

Representation Letter

The entities that are required to be included in the combined financial statements of COMPAL ELECTRONICS, INC. as of and for the year ended December 31, 2023 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 endorsed by the Financial Supervisory Commission, "Consolidated and Separate Financial Statements." In addition, the information required to be disclosed in the combined financial statements and is included in the consolidated financial statements. Consequently, COMPAL ELECTRONICS, INC. and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: COMPAL ELECTRONICS, INC.
Chairman: Sheng-Hsiung Hsu (Rock Hsu)
Date: February 29, 2024

Independent Auditor's Report

To COMPAL ELECTRONICS, INC.:

Opinion

We have audited the consolidated financial statements of COMPAL ELECTRONICS, INC. and its subsidiaries (the "Group"), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the consolidated statement of comprehensive income, changes in equity and cash flows for the years ended December 31, 2023 and 2022, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended December 31, 2023 and 2022, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), Interpretations developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC") endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public Account of Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirement. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

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

1. Inventory valuation

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

Description of key audit matters:

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

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

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

Other Matter

Compal Electronics Inc, has prepared its parent-company-only financial statements as of and for the years ended December 31, 2023 and 2022, on which we have issued an unqualified opinion.

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

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

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

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

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

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

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and professional skepticism throughout the audit. We also:

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

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Kuan-Ying Kuo and Szu-Chuan Chien.

KPMG

Taipei, Taiwan (Republic of China)
February 29, 2024

Notes to Readers

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

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

		<u>2023</u>		<u>2022</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
4000	Net sales revenue (Notes (6)(w) and (7))	946,714,800	100.0	1,073,245,915	100.0
5000	Cost of sales (Notes (6)(f), (6)(r), (7) and (12))	<u>904,317,906</u>	<u>95.5</u>	<u>1,032,881,736</u>	<u>96.2</u>
	Gross profit	<u>42,396,894</u>	<u>4.5</u>	<u>40,364,179</u>	<u>3.8</u>
	Operating expenses: (Notes (6)(r) and (12))				
6100	Selling expenses	6,372,101	0.7	8,232,253	0.8
6200	Administrative expenses	4,896,947	0.5	4,983,404	0.4
6300	Research and development expenses	<u>19,080,135</u>	<u>2.0</u>	<u>17,929,525</u>	<u>1.7</u>
		<u>30,349,183</u>	<u>3.2</u>	<u>31,145,182</u>	<u>2.9</u>
	Net operating income	<u>12,047,711</u>	<u>1.3</u>	<u>9,218,997</u>	<u>0.9</u>
	Non-operating income and expenses:				
7100	Interest income (Note (6)(y))	4,706,927	0.5	3,089,926	0.3
7210	Other gains and losses, net (Notes (6)(d), (6)(y) and (6)(aa))	260,934	-	1,363,841	0.1
7050	Finance costs (Notes (6)(o) and (6)(p))	(5,052,372)	(0.5)	(3,245,701)	(0.3)
7190	Other income (Note (6)(y))	456,861	-	652,426	-
7590	Miscellaneous disbursements	(62,559)	-	(73,104)	-
7670	Impairment loss (Note (6)(k))	-	-	(9,431)	-
7770	Share of profit (loss) of associates and joint ventures accounted for using equity method (Note (6)(g))	<u>(467,077)</u>	<u>-</u>	<u>(272,824)</u>	<u>-</u>
	Total non-operating income and expenses	<u>(157,286)</u>	<u>-</u>	<u>1,505,133</u>	<u>0.1</u>
7900	Profit from continuing operations before tax	11,890,425	1.3	10,724,130	1.0
7950	Less: Income tax expenses (Note (6)(s))	<u>2,759,747</u>	<u>0.3</u>	<u>2,182,603</u>	<u>0.2</u>
	Profit	<u>9,130,678</u>	<u>1.0</u>	<u>8,541,527</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	2,602	-	161,558	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	1,221,169	0.1	(1,074,884)	(0.1)
8320	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	105,613	-	(21,325)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (Note (6)(s))	<u>170,975</u>	<u>-</u>	<u>(49,117)</u>	<u>-</u>
	Components of other comprehensive income that will not be reclassified to profit or loss	<u>1,158,409</u>	<u>0.1</u>	<u>(885,534)</u>	<u>(0.1)</u>
8360	Components of other comprehensive income (loss) that will be reclassified to profit or loss				
8361	Exchange differences on translation of foreign financial statements	(184,799)	-	7,375,388	0.7
8368	Gains (losses) on hedging instrument (Note (6)(z))	33,563	-	(47,809)	-
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	(103,664)	-	81,580	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss (Note (6)(s))	<u>4,544</u>	<u>-</u>	<u>(12,026)</u>	<u>-</u>
	Components of other comprehensive income that will be reclassified to profit or loss	<u>(259,444)</u>	<u>-</u>	<u>7,421,185</u>	<u>0.7</u>
8300	Other comprehensive income	<u>898,965</u>	<u>0.1</u>	<u>6,535,651</u>	<u>0.6</u>
8500	Total comprehensive income	<u><u>10,029,643</u></u>	<u><u>1.1</u></u>	<u><u>15,077,178</u></u>	<u><u>1.4</u></u>
	Profit, attributable to:				
8610	Profit, attributable to owners of parent	7,667,627	0.8	7,288,292	0.7
8620	Profit, attributable to non-controlling interests	<u>1,463,051</u>	<u>0.2</u>	<u>1,253,235</u>	<u>0.1</u>
		<u><u>9,130,678</u></u>	<u><u>1.0</u></u>	<u><u>8,541,527</u></u>	<u><u>0.8</u></u>
	Comprehensive income attributable to:				
8710	Comprehensive income (loss), attributable to owners of parent	8,558,794	0.9	13,636,212	1.3
8720	Comprehensive income (loss), attributable to non-controlling interests	<u>1,470,849</u>	<u>0.2</u>	<u>1,440,966</u>	<u>0.1</u>
		<u><u>10,029,643</u></u>	<u><u>1.1</u></u>	<u><u>15,077,178</u></u>	<u><u>1.4</u></u>
	Earnings per share (Note (6)(v))				
9750	Basic earnings per share		<u><u>1.76</u></u>		<u><u>1.67</u></u>
9850	Diluted earnings per share		<u><u>1.75</u></u>		<u><u>1.66</u></u>

See accompanying notes to consolidated financial statements.

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

	Equity attributable to owners of parent												Total equity	
	Retained earnings						Total other equity interest			Treasury shares	Total equity attributable to owners of parent	Non-controlling interests		
	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
Balance at January 1, 2022	\$ 44,071,466	6,724,856	21,339,412	7,266,708	41,045,820	69,651,940	(8,744,705)	537,830	125	(8,206,750)	(881,247)	111,360,265	10,179,538	121,539,803
Profit for the year ended December 31, 2022	-	-	-	-	7,288,292	7,288,292	-	-	-	-	-	7,288,292	1,253,235	8,541,527
Other comprehensive income	-	-	-	-	118,035	118,035	7,274,994	(1,032,694)	(12,415)	6,229,885	-	6,347,920	187,731	6,535,651
Total comprehensive income	-	-	-	-	7,406,327	7,406,327	7,274,994	(1,032,694)	(12,415)	6,229,885	-	13,636,212	1,440,966	15,077,178
Appropriation and distribution of retained earnings:														
Legal reserve appropriated	-	-	1,237,434	-	(1,237,434)	-	-	-	-	-	-	-	-	-
Special reserve appropriated	-	-	-	940,042	(940,042)	-	-	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(7,051,435)	(7,051,435)	-	-	-	-	-	(7,051,435)	-	(7,051,435)
Cash dividends from capital surplus	-	(1,762,859)	-	-	-	-	-	-	-	-	-	(1,762,859)	-	(1,762,859)
Changes in ownership interests in subsidiaries	-	33,397	-	-	(2,260)	(2,260)	-	-	-	-	-	31,137	-	31,137
Changes in equity of associates and joint ventures accounted for using equity method	-	(18,066)	-	-	(38,351)	(38,351)	-	36,599	-	36,599	-	(19,818)	-	(19,818)
Adjustments of capital surplus for cash dividends received by subsidiaries	-	100,035	-	-	-	-	-	-	-	-	-	100,035	-	100,035
Disposal of investments in equity instruments measured at fair value through other comprehensive income	-	1,217	-	-	-	-	-	-	-	-	-	1,217	-	1,217
Others	-	-	-	-	2,838	2,838	-	(2,838)	-	(2,838)	-	-	-	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(505,415)	(505,415)
Balance at December 31, 2022	44,071,466	5,078,580	22,576,846	8,206,750	39,185,463	69,969,059	(1,469,711)	(461,103)	(12,290)	(1,943,104)	(881,247)	116,294,754	11,115,089	127,409,843
Profit for the year ended December 31, 2023	-	-	-	-	7,667,627	7,667,627	-	-	-	-	-	7,667,627	1,463,051	9,130,678
Other comprehensive income	-	-	-	-	(2,238)	(2,238)	(277,619)	1,162,170	8,854	893,405	-	891,167	7,798	898,965
Total comprehensive income	-	-	-	-	7,665,389	7,665,389	(277,619)	1,162,170	8,854	893,405	-	8,558,794	1,470,849	10,029,643
Appropriation and distribution of retained earnings:														
Legal reserve appropriated	-	-	736,855	-	(736,855)	-	-	-	-	-	-	-	-	-
Reversal of special reserve	-	-	-	(6,263,646)	6,263,646	-	-	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(4,407,147)	(4,407,147)	-	-	-	-	-	(4,407,147)	-	(4,407,147)
Cash dividends from capital surplus	-	(881,429)	-	-	-	-	-	-	-	-	-	(881,429)	-	(881,429)
Changes in ownership interests in subsidiaries	-	2,213	-	-	(16,652)	(16,652)	-	3,469	-	3,469	-	(10,970)	-	(10,970)
Changes in equity of associates and joint ventures accounted for using equity method	-	10,490	-	-	(16,991)	(16,991)	-	13,433	-	13,433	-	6,932	-	6,932
Adjustments of capital surplus for cash dividends received by subsidiaries	-	60,021	-	-	-	-	-	-	-	-	-	60,021	-	60,021
Others	-	1,040	-	-	-	-	-	-	-	-	-	1,040	-	1,040
Disposal of investments in equity instruments measured at fair value through other comprehensive income	-	-	-	-	(645,503)	(645,503)	-	645,503	-	645,503	-	-	-	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	564,920	564,920
Balance at December 31, 2023	\$ 44,071,466	4,270,915	23,313,701	1,943,104	47,291,350	72,548,155	(1,747,330)	1,363,472	(3,436)	(387,294)	(881,247)	119,621,995	13,150,858	132,772,853

See accompanying notes to consolidated financial statements.

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

	2023	2022
Cash flows from (used in) operating activities:		
Profit before tax	\$ 11,890,425	10,724,130
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation and amortization	7,873,526	7,544,408
Expected credit loss	70,161	30,177
Net (gain) loss on financial assets or liabilities at fair value through profit or loss	(44,367)	23,672
Finance cost	5,052,372	3,245,701
Interest income	(4,706,927)	(3,089,926)
Dividend income	(148,092)	(128,597)
Compensation cost of share-based payments	(2,972)	22,025
Share of loss of associates and joint ventures accounted for using equity method	467,077	272,824
Gain on disposal of property, plant and equipment, and intangible assets	(43,977)	(7,086)
Impairment loss on financial assets	-	9,431
Others	(790)	(158)
Total adjustments to reconcile profit (loss)	8,516,011	7,922,471
Changes in operating assets and liabilities:		
Changes in operating assets:		
(Increase) decrease in financial assets at fair value through profit or loss	(51,875)	400,567
(Increase) decrease in notes and accounts receivable	(2,547,159)	99,026,904
Decrease in other receivable	55,383	357,505
Decrease in inventories	16,491,292	3,761,054
Increase in other current assets	(614,508)	(1,523,444)
(Increase) decrease in other non-current assets	(431,265)	438,312
Total changes in operating assets	12,901,868	102,460,898
Changes in operating liabilities:		
Increase in financial liabilities at fair value through profit or loss	102,008	60,938
Decrease in notes and accounts payable	(2,842,114)	(62,369,969)
Increase in other payables	2,190,306	976,433
Increase in refund liabilities	941,102	596,602
Increase (decrease) in provisions	53,335	(472,840)
Decrease in contract liabilities	(16,911)	(281,716)
(Decrease) increase in other current liabilities	(823,756)	1,309,581
Others	(6,193)	(18,337)
Total changes in operating liabilities	(402,223)	(60,199,308)
Total changes in operating assets and liabilities	12,499,645	42,261,590
Total adjustments	21,015,656	50,184,061
Cash inflow generated from operations	32,906,081	60,908,191
Interest received	4,636,183	2,813,791
Dividends received	347,078	270,042
Interest paid	(5,183,213)	(2,697,025)
Income taxes paid	(3,028,925)	(2,656,389)
Net cash flows (used in) from operating activities	29,677,204	58,638,610
Cash flows from (used in) investing activities:		
Acquisition of financial assets at fair value through profit or loss and through other comprehensive income	(3,148,973)	(587,240)
Proceeds from disposal of financial assets at fair value through other comprehensive income	47,921	10,028
Acquisition of investments accounted for using equity method	(98,160)	(54,000)
Net cash flow from acquisition of subsidiaries	-	(135,971)
Proceeds from capital reduction and liquidation of investments	3,992	2,010
Acquisition of property, plant and equipment	(7,169,728)	(7,727,184)
Proceeds from disposal of property, plant and equipment	326,557	185,814
Acquisition of intangible assets	(373,363)	(659,132)
Decrease (increase) in restricted assets	697,049	(795,029)
Others	194,245	(154,230)
Net cash flows used in investing activities	(9,520,460)	(9,914,934)
Cash flows from (used in) financing activities:		
Decrease in short-term borrowings	(15,858,155)	(43,590,249)
Repayments of bonds payable	-	(7,400)
Proceeds from long-term borrowings	47,192,669	79,108,377
Repayments of long-term borrowings	(51,659,174)	(72,931,768)
Payment of lease liabilities	(2,114,467)	(2,422,290)
Cash dividends paid	(5,228,555)	(8,714,259)
Change in non-controlling interests	553,966	(1,062,788)
Others	(35,568)	207,983
Net cash flows used in financing activities	(27,149,284)	(49,412,394)
Effect of exchange rate changes on cash and cash equivalents	(193,282)	5,191,917
Net increase in cash and cash equivalents	(7,185,822)	4,503,199
Cash and cash equivalents at beginning of period	79,665,302	75,162,103
Cash and cash equivalents at end of period	\$ 72,479,480	79,665,302

See accompanying notes to consolidated financial statements.