of the Board with the Company
Cal-Comp Electronics (Thailand) Public Co., Ltd.	The same Chairman of the Board with the Company

(b) Transactions with key management personnel

Key management personnel remunerations comprised:

	<u>For the three months ended</u>		<u>For the six months ended</u>	
	<u>June 30,</u>		<u>June 30,</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Short-term employee benefits	\$ 176,330	157,157	311,382	305,528
Post-employment benefits	2,168	2,046	4,274	4,112
Share-based payments	6,271	7,569	13,840	15,138
	<u>\$ 184,769</u>	<u>166,772</u>	<u>329,496</u>	<u>324,778</u>

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

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

(c) Significant related-party transactions

(i) Sale of goods to related parties

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

	For the three months ended		For the six months ended	
	June 30,		June 30,	
	2020	2019	2020	2019
Associates	\$ 73,695	60,610	124,526	105,199
Other related parties	390	5	409	5
	<u>\$ 74,085</u>	<u>60,615</u>	<u>124,935</u>	<u>105,204</u>

Sales prices for related parties were similar to those of the third-party customers. The collection period was 60~120 days for related parties.

(ii) Purchase of goods from related parties

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

	For the three months ended		For the six months ended	
	June 30,		June 30,	
	2020	2019	2020	2019
Associates	\$ 1,185,833	1,192,474	1,948,635	1,960,542
Other related parties	618,302	446,281	1,041,535	728,625
Joint venture	-	14,005	-	31,844
	<u>\$ 1,804,135</u>	<u>1,652,760</u>	<u>2,990,170</u>	<u>2,721,011</u>

Purchase prices and payment period from related parties were similar to those from third-party suppliers. The payment period was 60~165 days for related parties.

(iii) Receivables due from relate parties

The receivables arising from the transactions mentioned above and others on behalf of related parties were as follows:

Account	Related party categories	June 30, 2020	December 31, 2019	June 30, 2019
Notes and accounts receivable	Associates	\$ 54,337	44,493	32,181
Notes and accounts receivable	Other related parties	254	19	158
Other receivables	Other related parties	73	62	-
		<u>\$ 54,664</u>	<u>44,574</u>	<u>32,339</u>

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

(iv) Payables to related parties

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

<u>Account</u>	<u>Related party categories</u>	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Notes and accounts payable	Associates	\$ 1,345,781	764,129	1,356,733
Notes and accounts payable	Other related parties	862,668	740,742	643,277
Notes and accounts payable	Joint venture	-	37	9,865
Other payables	Associates	<u>11,089</u>	<u>-</u>	<u>1,701</u>
		<u>\$ 2,219,538</u>	<u>1,504,908</u>	<u>2,011,576</u>

(8) Pledged assets:

The carrying values of pledged assets were as follows:

<u>Pledged Assets</u>	<u>Subject</u>	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Other current assets	Bail for court mandatory execution	\$ 41,090	41,090	41,090
Property, plant and equipment	Long-term borrowings (including current portion)	496,439	249,445	253,034
Other non-current assets	Guarantee of post-release duty payment to the customs and guarantee of the customs	<u>500</u>	<u>500</u>	<u>500</u>
		<u>\$ 538,029</u>	<u>291,035</u>	<u>294,624</u>

(9) Commitments and contingencies:

The details of commitments and contingencies were as follows:

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

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

- (b) The Group entered into various patent license agreements with third parties, and was required to make royalty payments of a predetermined amount periodically.
- (c) As of June 30, 2020, December 31 and June 30, 2019, the Group's signed commitments to purchase property, plant and equipment amounted to \$210,397, \$548,202 and \$708,020, respectively.

(10) Losses due to major disasters: None

(11) Subsequent events: None

(12) Other:

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

By function	Three months ended June 30, 2020			Three months ended June 30, 2019		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
By item						
Employee benefits						
Salary	4,468,831	3,158,648	7,627,479	4,422,811	3,095,608	7,518,419
Labor and health insurance	131,451	201,305	332,756	226,126	194,787	420,913
Pension	65,377	107,870	173,247	300,413	124,197	424,610
Others	340,795	142,955	483,750	328,007	160,117	488,124
Depreciation	1,027,287	265,315	1,292,602	1,295,653	218,931	1,514,584
Amortization	8,494	125,484	133,978	22,660	90,388	113,048
By function	Six months ended June 30, 2020			Six months ended June 30, 2019		
By item	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salary	8,085,926	6,023,789	14,109,715	8,718,401	5,919,900	14,638,301
Labor and health insurance	341,464	414,738	756,202	430,322	399,235	829,557
Pension	300,421	235,173	535,594	583,298	251,781	835,079
Others	1,028,020	304,320	1,332,340	959,906	309,024	1,268,930
Depreciation	2,203,535	514,578	2,718,113	2,456,764	461,103	2,917,867
Amortization	18,235	222,097	240,332	31,925	176,979	208,904

- (b) Seasonality of operations

The Group's operations were not affected by seasonality or cyclicity factors.

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

(13) Other disclosures:

(a) Information on significant transactions

The following were the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group for the six month ended June 30, 2020:

- (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 June 30, 2020 (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: Please refer to Table 6
 - (ix) Trading in derivative instruments: Please refer to notes (6)(b) and (6)(d)
 - (x) Business relationships and significant intercompany transactions: Please refer to Table 7
- (b) Information on investees: Please refer to Table 8
- (c) Information on investment in Mainland China: Please refer to Table 9
- (d) Major shareholders: There were no shareholders holding ownership more than 5%.

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

(14) Segment information:

	<u>Three months ended June 30, 2020</u>		
	<u>Information technology product segment</u>	<u>Strategically integrated product segment</u>	<u>Total</u>
Revenue			
Revenue from external customers	\$ <u>255,705,026</u>	<u>7,948,478</u>	<u>263,653,504</u>
Reportable segment profit	\$ <u>2,369,723</u>	<u>475,430</u>	<u>2,845,153</u>
	<u>Three months ended June 30, 2019</u>		
	<u>Information technology product segment</u>	<u>Strategically integrated product segment</u>	<u>Total</u>
Revenue			
Revenue from external customers	\$ <u>243,942,288</u>	<u>8,452,783</u>	<u>252,395,071</u>
Reportable segment profit	\$ <u>2,192,192</u>	<u>430,343</u>	<u>2,622,535</u>
	<u>Six months ended June 30, 2020</u>		
	<u>Information technology product segment</u>	<u>Strategically integrated product segment</u>	<u>Total</u>
Revenue			
Revenue from external customers	\$ <u>430,609,057</u>	<u>15,091,493</u>	<u>445,700,550</u>
Reportable segment profit	\$ <u>3,002,224</u>	<u>931,589</u>	<u>3,933,813</u>
	<u>Six months ended June 30, 2019</u>		
	<u>Information technology product segment</u>	<u>Strategically integrated product segment</u>	<u>Total</u>
Revenue			
Revenue from external customers	\$ <u>445,534,988</u>	<u>17,460,636</u>	<u>462,995,624</u>
Reportable segment profit	\$ <u>3,744,205</u>	<u>988,130</u>	<u>4,732,335</u>

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Notes to Consolidated Financial Statements

Table 1 Loans to other parties:
(June 30, 2020)

(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	302,500	-	-	3.20%	Short-term financing	-	Operating demand	-	-	-	20,304,381	40,608,763	(Note 1)
0	The Company	UCGI	Other receivables	Y	250,000	250,000	220,000	1.20%	Short-term financing	-	Operating demand	-	-	-	20,304,381	40,608,763	(Note 1)
0	The Company	HengHao	Other receivables	Y	200,000	200,000	200,000	1.20%	Short-term financing	-	Operating demand	-	-	-	20,304,381	40,608,763	(Note 1)
0	The Company	CEB	Other receivables	Y	3,013,500	1,481,500	1,481,500	2.05%~3.5%	Short-term financing	-	Operating demand	-	-	-	20,304,381	40,608,763	(Note 1)
1	CIH	CEP	Other receivables	Y	105,875	103,705	42,964	3.50%	Short-term financing	-	Operating demand	-	-	-	34,545,521	34,545,521	(Note 2)
2	CPC	CDE	Other receivables	Y	2,554,500	1,257,300	1,257,300	2.20%	Short-term financing	-	Operating demand	-	-	-	2,096,417	2,096,417	(Note 3)
2	CPC	CIC	Other receivables	Y	432,400	419,100	-	2.20%	Short-term financing	-	Operating demand	-	-	-	2,096,417	2,096,417	(Note 3)
3	CIT	CCI Nanjing	Other receivables	Y	2,117,500	2,074,100	2,074,100	2.76%	Short-term financing	-	Operating demand	-	-	-	20,539,992	20,539,992	(Note 4)
3	CIT	Rayonnant (Taicang)	Other receivables	Y	64,860	62,865	62,865	4.35%	Short-term financing	-	Operating demand	-	-	-	20,539,992	20,539,992	(Note 4)
4	CPO	HengHao Kunshan	Other receivables	Y	1,642,410	1,623,790	586,740	2.00%~4.35%	Short-term financing	-	Operating demand	-	-	-	2,777,160	2,777,160	(Note 5)
4	CPO	CIT	Other receivables	Y	648,600	628,650	-	2.20%	Short-term financing	-	Operating demand	-	-	-	2,777,160	2,777,160	(Note 5)
5	CET	BT	Other receivables	Y	259,440	251,460	62,865	2.20%	Short-term financing	-	Operating demand	-	-	-	4,625,117	4,625,117	(Note 6)
6	Panpal	HengHao	Other receivables	Y	1,200,000	1,200,000	600,000	1.08%~1.2%	Short-term financing	-	Operating demand	-	-	-	2,358,662	2,358,662	(Note 7)
7	Arcadyan	Arcadyan Brasil	Other receivables	Y	59,160	59,160	38,454	1.00%	Short-term financing	-	Operating financing	-	-	-	2,116,473	4,232,946	(Note 8)
7	Arcadyan	Arcadyan UK	Other receivables	Y	207,060	207,060	-	1.00%	Transaction for business between two parties	4,437,000	-	-	-	-	2,116,473	4,232,946	(Note 8)
7	Arcadyan	Arcadyan Vietnam	Other receivables	Y	266,220	-	-	1.00%	Transaction for business between two parties	591,600	-	-	-	-	473,280	4,232,946	(Note 8)
7	Arcadyan	Arcadyan Vietnam	Other receivables	Y	266,220	266,220	-	1.00%	Transaction for business between two parties	5,744,051	-	-	-	-	2,116,473	4,232,946	(Note 8)
7	Arcadyan	Arcadyan Russia	Other receivables	Y	59,160	59,160	-	1.00%	Transaction for business between two parties	177,384	-	-	-	-	141,907	4,232,946	(Note 8)
8	Zhi-pal	Arcadyan Brasil	Other receivables	Y	32,538	-	-	1.00%	Short-term financing	-	Operating financing	-	-	-	41,642	166,568	(Note 9)
9	Arcadyan Holding	CNC	Other receivables	Y	502,860	502,860	502,860	1.00%	Short-term financing	-	Operating financing	-	-	-	1,720,992	1,720,992	(Note 10)

Note 1: According to the Company's Procedures of Lending Funds to Other Parties, the total amount of loans to others shall not exceed 40% of the net worth of the Company. When a short-term financing facility with the Company is necessary, the total amount for lending to any company shall not exceed 80% of the borrower's net worth, nor shall it be more than 50% of the Company's lendable amount limit, and shall be combined with the company's endorsements/guarantees for calculation. In addition, the total amount lendable to 100% directly or indirectly owned subsidiaries by the Company is unrestricted by the aforesaid restriction of 80%, but the maximum amount shall not exceed 50% of the Company's lendable limit, and shall be combined with the company's amount of loans to others when calculating.

Note 2: According to CIH's Procedures for Lending Funds to Other Parties, the total amount of loans to others shall not exceed 40% of the net worth of CIH. When a short-term financing facility with CIH is necessary, the total amount for lending the borrower shall not exceed 80% of the borrower's net worth, nor shall it exceed 50% of CIH's total amount of lendable capital, and shall be combined with the company's endorsements/guarantees for calculation. In addition, when lending to the ultimate parent company's 100% directly or indirectly owned overseas subsidiaries, the total amount of loans is not limited by the two aforesaid restrictions, but the maximum amount shall not exceed the net worth of CIH, and shall be combined with the company's endorsements/guarantees for the borrower when calculating.

Note 3: According to 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 short-term 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 4: 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 short-term 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.

(Continued)

COMPAL ELECTRONICS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Table 1 Loans to other parties:

(June 30, 2020)

- Note 5: 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 short-term 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 6: 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 short-term 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 7: 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 short-term 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 Panpal's total amount of lendable capital, and shall be combined with the company's endorsements/guarantees for the borrower when calculating.
- Note 8: 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 9: 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 10: According to Arcadyan Holding's Procedures of Lending Funds to Other Parties, the total amount of loans to others shall not exceed the net worth of Arcadyan Holding. When a short-term financing facility is necessary, the borrower should be Arcadyan Holding's investee. The total amount for lending the borrower shall not exceed the net worth of Arcadyan Holding, and shall be combined with the Arcadyan Holding's endorsements/guarantees for the borrower when calculating.
- Note 11: The transactions had been eliminated in the consolidated financial statements.

(Continued)

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

Table 2 Guarantees and endorsements for other parties:
(June 30, 2020)

(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)	Parent company endorsements /guarantees to third parties on behalf of subsidiary	Subsidiary endorsements /guarantees to third parties on behalf of parent company	Endorsements to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company										
0	The Company	CEB	(Note 3)	25,380,477	60,500	59,260	59,260	-	0.06%	50,760,954	Y	-	-
0	The Company	CEP	(Note 2)	25,380,477	190,295	171,894	171,894	-	0.17%	50,760,954	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.

(Continued)

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

Table 3 Securities held as of June 30, 2020 (excluding investment in subsidiaries, associates and joint ventures):
(June 30, 2020)

(In Thousands of shares/ units)

Name of holder	Category and name of security	Relationship with security issuer	Account name	Ending balance			Fair value	Note
				Shares/Units (thousands)	Carrying value	Holding percentage (%)		
The Company	Taiwan Star	-	Financial assets at fair value through other comprehensive income-non-current	98,046	645,146	3%	645,146	
	Kinpo Electronics, Inc. ("Kinpo")	The same chairman of the Company	Financial assets at fair value through other comprehensive income-non-current	124,044	1,345,875	8%	1,345,875	
	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	337,880	5%	337,880	
	HWA VI Venture Capital Corp.	-	Financial assets at fair value through other comprehensive income-non-current	290	22,571	10%	22,571	
	HWA Chi Venture Capital Corp.	-	Financial assets at fair value through other comprehensive income-non-current	842	22,299	11%	22,299	
	mProbe Ltd.	-	Financial assets at fair value through other comprehensive income-non-current	4,000	41,280	2%	41,280	
	Chen Feng Optoelectronics	-	Financial assets at fair value through other comprehensive income-non-current	6,685	52,810	10%	52,810	
	PrimeSensor Technology Inc.	-	Financial assets at fair value through other comprehensive income-non-current	663	5,866	3%	5,866	
	IIH Biomedical Venture Fund	-	Financial assets at fair value through profit or loss-non current	2,500	23,950	8%	23,950	
	Phoenix Innovation Investment Corporation.	-	Financial assets at fair value through profit or loss-non current	6,000	63,600	19%	63,600	
	Others		Financial assets at fair value through profit or loss and other comprehensive income		101,790			
	Total				<u>2,663,067</u>			
Panpal	Compal Electronics, Inc.	The parent company	Financial assets at fair value through other comprehensive income-non-current	31,648	609,226	1%	609,226	(Note 1)
	Kinpo	The same chairman of the Company	Financial assets at fair value through other comprehensive income-non-current	23,172	251,422	2%	251,422	
	CDIB Partners Investment Holding Corp.	-	Financial assets at fair value through other comprehensive income-non-current	54,000	831,060	5%	831,060	
	AcBel	The same chairman of the Company	Financial assets at fair value through other comprehensive income-non-current	5,677	111,547	1%	111,547	
	Taiwan Biotech Co., Ltd.	-	Financial assets at fair value through other comprehensive income-non-current	5,769	93,917	3%	93,917	
	Others		Financial assets at fair value through other comprehensive income-non-current		117,085			
	Total				<u>2,014,257</u>			
Gempal	Compal Electronics, Inc.	The parent company	Financial assets at fair value through other comprehensive income-non-current	18,369	353,610	-	353,610	(Note 1)
	Lian Hong Art. Co., Ltd.	-	Financial assets at fair value through other comprehensive income-non-current	2,140	90,449	7%	90,449	

(Continued)

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

Table 3 Securities held as of June 30, 2020 (excluding investment in subsidiaries, associates and joint ventures):
 (June 30, 2020)

(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	Others		Financial assets at fair value through other comprehensive income-non-current		2,373			
	Total				<u>446,432</u>			
Hong Ji	SUYIN Optronics Co., Ltd. ("SUYIN Optronics")	-	Financial assets at fair value through other comprehensive income-non-current	380	-	1%	-	
Hong Jin	SUYIN Optronics	-	Financial assets at fair value through other comprehensive income-non-current	332	-	1%	-	
Arcadyan	GeoThings Inc.	-	Financial assets at fair value through profit or loss-non-current	200	-	7%	-	(Note 2)
	AirHop Communication Inc.	-	Financial assets at fair value through profit or loss-non-current	1,152	-	5%	-	(Note 2)
	Adant Technologies Inc.	-	Financial assets at fair value through profit or loss-non-current	349	-	5%	-	(Note 2)
	IOT EYE, Inc.	-	Financial assets at fair value through profit or loss-non-current	60	-	14%	-	(Note 2)
	TIEF FUND L.P.	-	Financial assets at fair value through profit or loss-non-current	-	39,141	7%	39,141	
	Chimei Motor Electronics Co., LTD	-	Financial assets at fair value through other comprehensive income-non-current	1,650	49,500	9%	49,500	
	Golden Smarhome Technology Corp.	-	Financial assets at fair value through other comprehensive income-non-current	1,229	-	8%	-	(Note 2)
	Total				<u>88,641</u>			
Mactech	Taichung International Golf Country Club	-	Financial assets at fair value through other comprehensive income-non-current	-	<u>7,560</u>	-	7,560	
HHB	HWALLAR OPTRONICS (Fuzhou) CO., LTD.	-	Financial assets at fair value through profit or loss-non-current	-	-	19%	-	(Note 2)
Mithera	Beyond Limits, Inc.	-	Financial assets at fair value through other comprehensive income-non-current	873	<u>133,335</u>	-	133,335	
CIT	Structured deposits-SPD Bank Yield Plus Structured Deposit	-	Financial assets at fair value through profit or loss-current	-	<u>211,002</u>	-	211,002	
CPO	Structured deposits-Win-win Interest Rate Structure RMB Structural Deposits	-	Financial assets at fair value through profit or loss-current	-	<u>126,601</u>	-	126,601	
CET	Structured deposits-The RMB "Open On Schedule " Financial Product	-	Financial assets at fair value through profit or loss-current	-	<u>422,046</u>	-	422,046	
CET	Structured deposits-Win-win Interest Rate Structure RMB Structural Deposits	-	Financial assets at fair value through profit or loss-current	-	<u>379,802</u>	-	379,802	

Note 1: The transaction had been eliminated in the consolidated financial statements.

Note 2: The carrying value is the remaining amount after deducting accumulated impairment.

(Continued)

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

Table 4 Individual securities acquired or disposed of with accumulated amount exceeding the lower of NTS\$300 million or 20% of the capital stock:
(For the six months ended June 30, 2020)

(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
CPC	Structured deposits-SPD Bank Yield Plus Structured Deposit	Financial assets at fair value through profit or loss-current	Shanghai Pudong Development Bank	-	-	394,013	-	383,793	-	781,828	767,586	14,242 (Note 2)	-	4,022 (Note 1)	-	-
CTI	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	-	-	-	-	852,872	-	869,225	852,872	16,383 (Note 2)	-	16,383 (Note 1)	-	-
CEC	Structured deposits-Win-win Interest Rate Structure RMB Structural Deposits	Financial assets at fair value through profit or loss-current	China CITIC Bank	-	-	-	-	515,988	-	525,174	515,988	9,186 (Note 2)	-	9,186 (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	-	-	219,070	-	-	-	217,311	213,218	4,093 (Note 2)	-	(1,759) (Note 1)	-	-
CPO	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	-	-	-	-	426,436	-	434,627	426,436	8,191 (Note 2)	-	8,191 (Note 1)	-	-
CIC	Structured deposits-Bank of Communications Yun Tong Cai Fu Structured Deposit	Financial assets at fair value through profit or loss-current	Bank of Communications	-	-	-	-	426,436	-	434,521	426,436	8,085 (Note 2)	-	8,085 (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	-	-	-	-	852,872	-	430,476	426,436	4,040 (Note 2)	-	(350) (Note 1)	-	422,046
CET	Structured deposits-SPD Bank Yield Plus Structured Deposit	Financial assets at fair value through profit or loss-current	Shanghai Pudong Development Bank	-	-	437,840	-	426,436	-	868,746	852,872	15,874 (Note 2)	-	4,470 (Note 1)	-	-
CET	Structured deposits-Win-win Interest Rate Structure RMB Structural Deposits	Financial assets at fair value through profit or loss-current	China CITIC Bank	-	-	-	-	810,229	-	429,932	426,436	3,496 (Note 2)	-	(495) (Note 1)	-	379,802

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.

(Continued)

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

Table 5 Related-party transactions for purchases and sales with amounts exceeding the lower of NTS100 million or 20% of the capital stock:
(For the six months ended June 30, 2020)

(In Thousands of New Taiwan Dollars)

Company Name	Counter party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/(Sale)	Amount	Percentage of total purchases/(sales)	Payment terms	Unit price	Payment Terms	Ending Balance	Percentage of total notes/accounts receivable (payable)	
The Company	CBN	The Company's subsidiaries	Sale	(331,984)	(0.1)%	90 days	Similar to non-related parties	There is no significant difference	523,503	0.3%	(Note 2)
	CIH and its subsidiaries	Subsidiaries wholly owned by the Company	Purchase	182,831,272	44.7%	120 days	Similar to non-related parties	There is no significant difference, and adjustments will be made based on demand for funding if necessary	(52,306,392)	(31.7)%	(Note 2)
	Just and its subsidiaries	Subsidiaries wholly owned by the Company	Purchase	54,503,759	13.3%	120 days	Similar to non-related parties	There is no significant difference, and adjustments will be made based on demand for funding if necessary	(3,448,937)	(2.1)%	(Note 2)
	HSI and its subsidiaries	Subsidiaries wholly owned by the Company	Purchase	4,480,669	1.1%	120 days	Similar to non-related parties	There is no significant difference, and adjustments will be made based on demand for funding if necessary	(3,992,357)	(2.4)%	(Note 2)
	BCI and its subsidiaries	Subsidiaries wholly owned by the Company	Purchase	46,792,593	11.4%	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	(7,665,140)	(4.6)%	(Note 2)
	Etrade and its subsidiaries	Subsidiaries wholly owned by the Company	Purchase	13,567,006	3.3%	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	(4,625,717)	(2.8)%	(Note 2)
Just and its subsidiaries	Compal Electronic, Inc.	Parent company	Sale	(54,697,085)	(99.9)%	120 days	Similar to non-related parties	There is no significant difference, and adjustments will be made based on demand for funding if necessary	3,448,937	97.2%	(Note 2)
CIH and its subsidiaries	Compal Electronic, Inc.	Parent company	Sale	(183,904,360)	(98.6)%	120 days	Similar to non-related parties	There is no significant difference, and adjustments will be made based on demand for funding if necessary	52,306,392	98.5%	(Note 2)
	BCI and its subsidiaries	With the same ultimate parent company	Sale	(916,684)	(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	905,294	0.5%	(Note 2)
	BCI and its subsidiaries	With the same ultimate parent company	Purchase	403,827	0.2%	120 days	Similar to non-related parties	Adjustments will be made based on demand for funding	(344,249)	(0.4)%	(Note 2)
	HSI and its subsidiaries	With the same ultimate parent company	Sale	(463,622)	(0.3)%	120 days	Similar to non-related parties	There is no significant difference, and adjustments will be made based on demand for funding if necessary	456,039	0.3%	(Note 2)
CBN	Compal Electronic, Inc.	Parent company	Purchase	330,629	36.0%	Net 90 days from delivery	-	There is no significant difference	(522,619)	(61.0)%	(Note 2)
BCI and its subsidiaries	Compal Electronic, Inc.	Parent company	Sale	(47,260,896)	(96.7)%	120 days	Markup based on BCI and its subsidiaries's cost	Adjustments will be made based on demand for funding	7,665,140	90.7%	(Note 2)
	CIH and its subsidiaries	With the same ultimate parent company	Sale	(404,233)	(0.8)%	120 days	According to markup pricing	Adjustments will be made based on demand for funding	344,249	1.0%	(Note 2)
	CIH and its subsidiaries	With the same ultimate parent company	Purchase	916,985	2.9%	120 days	According to markup pricing	Adjustments will be made based on demand for funding	(905,294)	(2.7)%	(Note 2)
	HSI and its subsidiaries	With the same ultimate parent company	Sale	(443,000)	(0.9)%	120 days	According to markup pricing	Adjustments will be made based on demand for funding	2,130,482	6.0%	(Note 2)
	CEB	With the same ultimate parent company	Sale	(547,626)	(1.1)%	120 days	According to markup pricing	There is no significant difference	1,561,401	4.4%	(Note 2)
CEB	BCI and its subsidiaries	With the same ultimate parent company	Purchase	545,473	14.3%	120 days	Similar to non-related parties	There is no significant difference	(1,561,401)	(51.7)%	(Note 2)
Etrade and its subsidiaries	Compal Electronic, Inc.	Parent company	Sale	(13,578,138)	(99.9)%	Net 60 days from delivery	According to markup pricing	Adjustments will be made based on demand for funding	4,625,717	99.9%	(Note 2)

(Continued)

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

Table 5 Related-party transactions for purchases and sales with amounts exceeding the lower of NTS100 million or 20% of the capital stock:
(For the six months ended June 30, 2020)

(In Thousands of New Taiwan Dollars)

Company Name	Counter party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/(Sale)	Amount	Percentage of total purchases/(sales)	Payment terms	Unit price	Payment Terms	Ending Balance	Percentage of total notes/accounts receivable (payable)	
HSI and its subsidiaries	Compal Electronic, Inc.	Parent company	Sale	(4,480,669)	(100.0)%	120 days	Similar to non-related parties	There is no significant difference, and adjustments will be made based on demand for funding if necessary	3,992,357	100.0%	(Note 2)
	CIH and its subsidiaries	With the same ultimate parent company	Purchase	334,241	3.6%	120 days	Similar to non-related parties	There is no significant difference, and adjustments will be made based on demand for funding if necessary	(456,039)	(3.6)%	(Note 2)
	BCI and its subsidiaries	With the same ultimate parent company	Purchase	441,894	4.8%	120 days	Similar to non-related parties	There is no significant difference, and adjustments will be made based on demand for funding if necessary	(2,130,482)	(20.7)%	(Note 2)
Arcadyan	Arcadyan Germany	Arcadyan's subsidiary	Sale	(443,888)	(3.0)%	Net 120 days from delivery	-	-	206,790	3.0%	(Note 2)
	Arcadyan USA	Arcadyan's subsidiary	Sale	(2,237,684)	(16.0)%	Net 90 days from the end of the month of delivery	-	-	1,469,114	21.0%	(Note 2)
	Arcadyan AU	Arcadyan's subsidiary	Sale	(642,148)	(5.0)%	Net 45 days from the end of the month of delivery	-	-	467,233	7.0%	(Note 2)
	Arcadyan Vietnam	Arcadyan's subsidiary	Purchase	4,771,588	28.0%	Net 45 days from the end of the month of delivery	According to markup pricing	-	(3,885,195)	(51.0)%	(Note 1 - 2)
	Arcadyan Vietnam	Arcadyan's subsidiary	Purchase	302,461	2.0%	Net 180 days from the end of the month of delivery	According to markup pricing	-	(Note 3)	-	(Note 1 - 2)
CNC	Arcadyan	With the same ultimate parent company	Sale	(4,771,588)	(100.0)%	Net 45 days from the end of the month of delivery	According to markup pricing	-	3,885,195	100.0%	(Note 1 - 2)
Arcadyan Vietnam	Arcadyan	With the same ultimate parent company	Sale	(302,461)	(100.0)%	Net 180 days from the end of the month of delivery	According to markup pricing	-	(Note 3)	-	(Note 1 - 2)
Arcadyan Germany	Arcadyan	With the same ultimate parent company	Purchase	443,888	100.0%	Net 120 days from delivery	-	-	(206,790)	(100.0)%	(Note 2)
Arcadyan USA	Arcadyan	With the same ultimate parent company	Purchase	2,237,684	100.0%	Net 90 days from the end of the month of delivery	-	-	(1,469,114)	(100.0)%	(Note 2)
Arcadyan AU	Arcadyan	With the same ultimate parent company	Purchase	642,148	100.0%	Net 45 days from the end of the month of delivery	-	-	(467,233)	(100.0)%	(Note 2)

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

Note 2: The transactions had been eliminated in the consolidated financial statements.

Note 3: The amount of other receivables (other payables) on June 30, 2020 is \$98,144 thousand dollars.

(Continued)

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

Table 6 Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:
(June 30, 2020)

(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	523,503	1.55	-	-	92,643 (Note 1)	-
Just and its subsidiaries	Compal Electronic, Inc.	Parent company	3,448,937	21.35	-	-	- (Note 1)	-
CIH and its subsidiaries	Compal Electronic, Inc.	Parent company	52,306,392	7.12	-	-	32,900,709 (Note 1)	-
CIH and its subsidiaries	BCI and its subsidiaries	With the same ultimate parent company	905,294	3.93	-	-	- (Note 1)	-
CIH and its subsidiaries	HSI and its subsidiaries	With the same ultimate parent company	456,039	3.56	-	-	- (Note 1)	-
BCI and its subsidiaries	Compal Electronic, Inc.	Parent company	7,665,140	12.50	-	-	7,665,140 (Note 1)	-
BCI and its subsidiaries	CIH and its subsidiaries	With the same ultimate parent company	344,249	4.70	-	-	- (Note 1)	-
BCI and its subsidiaries	HSI and its subsidiaries	With the same ultimate parent company	2,130,482	0.46	-	-	- (Note 1)	-
BCI and its subsidiaries	CEB	With the same ultimate parent company	1,561,401	0.94	-	-	94,558 (Note 1)	-
Etrade and its subsidiaries	Compal Electronic, Inc.	Parent company	4,625,717	5.16	-	-	- (Note 1)	-
HSI and its subsidiaries	Compal Electronic, Inc.	Parent company	3,992,357	2.81	-	-	1,409,952 (Note 1)	-
Arcadyan	Arcadyan Germany	Arcadyan's subsidiary	206,790	2.96	-	-	63,662 (Note 2)	-
Arcadyan	Arcadyan USA	Arcadyan's subsidiary	1,469,114	2.16	-	-	530,389 (Note 2)	-
Arcadyan	Arcadyan AU	Arcadyan's subsidiary	467,233	2.33	-	-	174,898 (Note 2)	-
Arcadyan	Arcadyan Vietnam	Arcadyan's subsidiary	598,144 (Note 4)	2.28	-	-	532,828 (Note 2)	-
Arcadyan	TTI	Arcadyan's subsidiary	149,936 (Note 4)	7.68	-	-	- (Note 2)	-
CNC	Arcadyan	With the same ultimate parent company	3,885,195 (Note 5)	2.73	-	-	1,002,130 (Note 2)	-
CBN	Just and its subsidiaries	With the same ultimate parent company	148,155 (Note 6)	-	27,749	Enhanced the collection	55,202 (Note 3)	-

Note 1:Balance as of August 4, 2020.

Note 2:Balance as of July 28, 2020.

Note 3:Balance as of August 11, 2020.

Note 4:Other receivables due to purchasing on behalf of related parties.

Note 5:Accounts receivables due to processing raw material.

Note 6:Other receivables due to processing and sales of raw material.

(Continued)

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

Table 7 Business relationships and significant intercompany transactions:

(For the six months ended June 30, 2020)

(In Thousands of New Taiwan Dollars)

No. (Note 1)	Company name	Counter party	Relationship (Note 2)	Intercompany transactions			Percentage of the consolidated net revenue or total assets
				Accounts name	Amount	Terms	
0	The Company	CBN	1	Sales Revenue	331,984	There is no significant difference of price to non-related parties. The credit period is net 90 days.	0.1%
1	JUST and its subsidiaries	The Company	2	Accounts Receivable	523,503	"	0.1%
				Sales Revenue	54,697,085	There is no significant difference of price to non-related parties. The credit period is net 120 days, and will be adjusted if necessary.	12.3%
2	CIH and its subsidiaries	The Company	2	Accounts Receivable	3,448,937	"	0.8%
				Sales Revenue	183,904,360	There is no significant difference of price to non-related parties. The credit period is net 120 days, and will be adjusted if necessary.	41.3%
2	CIH and its subsidiaries	BCI and its subsidiaries	3	Accounts Receivable	52,306,392	"	12.8%
				Sales Revenue	916,684	There is no significant difference of price to non-related parties. The credit period is net 120 days, and will be adjusted if necessary.	0.2%
2	CIH and its subsidiaries	HSI and its subsidiaries	3	Accounts Receivable	905,294	"	0.2%
				Sales Revenue	463,622	There is no significant difference of price to non-related parties. The credit period is net 120 days, and will be adjusted if necessary.	0.1%
3	BCI and its subsidiaries	The Company	2	Accounts Receivable	456,039	"	0.1%
				Sales Revenue	47,260,896	The price is based on BCI and its subsidiaries's operating cost. The credit period is net 120 days, and will be adjusted if necessary.	10.6%
3	BCI and its subsidiaries	CIH and its subsidiaries	3	Accounts Receivable	7,665,140	"	1.9%
				Sales Revenue	404,233	The price is based on the operating cost. The credit period is net 120 days, and will be adjusted if necessary.	0.1%
3	BCI and its subsidiaries	HSI and its subsidiaries	3	Accounts Receivable	344,249	"	0.1%
				Sales Revenue	443,000	The price is based on the operating cost. The credit period is net 120 days, and will be adjusted if necessary.	0.1%
3	BCI and its subsidiaries	CEB	3	Accounts Receivable	2,130,482	"	0.5%
				Sales Revenue	547,626	The price is based on the operating cost. The credit period is net 120 days.	0.1%
4	Etrade and its subsidiaries	The Company	2	Accounts Receivable	1,561,401	"	0.4%
				Sales Revenue	13,578,138	The price is based on the operating cost. The credit period is net 60 days from delivery, and will be adjusted if necessary.	3.0%
5	HSI and its subsidiaries	The Company	2	Accounts Receivable	4,625,717	"	1.1%
				Sales Revenue	4,480,669	There is no significant difference of price to non-related parties. The credit period is net 120 days, and will be adjusted if necessary.	1.0%
6	Arcadyan	Arcadyan Germany	3	Accounts Receivable	3,992,357	"	1.0%
				Sales Revenue	443,888	There is no significant difference of price to non-related parties. The credit period is net 120 days from delivery.	0.1%
				Accounts Receivable	206,790	"	0.1%

(Continued)

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

Table 7 Business relationships and significant intercompany transactions:
(For the six months ended June 30, 2020)

(In Thousands of New Taiwan Dollars)

No. (Note 1)	Company name	Counter party	Relationship (Note 2)	Intercompany transactions			Percentage of the consolidated net revenue or total assets
				Accounts name	Amount	Terms	
6	Arcadyan	TTI	3	Other Receivable	149,936	The price is based on the operating cost. The credit period is net 90 days from the end of month of delivery.	-
6	Arcadyan	Arcadyan USA	3	Sales Revenue	2,237,684	There is no significant difference of price to non-related parties. The credit period is net 90 days from the end of the month of delivery.	0.5%
6	Arcadyan	Arcadyan AU	3	Accounts Receivable	1,469,114	"	0.4%
				Sales Revenue	642,148	There is no significant difference of price to non-related parties. The credit period is net 45 days from delivery.	0.1%
6	Arcadyan	Arcadyan Vietnam	3	Accounts Receivable	467,233	"	0.1%
				Other Receivable	598,144	The credit period is net 180 days from the end of the month of invoice date and depended on funding demand.	0.1%
7	CNC	Arcadyan	3	Processing Revenue	4,771,588	The price is based on the operating cost. The credit period is net 45 days from the end of the month of delivery and depended on funding demand.	1.1%
8	Arcadyan Vietnam	Arcadyan	3	Accounts Receivable	3,885,195	"	1.0%
				Processing Revenue	302,461	The credit period is net 180 days from the end of the month of invoice date and depended on funding demand.	0.1%

Note 1: The numbers filled in as follows:

- 1.0 represents the Company.
2. Subsidiaries are sorted in a numerical order starting from 1.

Note 2: Transactions labeled as follows:

1. represents transactions between the parent company and its subsidiaries.
2. represents transactions between the subsidiaries and the parent company.
3. represents transactions between subsidiaries.

(Continued)

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

Table 8 The information on investees for the six months ended June 30, 2020 (excluding information on investees in Mainland China):
(June 30, 2020)

(In Thousands of New Taiwan Dollars/ shares)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Ending Balance			Net income (losses) of investee	Share of profits/losses of investee	Note
				June 30, 2020	December 31, 2019	Shares	Percentage of Ownership	Carrying Value			
The Company	Bizcom	Milpitas, USA	Warranty services and marketing of LCD TVs and notebook PCs	36,369	36,369	100	100%	442,159	1,190	1,190	(Note 2)
	Just	British Virgin Islands	Investment	1,480,509	1,480,509	48,010	100%	7,547,949	(276,537)	(276,537)	(Note 2)
	CIH	British Virgin Islands	Investment	1,787,680	1,787,680	53,001	100%	34,694,067	545,787	545,787	(Note 2)
	Panpal	Taipei City	Investment	5,171,837	5,171,837	500,000	100%	4,541,865	(233,236)	(271,214)	(Note 2)
	Gempal	Taipei City	Investment	900,036	900,036	90,000	100%	1,594,373	73,153	51,110	(Note 2)
	Kinpo Group management consultant company ("Kinpo Group management")	Taipei City	Consultation, training services, etc.	3,000	3,000	300	38%	4,931	807	303	
	Ripal	Tainan City	Manufacturing of electric appliance and audiovisual electric products	60,000	60,000	6,000	100%	78,929	7,696	2,296	(Note 2)
	Unicore	Taipei City	Management&Consultant, rental and leasing business and wholesale and retail of medical equipments	200,000	200,000	20,000	100%	135,050	(10,614)	(10,614)	(Note 2)
	Lead-Honor Optronics. Co., Ltd. ("Lead-Honor")	Taoyuan City	Manufacturing of electric appliance and audiovisual electric products	42,000	42,000	2,772	42%	-	-	-	
	CEH	British Virgin Islands	Investment	34	34	1	100%	3,492,018	-	-	(Note 2)
	Shennona Taiwan	Taipei City	Management&Consultant, rental and leasing business, wholesale and retail sale of precision instruments and International Trade	6,000	6,000	600	100%	7,095	2,983	2,803	(Note 2)
	Allied Circuit	Taoyuan City	Production and sales of PCB boards	395,388	395,388	10,158	20%	348,098	322,095	65,756	
	Maxima Ventures I, Inc. ("Maxima")	Taipei City	Investment	1,260	1,260	126	23%	1,665	(132)	(1,181)	
	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	90,000	100,000	52%	77,545	(16,206)	(8,433)	(Note 2)
	Lipo Holding Co., Ltd. ("Lipo")	Cayman Islands	Investment	489,450	489,450	98	49%	519,009	52,049	25,503	
	CPE	The Netherlands	Investment	197,463	197,463	6,427	100%	817,591	3,822	3,822	(Note 2)
	ATK	Hsinchu City	Design, research & development, and selling of DVD, Combo, CD-RW Drives	-	-	-	-	-	29	8	(Note 2)
	Crownpo Technology Inc. ("Crownpo")	Taipei City	Manufacturing, processing, and selling resistor chips, networking chips, diodes, multilayer ceramic capacitors, semiconductor devices, and selling electronic products	149,547	149,547	3,739	33%	55,199	2,380	791	
	Hong Ji	Taipei City	Investment	1,000,000	1,000,000	100,000	100%	1,070,850	35,084	35,084	(Note 2)
	Hong Jin	Taipei City	Investment	295,000	295,000	29,500	100%	329,057	13,600	13,600	(Note 2)
	Mactech	Taichung City	Manufacturing of equipment and lighting, retailing of equipment and international trading	219,601	219,601	21,756	53%	230,669	8,674	5,060	(Note 2)
	Auscom	Austin, TX USA	R&D of notebook PC related products and components	101,747	101,747	3,000	100%	126,569	1,365	1,365	(Note 2)
	Arcadyan	Hsinchu City	R&D, manufacturing and sales of wireless network, integrated household electronics, and mobile office products	1,325,132	1,325,132	41,305	20%	2,187,874	611,668	121,173	(Note 2)
	FGH	British Virgin Islands	Investment	2,754,741	2,754,741	89,755	100%	4,530,847	214,037	214,037	(Note 2)
	Shennona	Delaware, USA	Medical care IOT business	32,665	32,665	2,600	100%	1,311	(44)	(44)	(Note 2)
	HSI	British Virgin Islands	Investment	1,346,814	1,346,814	42,700	54%	578,288	15,786	43,748	(Note 2)
	CEP	Poland	Maintenance and warranty services of notebook PCs	90,156	90,156	136	100%	20,755	3,824	3,630	(Note 2)

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

Table 8 The information on investees for the six months ended June 30, 2020 (excluding information on investees in Mainland China):
 (June 30, 2020)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Ending Balance			Net income (losses) of investee	Share of profits/losses of investee	Note
				June 30, 2020	December 31, 2019	Shares	Percentage of Ownership	Carrying Value			
The Company	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	42,000	2,100	70%	26,955	(11,793)	(7,914)	(Note 2)
	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%	14,567	(9,675)	(2,632)	
	HengHao	Taipei City	Manufacturing of PCs, computer periphery devices, and electronic components	5,529,757	5,529,757	20,015	100%	(561,781)	(76,389)	(77,837)	(Note 2)
	BCI	British Virgin Islands	Investment	2,636,051	2,636,051	90,820	100%	6,351,815	245,999	245,999	(Note 2)
	CBN	Hsinchu County	R&D and sales of cable modem, digital setup box, and other communication products	284,827	284,827	29,060	43%	695,105	4,091	1,777	(Note 2)
	Rayonnant	Taipei City	Manufacturing and sales of PCs, computer periphery devices, and electronic components	295,000	295,000	29,500	100%	99,695	36,470	38,723	(Note 2)
	CRH	British Virgin Islands	Investment	377,328	377,328	12,500	100%	154,765	24,914	24,914	(Note 2)
	Acendant Private Equity Investment Ltd. ("APE")	British Virgin Islands	Investment	943,922	943,922	31,253	35%	978,447	(25,377)	(8,811)	
	Etrade	British Virgin Islands	Investment	1,532,029	1,532,029	46,900	65%	(574,436)	(87,356)	44,768	(Note 2)
	Webtek	British Virgin Islands	Investment	3,340	3,340	100	100%	482,935	(29,090)	(29,090)	(Note 2)
	Forever	British Virgin Islands	Investment	1,575	1,575	50	100%	1,439,190	2,407	2,407	(Note 2)
	UCGI	Taipei City	Manufacturing and retail sale of computers and electronic components	100,000	100,000	10,000	100%	(475,889)	(16,592)	(16,592)	(Note 2)
	Palcom	Taipei City	Selling of mobile phones	100,000	100,000	10,000	100%	107,761	2,138	2,138	(Note 2)
	Avalue Technology, Inc.	New Taipei City	Manufacturing, processing, and import and export business of industrial motherboards	547,595	559,189	14,924	21%	609,349	122,755	27,555	
	CORE	British Virgin Islands	Investment	4,318,860	4,318,860	147,000	100%	7,633,412	55,431	55,431	(Note 2)
	GLB	New Taipei City	Manufacturing and wholesale of medical equipment	246,860	246,860	15,000	50%	<u>322,823</u>	33,870	<u>16,835</u>	(Note 2)
								<u>80,738,476</u>		<u>886,714</u>	
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	279,202	8,192	4%	478,701	611,668	Investment gain(losses) recognized by Panpal	(Note 2)
	Allied Circuit	Taoyuan City	Production and selling of PCB boards	148,263	148,263	2,927	6%	100,307	322,095	Investment gain(losses) recognized by Panpal	
								79,260			
Gempal	Others Arcadyan	Hsinchu City	Telecommunication equipment and apparatus manufacturing, electronic parts and components manufacturing, restrained telecom radio frequency equipments and materials import and manufacturing	306,655	306,655	9,279	4%	567,229	611,668	Investment gain(losses) recognized by Gempal	(Note 2)
	Allied Circuit	Taoyuan City	Production and selling of PCB boards	53,645	53,645	3,220	6%	110,338	322,095	Investment gain(losses) recognized by Gempal	
Hong Ji	Others Arcadyan	Hsinchu City	Telecommunication equipment and apparatus manufacturing, electronic parts and components manufacturing, restrained telecom radio frequency equipments and materials import and manufacturing	306,655	306,655	9,279	4%	1,927 567,229	611,668	Investment gain(losses) recognized by Hong Ji	(Note 2)

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

Table 8 The information on investees for the six months ended June 30, 2020 (excluding information on investees in Mainland China):
(June 30, 2020)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Ending Balance			Net income (losses) of investee	Share of profits/losses of investee	Note
				June 30, 2020	December 31, 2019	Shares	Percentage of Ownership	Carrying Value			
Hong Ji	Allied Circuit	Taoyuan City	Production and selling of PCB boards	12,274	12,274	1,041	2%	29,713	322,095	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	131,942	4,609	2%	266,751	611,668	Investment gain(losses) recognized by Hong Jin	(Note 2)
Just	CDH (HK)	Hong Kong	Investment	1,845,875	1,845,875	62,298	100%	5,161,527	(294,406)	Investment gain(losses) recognized by Just	(Note 2)
	CII	British Virgin Islands	Investment	273,929	273,929	9,245	100%	249,691	(104)	Investment gain(losses) recognized by Just	(Note 2)
	CPI	British Virgin Islands	Investment	14,815	14,815	500	100%	884,332	6,897	Investment gain(losses) recognized by Just	(Note 2)
CII	Smart	British Virgin Islands	Investment	30	30	1	100%	379	(1)	Investment gain(losses) recognized by CII	(Note 2)
	AEI	U.S.A	Sales and maintenance of LCD TVs	29,630	29,630	1,000	100%	47,199	(263)	Investment gain(losses) recognized by CII	(Note 2)
	MEL	U.S.A	Investment	243,973	243,973	-	100%	202,122	161	Investment gain(losses) recognized by CII	(Note 2)
	MTL	U.S.A	Investment	30	30	-	100%	30	-	Investment gain(losses) recognized by CII	(Note 2)
CIH	CIH (HK)	Hong Kong	Investment	2,216,398	2,216,398	74,803	100%	33,026,508	646,481	Investment gain(losses) recognized by CIH	(Note 2)
	Jenpal	British Virgin Islands	Investment	217,781	217,781	7,350	100%	104,878	925	Investment gain(losses) recognized by CIH	(Note 2)
	PFG	British Virgin Islands	Investment	30	30	1	100%	445,944	16,154	Investment gain(losses) recognized by CIH	(Note 2)
	FWT	British Virgin Islands	Investment	441,487	441,487	14,900	100%	441,994	63	Investment gain(losses) recognized by CIH	(Note 2)
	CCM	British Virgin Islands	Investment	151,113	151,113	5,100	51%	25,809	(881)	Investment gain(losses) recognized by CIH	
HSI	IUE	British Virgin Islands	Investment	1,985,210	1,985,210	67,000	100%	1,373,340	3,602	Investment gain(losses) recognized by HSI	(Note 2)
	Goal	British Virgin Islands	Investment	376,301	376,301	12,700	100%	301,258	(67,540)	Investment gain(losses) recognized by HSI	(Note 2)
IUE	CVC	Vietnam	R&D, manufacturing, sales, and maintenance of notebook PCs, computer monitors, LCD TVs and electronic components	1,985,210	1,985,210	67,000	100%	1,373,340	3,602	Investment gain(losses) recognized by IUE	(Note 2)
Goal	CDM	Vietnam	Construction of and investment in infrastructure in Ba-Thien industrial district of Vietnam	376,301	376,301	12,700	100%	302,848	(67,540)	Investment gain(losses) recognized by Goal	(Note 2)

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

Table 8 The information on investees for the six months ended June 30, 2020 (excluding information on investees in Mainland China):
(June 30, 2020)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Ending Balance			Net income (losses) of investee	Share of profits/losses of investee	Note
				June 30, 2020	December 31, 2019	Shares	Percentage of Ownership	Carrying Value			
BCI	CMI	British Virgin Islands	Investment	2,394,697	2,394,697	80,820	100%	3,982,224	173,402	Investment gain(losses) recognized by BCI	(Note 2)
	PRI	British Virgin Islands	Investment	296,300	296,300	10,000	100%	2,369,591	72,597	Investment gain(losses) recognized by BCI	(Note 2)
CORE	BSH	British Virgin Islands	Investment	4,355,610	4,355,610	147,000	100%	7,633,412	55,431	Investment gain(losses) recognized by CORE	(Note 2)
BSH	Mithera	Cayman Islands	Investment	148,150	148,150	-	99%	143,295	(1,624)	Investment gain(losses) recognized by BSH	(Note 2)
	HSI	British Virgin Islands	Investment	1,096,310	1,096,310	37,000	46%	1,096,310	15,786	Investment gain(losses) recognized by BSH	(Note 2)
Forever	GIA	British Virgin Islands	Selling of mobile phones	-	-	-	100%	-	-	Investment gain(losses) recognized by Forever	(Note 2)
Webtek	Etrade	British Virgin Islands	Investment	740,750	740,750	25,000	35%	(242,519)	(87,356)	Investment gain(losses) recognized by Webtek	(Note 2)
Unicore	Raycore	Taipei City	Animal medication retail and wholesale	25,500	25,500	1,275	51%	15,524	(4,219)	Investment gain(losses) recognized by Unicore	(Note 2)
Arcadyan	Arcadyan Holding	British Virgin Islands	Investment	2,064,032	2,064,032	59,780	100%	1,673,797	(255,281)	Investment gain(losses) recognized by Arcadyan	(Note 2)
	Arcadyan USA	U.S.A	Sales of wireless network products	23,055	23,055	1	100%	(83,497)	29,166	Investment gain(losses) recognized by Arcadyan	(Note 2)
	Arcadyan Germany	Germany	Technology support and sales of wireless network products	1,125	1,125	0.5	100%	69,478	1,859	Investment gain(losses) recognized by Arcadyan	(Note 2)
	Arcadyan Korea	Korea	Sales of wireless network products	2,879	2,879	20	100%	7,985	1,314	Investment gain(losses) recognized by Arcadyan	(Note 2)
	Zhi-Pai	Taipei City	Investment	48,000	48,000	34,980	100%	415,536	1,141	Investment gain(losses) recognized by Arcadyan	(Note 2)
	TTI	Taipei City	R&D and sales of household digital products	308,726	308,726	25,028	61%	562,645	(105,299)	Investment gain(losses) recognized by Arcadyan	(Note 2)
	AcBel Telecom	Taipei City	Investment	23,000	23,000	4,494	51%	34,407	(3,415)	Investment gain(losses) recognized by Arcadyan	(Note 2)
	Arcadyan UK	UK	Technical support of wireless network products	1,988	1,988	50	100%	3,129	195	Investment gain(losses) recognized by Arcadyan	(Note 2)
	Arcadyan AU	Australia	Sales of wireless network products	1,161	1,161	50	100%	33,068	3,038	Investment gain(losses) recognized by Arcadyan	(Note 2)
	CBN	Hsinchu County	Sales of communication and electronic components	11,925	11,925	533	1%	12,866	4,091	Investment gain(losses) recognized by Arcadyan	(Note 2)
Arcadyan	Arcadyan RU	Russia	Sales of wireless network products	-	-	-	100%	-	-	Investment gain(losses) recognized by Arcadyan	(Note 3)
Arcadyan and Zhi-pai	Arcadyan Brasil	Brazil	Sales of wireless network products	81,593	81,593	968	100%	(17,472)	(13,398)	Investment gain(losses) recognized by Arcadyan	(Note 2)

(Continued)

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

Table 8 The information on investees for the six months ended June 30, 2020 (excluding information on investees in Mainland China):
 (June 30, 2020)

(In Thousands of New Taiwan Dollars/ shares)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Ending Balance			Net income (losses) of investee	Share of profits/losses of investee	Note
				June 30, 2020	December 31, 2019	Shares	Percentage of Ownership	Carrying Value			
Arcadyan Holding	Sinoprime	British Virgin Islands	Investment	563,499	267,699	19,050	100%	403,560	(79,443)	Investment gain(losses) recognized by Arcadyan Holding	(Note 2)
	Arch Holding	British Virgin Islands	Investment	325,705	325,705	35	100%	679,009	(181,896)	Investment gain(losses) recognized by Arcadyan Holding	(Note 2)
TTI	Quest	Samoa	Investment	35,496	35,496	1,200	100%	41,885	(52,213)	Investment gain(losses) recognized by TTI	(Note 2)
	TTJC	Japan	Sales of household digital electronic products	4,130	4,130	0.3	100%	893	(1,127)	Investment gain(losses) recognized by TTI	(Note 2)
Quest	Exquisite	Samoa	Investment	34,609	34,609	1,170	100%	28,338	(52,202)	Investment gain(losses) recognized by Quest	(Note 2)
AcBel Telecom	Leading Images	British Virgin Islands	Investment	1,479	1,479	50	100%	1,928	(3,467)	Investment gain(losses) recognized by AcBel Telecom	(Note 2)
Sinoprime	Arcadyan Vietnam	Vietnam	Manufacturing of wireless network products	562,020	266,220	-	100%	399,212	(79,443)	Investment gain(losses) recognized by Sinoprime	(Note 2)
Leading Images	Astoria GmbH	Germany	Sales of wireless network products	832	832	25	100%	1,538	(60)	Investment gain(losses) recognized by Leading Images	(Note 2)
Zhi-Pai	CBN	Hsinchu County	Produces and sales of communication and electronic components	36,272	36,272	13,140	20%	317,043	4,091	Investment gain(losses) recognized by Zhi-Pai	(Note 2)
Rayonnant	APH	British Virgin Islands	Investment	257,454	257,454	8,651	41%	101,301	31,809	Investment gain(losses) recognized by Rayonnant	(Note 2)
	Forming Co., Ltd.	Taoyuan City	R&D and manufacturing of electronic materials	27,300	27,300	1,820	21%	-	-	Investment gain(losses) recognized by Rayonnant	(Note 2)
CRH	APH	British Virgin Islands	Investment	370,375	370,375	12,500	59%	154,765	31,809	Investment gain(losses) recognized by CRH	(Note 2)
APH	PEL	British Virgin Islands	Investment	93,364	93,364	3,151	100%	35,303	(338)	Investment gain(losses) recognized by APH	(Note 2)
	Rayonnant(HK)	Hong Kong	Investment	533,340	533,340	18,000	100%	212,897	32,147	Investment gain(losses) recognized by APH	(Note 2)
HHT	HHA	British Virgin Islands	Investment	1,429,235	1,429,235	46,882	100%	(91,809)	(65,896)	Investment gain(losses) recognized by HHT	(Note 2)
HHA	HHB	British Virgin Islands	Investment	1,389,115	1,389,115	46,882	100%	(91,750)	(65,896)	Investment gain(losses) recognized by HHA	(Note 2)
HHB	HengHao Trading Co., Ltd.	British Virgin Islands	Marketing and international trade	296	296	10	100%	486	4	Investment gain(losses) recognized by HHB	(Note 2)
CBN	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%	6,167	(104)	Investment gain(losses) recognized by CBN	(Note 2)

(Continued)

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

Table 8 The information on investees for the six months ended June 30, 2020 (excluding information on investees in Mainland China):
 (June 30, 2020)

(In Thousands of New Taiwan Dollars/ shares)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Ending Balance			Net income (losses) of investee	Share of profits/losses of investee	Note
				June 30, 2020	December 31, 2019	Shares	Percentage of Ownership	Carrying Value			
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	7,016	20	100%	6,654	-	Investment gain(losses) recognized by CBN	(Note 2)
FGH	Wah Yuen Technology Holding Ltd. and its subsidiaries	Mauritius	Investment	2,659,455	2,659,455	95,862	37%	4,598,623	584,250	Investment gain(losses) recognized by FGH	
GLB	Rapha	New Taipei City	Detectors and test strip	6,500	6,500	1,275	100%	241	(57)	Investment gain(losses) recognized by GLB	(Note 2)
Mactech	Taiwan Intelligent Robotics Company, LTD.	Taipei City	Manufacturing of equipment	43,200	43,200	2,160	20%	34,949	(13,824)	Investment gain(losses) recognized by Mactech	

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

Note 2: The transactions had been eliminated in the consolidated financial statements.

Note 3: A subsidiary was established by Arcadyan on June 2, 2020, with its capital fund which have yet to be received as of June 30, 2020.

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

Table 9 Information on investment in Mainland China:

(June 30, 2020)

(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, 2020	Investment flows		Accumulated outflow of investment from Taiwan as of June 30, 2020	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	1,096,310	(Note 1)	1,096,310	-	-	1,096,310	(223,502)	100%	(223,502)	1,859,418	-
CDT	Manufacturing and sales of notebook PCs, mobile phones, and Digital products	592,600	(Note 2)	592,600	-	-	592,600	(80,588)	100%	(80,588)	30,641	-
CET	Manufacturing of notebook PCs	355,560	(Note 2)	355,560	-	-	355,560	101,332	100%	101,332	4,679,025	-
CSD	Manufacturing of notebook PCs	251,290	(Note 2)	(Note 3)	-	-	-	(310,286)	100%	(310,286)	(494,451)	-
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	66,073	(Note 2)	(Note 3)	-	-	-	(1,824)	51%	(931)	(41,516)	-
BT	Maintenance and warranty service of notebook PCs	29,630	(Note 2)	29,630	-	-	29,630	(1,290)	100%	(1,290)	(239,684)	-
CGS	Production and processing chip resistors, ceramic capacitors, diodes, and other latest electronic components and related precision electronic equipment; selling self-produced products	8,376	(Note 2)	(Note 3)	-	-	-	(14,149)	100%	(14,149)	(40,416)	-
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	948,160	(Note 1)	394,968	-	-	394,968	39,859	43%	17,211	388,449	-
LIZ Electronics (Nantong) Co., Ltd.	Research, manufacture and sales of communication devices, mobile phones, electronic computer, smart watch, and provide related technology service	592,600	(Note 1)	43,556	-	-	43,556	68,451	48%	32,582	414,435	-
CIC	Manufacturing of notebook PCs	355,560	(Note 2)	355,560	-	-	355,560	274,429	100%	274,429	7,706,769	-
CPO	Manufacturing and sales of LCD TVs	358,523	(Note 1)	358,523	-	-	358,523	55,965	100%	55,965	2,758,029	-
CIT	Manufacturing of notebook PCs	711,120	(Note 2)	711,120	-	-	711,120	393,308	100%	393,308	20,688,618	-

(Continued)

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

Table 9 Information on investment in Mainland China:

(June 30, 2020)

(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, 2020	Investment flows		Accumulated outflow of investment from Taiwan as of June 30, 2020	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	41,482	(Note 2)	41,482	-	-	41,482	(562)	100%	(562)	46,320	-
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	296,300	(Note 2)	151,113	-	-	151,113	(857)	51%	(437)	29,796	-
CIJ	Investment and consulting services	462,228	(Note 2)	462,228	-	-	462,228	(167,018)	100%	(167,018)	658,196	-
CDE	Manufacturing and sales of LCD TVs	444,450	(Note 2)	(Note 3)	-	-	-	(166,803)	100%	(166,803)	625,193	-
CIS	Outward investment and consulting services	2,394,697	(Note 1)	2,394,697	-	-	2,394,697	173,402	100%	173,402	3,982,224	-
CEC	R&D and manufacturing of notebook PCs, tablet PCs, digital products, network switches, wireless AP, and automobile electronic products	2,370,400	(Note 2)	(Note 3)	-	-	-	173,362	100%	173,362	3,952,383	-
CMC	Corporate management consulting, financial and tax consulting, investment consulting, and investment management consulting services	23,704	(Note 2)	(Note 3)	-	-	-	56	100%	56	23,611	-
CEQ	R&D, manufacturing and sales of notebook PCs and related components. Also provides related maintenance and warranty services	296,300	(Note 1)	296,300	-	-	296,300	72,597	100%	72,597	2,369,591	-
Compal Precision Module (Jiangsu) Co., Ltd.	Manufacturing and selling of magnesium alloy injection molding	12,444,600	(Note 2)	2,448,238	-	-	2,448,238	487,636	37%	178,572	5,725,991	-
Changbao Electronic Technology (Chongqing) Co., Ltd.	Production and marketing of magnesium alloy molding	1,777,800	(Note 2)	339,441	-	-	339,441	12,145	37%	4,447	865,516	-
Rayonnant (Taicang)	Manufacturing and sales of aluminum alloy and magnesium alloy products	533,340	(Note 2)	370,375	-	-	370,375	32,147	100%	32,147	213,475	-
CCI Nanjing	Manufacturing and processing of mobile phones and tablet PCs	651,860	(Note 1)	651,860	-	-	651,860	(21,932)	100%	(21,932)	(1,003,348)	-
CDCN	Manufacturing and processing of mobile phones and tablet PCs	171,854	(Note 1)	171,854	-	-	171,854	900	100%	900	82,253	-
CWCN	Manufacturing and processing of mobile phones and tablet PCs	1,451,870	(Note 1)	562,970	-	-	562,970	(67,027)	100%	(67,027)	192,121	-

(Continued)

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

Table 9 Information on investment in Mainland China:

(June 30, 2020)

(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, 2020	Investment flows		Accumulated outflow of investment from Taiwan as of June 30, 2020	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	59,260	(Note 1)	59,260	-	-	59,260	30	100%	30	2,669	-
Arcadyan SVA Arcadyan	R&D and sales of wireless network products	387,498	(Note 1)	544,864 (Note 7)	-	-	544,864	3,120	100%	3,120	126,780	-
CNC	Manufacturing and wireless network products	368,271	(Note 1)	325,705 (Note 8)	-	-	325,705	(181,896)	100%	(181,896)	678,979	-
THAC	Manufacturing of household electronics products	99,093	(Note 1 & 10)	34,017	-	-	34,017	(52,202)	100%	(52,202)	27,835	-
HengHao HengHao Optoelectronic Technology (Kunshan) Co., Ltd. ("HengHao Kunshan")	Production of touch panels and related components	1,185,200	(Note 1)	1,179,363	-	-	1,179,363	(66,470)	100%	(66,470)	(223,651)	-
Lucom Display Technology (Kunshan) Limited ("Lucom")	Manufacturing of notebook PCs and related modules	444,450	(Note 2)	192,566 (Note 12)	-	-	192,566	566	100%	566	131,659	-

(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	16,075,371 (US\$542,537) (Note 5)	22,384,724 (US\$755,475)	(Note 6)
Arcadyan	904,586 (US\$30,581)	904,586 (US\$30,581)	6,349,419
HengHao	1,388,817 (US\$46,872)	1,388,817 (US\$46,872)	(Note 13)

Note 1: Indirectly investment in Mainland China through companies registered in the third region.

Note 2: Indirectly investment in Mainland China through an existing company registered in the third region.

Note 3: Investees held by Kunshan Botai Electronics Co., Ltd. ("BT"), Compal Investment (Jiansu) Co., Ltd. ("CI"), Compal Electronic (Sichuan) Co., Ltd. ("CIS"), and Compal Electronics (China) Co., Ltd. ("CPC") through their own funds.

Note 4: The investment income (loss), except for Compal Precision Module (Jiangsu) Co., Ltd., was determined based on the financial report reviewed by the CPAs.

Note 5: Including the investment amount of sold or dissolved companies, including Beijing Compower Xuntong Electronic Technology Co., Ltd., VAP Optoelectronics (NanJing) Corp., Flextronics Technology (Shanghai) Ltd., Lucom, LCFC (HeFei) Electronics Technology Co., Ltd. and the increased investment amount from merging with Compal Communication Co., Ltd.

Note 6: As the Company has obtained the certificate of being qualified for operating headquarters, issued by Industrial Development Bureau, MOEA, the upper limit on investment in mainland China is not applicable.

Note 7: Arcadyan paid US\$18,420 thousands and acquired 100% shares of SVA Arcadyan from Accton Asia through Arcadyan Holding in 2010.

Note 8: Arcadyan paid US\$8,561 thousands and acquired 100% shares of CNC from Just through Arcadyan Holding in 2007.

Note 9: SVA Arcadyan decreased its capital amounting to US\$15,000 thousands to offset accumulated losses in March 2009.

Note 10: Arcadyan's subsidiary, TTI, obtained the control over THAC with US\$1,150 thousands on February 28, 2013 (the date of stock transferring).

Note 11: The amounts in New Taiwan Dollars were translated at the exchange rates at the balance sheet date or the average exchange rate.

Note 12: The Company had an accumulated investment amounting to US\$7,350 thousands in the previous years. In the first half of 2014, HengHao paid the Company and LG US\$3,184 thousands and US\$3,315 thousands, respectively, for organization restructure, to obtain 100% ownership of Lucom.

Note 13: The net equity of HengHao is negative at June 30, 2020.

(iii) Significant transactions:

For the six months ended June 30, 2020, the significant inter-company transactions with the subsidiary in Mainland China, which were eliminated in the preparation of consolidated financial statements, are disclosed in "Information on significant transactions" and "Business relationships and significant intercompany transactions".