

COMPAL ELECTRONICS, INC.**Parent Company Only Financial Statements****With Independent Auditors' Report
For the Years Ended December 31, 2020 and 2019****Address: No.581 & 581-1, Ruiguang Rd., Neihu District, Taipei, Taiwan**
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Independent Auditor's Report

To COMPAL ELECTRONICS, INC.:

Opinion

We have audited the financial statements of COMPAL ELECTRONICS, INC. (the “Company”), which comprise the balance sheets as of December 31, 2020 and 2019, the statement of comprehensive income, changes in equity and cash flows for the years ended December 31, 2020 and 2019, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended December 31, 2020 and 2019, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audit of the financial statements as of and for the year ended December 31, 2020 in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants, and the auditing standards generally accepted in the Republic of China. Furthermore, we conducted our audit of the financial statements as of and for the year ended December 31, 2019 in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants, Rule No. 1090360805 issued by the Financial Supervisory Commission, and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

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

1. Account receivable valuation

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

Description of key audit matters:

The Company is subject to great influence of given the challenging industry climate and also devotes to develop new product lines and new customers, and the credit risks of these customers are higher than other world leading enterprises. Therefore, valuation of accounts receivable has been identified as a key audit matter.

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

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

2. Inventory valuation

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

Description of key audit matters:

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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



KPMG

Taipei, Taiwan (Republic of China)

March 26, 2021

Notes to Readers

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

COMPAL ELECTRONICS, INC.
Balance Sheets
December 31, 2020 and 2019
(Expressed in Thousands of New Taiwan Dollars)

| Assets | December 31, 2020 | | December 31, 2019 | | | Liabilities and Equity | December 31, 2020 | | December 31, 2019 | |
|--|-----------------------|--------------|--------------------|--------------|------|---|-----------------------|--------------|--------------------|--------------|
| | Amount | % | Amount | % | | | Amount | % | Amount | % |
| Current assets: | | | | | | Current liabilities: | | | | |
| 1100 Cash and cash equivalents (note (6)(a)) | \$ 7,666,366 | 2.0 | 13,459,969 | 4.0 | 2100 | Short-term borrowings (note (6)(k)) | \$ 55,991,680 | 14.4 | 39,363,800 | 11.7 |
| 1110 Current financial assets at fair value through profit or loss (note (6)(b)) | - | - | 149,888 | - | 2130 | Current contract liabilities (note (6)(r)) | 828,978 | 0.2 | 877,822 | 0.3 |
| 1170 Notes and accounts receivable, net (note (6)(d)) | 218,292,177 | 56.1 | 176,967,731 | 52.4 | 2170 | Notes and accounts payable | 100,825,221 | 25.9 | 74,138,921 | 21.9 |
| 1180 Notes and accounts receivable due from related parties, net (notes (6)(d) and 7) | 11,127,880 | 2.9 | 1,052,131 | 0.3 | 2180 | Notes and accounts payable to related parties (note 7) | 87,802,452 | 22.6 | 74,925,238 | 22.2 |
| 1200 Other receivables, net (notes (6)(e) and 7) | 2,846,497 | 0.7 | 3,110,607 | 0.9 | 2200 | Other payables (note 7) | 9,229,539 | 2.4 | 9,390,399 | 2.8 |
| 1310 Inventories (note (6)(f)) | 55,792,348 | 14.3 | 50,048,069 | 14.9 | 2230 | Current tax liabilities | 2,786,226 | 0.7 | 2,107,283 | 0.6 |
| 1470 Other current assets | 657,805 | 0.2 | 734,434 | 0.2 | 2280 | Current lease liabilities (note (6)(m)) | 202,113 | - | 387,499 | 0.1 |
| | <u>296,383,073</u> | <u>76.2</u> | <u>245,522,829</u> | <u>72.7</u> | 2300 | Other current liabilities | 690,513 | 0.2 | 348,480 | 0.1 |
| Non-current assets: | | | | | 2365 | Current refund liabilities | 1,253,890 | 0.3 | 1,182,501 | 0.4 |
| 1550 Investments accounted for using equity method (note (6)(g)) | 83,957,849 | 21.6 | 83,430,169 | 24.7 | 2322 | Long-term borrowings, current portion (note (6)(l)) | 8,855,440 | 2.3 | 18,150,000 | 5.3 |
| 1510 Non-current financial assets at fair value through profit or loss (note (6)(b)) | 158,769 | - | 71,097 | - | | | <u>268,466,052</u> | <u>69.0</u> | <u>220,871,943</u> | <u>65.4</u> |
| 1517 Non-current financial assets at fair value through other comprehensive income (note (6)(c)) | 2,881,121 | 0.8 | 3,019,393 | 0.9 | | Non-Current liabilities: | | | | |
| 1600 Property, plant and equipment (note (6)(i)) | 2,604,893 | 0.7 | 2,620,638 | 0.8 | 2540 | Long-term borrowings (note (6)(l)) | 10,250,000 | 2.6 | 7,500,000 | 2.2 |
| 1755 Right-of-use assets (note (6)(j)) | 1,290,125 | 0.3 | 1,387,615 | 0.4 | 2570 | Deferred tax liabilities (note (6)(o)) | 829,757 | 0.2 | 893,232 | 0.3 |
| 1780 Intangible assets | 436,548 | 0.1 | 438,334 | 0.1 | 2580 | Non-current lease liabilities (note (6)(m)) | 1,096,415 | 0.3 | 1,010,933 | 0.3 |
| 1840 Deferred tax assets (note (6)(o)) | 1,102,654 | 0.3 | 1,166,808 | 0.4 | 2640 | Non-current net defined benefit liability (note (6)(n)) | 687,054 | 0.2 | 643,253 | 0.2 |
| 1990 Other non-current assets | 136,119 | - | 126,605 | - | 2670 | Non-current liabilities, others (note (6)(g)) | 789,368 | 0.2 | 891,494 | 0.2 |
| | <u>92,568,078</u> | <u>23.8</u> | <u>92,260,659</u> | <u>27.3</u> | | | <u>13,652,594</u> | <u>3.5</u> | <u>10,938,912</u> | <u>3.2</u> |
| | | | | | | Total liabilities | <u>282,118,646</u> | <u>72.5</u> | <u>231,810,855</u> | <u>68.6</u> |
| | | | | | 3110 | Equity (note (6)(p)): | | | | |
| | | | | | 3200 | Ordinary share | 44,071,466 | 11.3 | 44,071,466 | 13.1 |
| | | | | | 3300 | Capital surplus | 8,342,813 | 2.1 | 9,159,259 | 2.7 |
| | | | | | 3400 | Retained earnings | 62,566,181 | 16.1 | 57,726,604 | 17.1 |
| | | | | | 3500 | Other equity interest | (7,266,708) | (1.8) | (4,103,449) | (1.2) |
| | | | | | | Treasury shares | (881,247) | (0.2) | (881,247) | (0.3) |
| | | | | | | Total equity | <u>106,832,505</u> | <u>27.5</u> | <u>105,972,633</u> | <u>31.4</u> |
| Total assets | <u>\$ 388,951,151</u> | <u>100.0</u> | <u>337,783,488</u> | <u>100.0</u> | | Total liabilities and equity | <u>\$ 388,951,151</u> | <u>100.0</u> | <u>337,783,488</u> | <u>100.0</u> |

See accompanying notes to financial statements.

COMPAL ELECTRONICS, INC.
Statements of Comprehensive Income
For the years ended December 31, 2020 and 2019
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Share)

| | <u>2020</u> | | <u>2019</u> | |
|---|---------------------|--------------|--------------------|--------------|
| | <u>Amount</u> | <u>%</u> | <u>Amount</u> | <u>%</u> |
| 4000 Net sales revenue (notes (6)(r) and 7) | \$ 991,279,270 | 100.0 | 916,280,028 | 100.0 |
| 5000 Cost of sales (notes (6)(f), (6)(n), 7 and 12) | <u>968,054,585</u> | <u>97.7</u> | <u>891,431,772</u> | <u>97.3</u> |
| Gross profit | 23,224,685 | 2.3 | 24,848,256 | 2.7 |
| 5910 Less: Unrealized profit (loss) from sales | <u>6,641</u> | <u>-</u> | <u>(893)</u> | <u>-</u> |
| Gross profit | <u>23,218,044</u> | <u>2.3</u> | <u>24,849,149</u> | <u>2.7</u> |
| Operating expenses: (notes (6)(n) and 12) | | | | |
| 6100 Selling expenses | 3,705,829 | 0.4 | 3,532,483 | 0.4 |
| 6200 Administrative expenses | 2,262,855 | 0.2 | 2,318,452 | 0.3 |
| 6300 Research and development expenses | <u>11,169,634</u> | <u>1.1</u> | <u>10,461,262</u> | <u>1.1</u> |
| | <u>17,138,318</u> | <u>1.7</u> | <u>16,312,197</u> | <u>1.8</u> |
| Net operating income | <u>6,079,726</u> | <u>0.6</u> | <u>8,536,952</u> | <u>0.9</u> |
| Non-operating income and expenses: | | | | |
| 7100 Interest income (note (6)(t)) | 126,882 | - | 184,607 | - |
| 7020 Other gains and losses, net (note (6)(t)) | 599,312 | 0.1 | (420,923) | - |
| 7050 Finance costs (note (6)(m)) | (704,218) | (0.1) | (1,969,101) | (0.2) |
| 7190 Other income (note (6)(t)) | 358,670 | - | 469,232 | 0.1 |
| 7370 Share of profit of associates and joint ventures accounted for using equity method (note (6)(g)) | <u>3,966,905</u> | <u>0.4</u> | <u>1,022,912</u> | <u>0.1</u> |
| Total non-operating income and expenses | <u>4,347,551</u> | <u>0.4</u> | <u>(713,273)</u> | <u>-</u> |
| 7900 Profit from continuing operations before tax | 10,427,277 | 1.0 | 7,823,679 | 0.9 |
| 7950 Less: Income tax expenses (note (6)(o)) | <u>1,065,384</u> | <u>0.1</u> | <u>867,780</u> | <u>0.1</u> |
| Profit | <u>9,361,893</u> | <u>0.9</u> | <u>6,955,899</u> | <u>0.8</u> |
| 8300 Other comprehensive income: | | | | |
| 8310 Components of other comprehensive income (loss) that will not be reclassified to profit or loss | | | | |
| 8311 Gains (losses) on remeasurements of defined benefit plans | (57,224) | - | (32,645) | - |
| 8316 Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income | (116,466) | - | 120,897 | - |
| 8330 Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss | (14,409) | - | 359,147 | - |
| 8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss | <u>(2,818)</u> | <u>-</u> | <u>3,056</u> | <u>-</u> |
| Components of other comprehensive income that will not be reclassified to profit or loss (note (6)(o)) | <u>(185,281)</u> | <u>-</u> | <u>444,343</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 | (3,073,441) | (0.3) | (1,620,812) | (0.2) |
| 8380 Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss | (19,629) | - | (322,922) | - |
| 8399 Income tax related to components of other comprehensive income that will be reclassified to profit or loss | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Components of other comprehensive income that will be reclassified to profit or loss | <u>(3,093,070)</u> | <u>(0.3)</u> | <u>(1,943,734)</u> | <u>(0.2)</u> |
| 8300 Other comprehensive income | <u>(3,278,351)</u> | <u>(0.3)</u> | <u>(1,499,391)</u> | <u>(0.2)</u> |
| 8500 Total comprehensive income | <u>\$ 6,083,542</u> | <u>0.6</u> | <u>5,456,508</u> | <u>0.6</u> |
| Earnings per share (note 6(q)) | | | | |
| 9750 Basic earnings per share | <u>\$ 2.15</u> | | <u>1.60</u> | |
| 9850 Diluted earnings per share | <u>\$ 2.12</u> | | <u>1.58</u> | |

See accompanying notes to financial statements.

COMPAL ELECTRONICS, INC.
Statements of Changes in Equity
For the years ended December 31, 2020 and 2019
(Expressed in Thousands of New Taiwan Dollars)

| | Retained earnings | | | | | | Total other equity interest | | | | | Total equity |
|---|----------------------|------------------|-------------------|------------------|----------------------------------|-------------------------|---|---|--------------|-----------------------------|------------------|--------------------|
| | Ordinary shares | Capital surplus | Legal reserve | Special reserve | Unappropriated retained earnings | Total retained earnings | Exchange differences on translation of foreign financial statements | Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income | Others | Total other equity interest | Treasury shares | |
| Balance at January 1, 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 |
| Profit for the year ended December 31, 2019 | - | - | - | - | 6,955,899 | 6,955,899 | - | - | - | - | - | 6,955,899 |
| Other comprehensive income | - | - | - | - | (30,420) | (30,420) | (1,942,028) | 474,763 | (1,706) | (1,468,971) | - | (1,499,391) |
| Total comprehensive income | - | - | - | - | 6,925,479 | 6,925,479 | (1,942,028) | 474,763 | (1,706) | (1,468,971) | - | 5,456,508 |
| Appropriation and distribution of retained earnings: | | | | | | | | | | | | |
| Legal reserve appropriated | - | - | 891,336 | - | (891,336) | - | - | - | - | - | - | - |
| Special reserve appropriated | - | - | - | (1,363,317) | 1,363,317 | - | - | - | - | - | - | - |
| Cash dividends of ordinary share | - | - | - | - | (4,407,147) | (4,407,147) | - | - | - | - | - | (4,407,147) |
| Cash dividends from capital surplus | - | (881,429) | - | - | - | - | - | - | - | - | - | (881,429) |
| Changes in ownership interests in subsidiaries | - | 43,473 | - | - | - | - | - | - | - | - | - | 43,473 |
| Changes in equity of associates and joint ventures accounted for using equity method | - | 4,760 | - | - | (27,199) | (27,199) | - | - | - | - | - | (22,439) |
| Adjustments of capital surplus for cash dividends received by subsidiaries | - | 60,021 | - | - | - | - | - | - | - | - | - | 60,021 |
| Disposal of investments in equity instruments measured at fair value through other comprehensive income | - | - | - | - | (4,824,910) | (4,824,910) | - | 4,824,910 | - | 4,824,910 | - | - |
| Balance at December 31, 2019 | 44,071,466 | 9,159,259 | 19,719,150 | 7,467,831 | 30,539,623 | 57,726,604 | (3,794,980) | (306,763) | (1,706) | (4,103,449) | (881,247) | 105,972,633 |
| Profit for the year ended December 31, 2020 | - | - | - | - | 9,361,893 | 9,361,893 | - | - | - | - | - | 9,361,893 |
| Other comprehensive income | - | - | - | - | (48,219) | (48,219) | (3,093,997) | (137,062) | 927 | (3,230,132) | - | (3,278,351) |
| Total comprehensive income | - | - | - | - | 9,313,674 | 9,313,674 | (3,093,997) | (137,062) | 927 | (3,230,132) | - | 6,083,542 |
| 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) |
| Cash dividends from capital surplus | - | (881,429) | - | - | - | - | - | - | - | - | - | (881,429) |
| Changes in ownership interests in subsidiaries | - | 1,735 | - | - | (33,051) | (33,051) | - | 33,051 | - | 33,051 | - | 1,735 |
| Changes in equity of associates and joint ventures accounted for using equity method | - | 2,228 | - | - | (9,055) | (9,055) | - | 8,978 | - | 8,978 | - | 2,151 |
| Adjustments of capital surplus for cash dividends received by subsidiaries | - | 60,021 | - | - | - | - | - | - | - | - | - | 60,021 |
| Others | - | 999 | - | - | - | - | - | - | - | - | - | 999 |
| Disposal of investments in equity instruments measured at fair value through other comprehensive income | - | - | - | - | (24,844) | (24,844) | - | 24,844 | - | 24,844 | - | - |
| Balance at December 31, 2020 | \$ 44,071,466 | 8,342,813 | 20,414,740 | 4,101,743 | 38,049,698 | 62,566,181 | (6,888,977) | (376,952) | (779) | (7,266,708) | (881,247) | 106,832,505 |

See accompanying notes to financial statements.

COMPAL ELECTRONICS, INC.
Statements of Cash Flows
For the years ended December 31, 2020 and 2019
(Expressed in Thousands of New Taiwan Dollars)

| | 2020 | 2019 |
|--|---------------------|-------------------|
| Cash flows from (used in) operating activities: | | |
| Profit before tax | \$ 10,427,277 | 7,823,679 |
| Adjustments: | | |
| Adjustments to reconcile profit (loss): | | |
| Depreciation and amortization | 1,223,436 | 1,017,058 |
| Increase in expected credit loss | 604 | 1,537 |
| Net gain on financial assets or liabilities at fair value through profit or loss | (10,997) | (14,195) |
| Finance cost | 704,218 | 1,969,101 |
| Interest income | (126,882) | (184,607) |
| Dividend income | (56,780) | (71,778) |
| Share of profit of subsidiaries, associates and joint ventures accounted for using equity method | (3,966,905) | (1,022,912) |
| Gain on disposal of investments | (3,914) | (8,990) |
| Others | (73) | (48) |
| Total adjustments to reconcile profit (loss) | (2,237,293) | 1,685,166 |
| Changes in operating assets and liabilities: | | |
| Changes in operating assets: | | |
| Decrease (increase) in financial assets at fair value through profit or loss | 149,888 | (149,888) |
| Decrease (increase) in notes and accounts receivable | (51,400,799) | 12,793,425 |
| Decrease (increase) in other receivables | 324,137 | (316,517) |
| Decrease (increase) in inventories | (5,744,279) | 1,469,090 |
| Decrease (increase) in other current assets | 77,370 | (193,407) |
| Total changes in operating assets | (56,593,683) | 13,602,703 |
| Changes in operating liabilities: | | |
| Increase (decrease) in notes and accounts payable | 39,563,514 | (6,363,500) |
| Increase (decrease) in other payables | (130,987) | 1,176,316 |
| Increase (decrease) in refund liabilities | 71,389 | (297,945) |
| Increase (decrease) in contract liabilities | (48,844) | (527,630) |
| Increase (decrease) in other current liabilities | 342,033 | (238,828) |
| Others | (6,783) | (11,365) |
| Total changes in operating liabilities | 39,790,322 | (6,262,952) |
| Total changes in operating assets and liabilities | (16,803,361) | 7,339,751 |
| Total adjustments | (19,040,654) | 9,024,917 |
| Cash inflow (outflow) generated from operations | (8,613,377) | 16,848,596 |
| Interest received | 128,708 | 231,795 |
| Dividends received | 767,756 | 536,175 |
| Interest paid | (733,092) | (2,147,529) |
| Income taxes paid | (382,944) | (450,537) |
| Net cash flows from (used in) operating activities | (8,832,949) | 15,018,500 |
| 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 | (84,253) | (74,992) |
| Proceeds from disposal of financial assets at fair value through profit or loss and through other comprehensive income | 25,156 | 1,152,409 |
| Acquisition of investments accounted for using equity method | (515,113) | (341,107) |
| Proceeds from disposal of investments accounted for using equity method | 8,306 | 18,034 |
| Proceeds from capital reduction of investments | 4,228 | 22,426 |
| Acquisition of property, plant and equipment | (551,684) | (761,929) |
| Increase in other receivables due from related parties | 161,040 | (1,587,080) |
| Acquisition of intangible assets | (368,736) | (384,816) |
| Others | 36,751 | (6,244) |
| Net cash flows from (used in) investing activities | (1,284,305) | (1,613,299) |
| Cash flows from (used in) financing activities: | | |
| Increase (decrease) in short-term borrowings | 16,627,880 | (11,941,882) |
| Proceeds from long-term borrowings | 61,349,200 | 66,503,625 |
| Repayments of long-term borrowings | (67,893,760) | (69,249,875) |
| Payment of lease liabilities | (471,093) | (414,856) |
| Cash dividends paid | (5,288,576) | (5,288,576) |
| Others | - | (46) |
| Net cash flows from (used in) financing activities | 4,323,651 | (20,391,610) |
| Net increase (decrease) in cash and cash equivalents | (5,793,603) | (6,986,409) |
| Cash and cash equivalents at beginning of period | 13,459,969 | 20,446,378 |
| Cash and cash equivalents at end of period | \$ 7,666,366 | 13,459,969 |

See accompanying notes to financial statements.

COMPAL ELECTRONICS, INC.

Notes to the Financial Statements

For the years ended December 31, 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 is primarily involved in the manufacture and sale of notebook personal computers (“notebook PCs”), monitors, LCD TVs, mobile phones and various components and peripherals.

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

The accompanying parent-company-only financial statements were authorized for issuance by the Board of Directors and issued on March 26, 2021.

(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 Company has initially adopted the following new amendments, which do not have a significant impact on its financial statements, from January 1, 2020:

- Amendments to IFRS 3 “Definition of a Business”
- Amendments to IFRS 9, IAS39 and IFRS7 “Interest Rate Benchmark Reform”
- Amendments to IAS 1 and IAS 8 “Definition of Material”
- Amendments to IFRS 16 “COVID-19-Related Rent Concessions”

- (b) The impact of IFRS issued by the FSC but not yet effective

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2021, would not have a significant impact on its financial statements:

- Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform – Phase 2”

(Continued)

COMPAL ELECTRONICS, INC.

Notes to Parent-Company-Only Financial Statements

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

The following new and amended standards, which may be relevant to the Company, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

| Standards or Interpretations | Content of amendment | Effective date per IASB |
|--|--|--------------------------------|
| 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. | January 1, 2023 |

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

The Company does not expect the following other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IAS 16 “Property, Plant and Equipment – Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts – Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018-2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”
- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”

(4) Summary of significant accounting policies:

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

(Continued)

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

(a) Statement of compliance

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

(b) Basis of preparation

(i) Basis of measurement

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

- 1) Financial instruments measured at fair value through profit or loss are measured at fair value;
- 2) Financial instruments measured at fair value through other comprehensive income are measured at fair value;
- 3) The defined benefit liability (or asset) is recognized as plan assets less the present value of the defined benefit obligation and the effect of the asset ceiling mentioned in note (4)(q).

(ii) Functional and presentation currency

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

(c) Foreign currency

(i) Foreign currency transaction

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

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

(Continued)

COMPAL ELECTRONICS, INC.

Notes to Parent-Company-Only Financial Statements

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

- 1) fair value through other comprehensive income financial assets;
- 2) a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- 3) qualifying cash flow hedges to the extent the hedge is effective

(ii) Foreign operations

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

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

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

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

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

- (i) It expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;
- (ii) It holds the asset primarily for the purpose of trading;
- (iii) It expects to realize the asset within twelve months after the reporting period; or
- (iv) The asset is cash and cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

(Continued)

COMPAL ELECTRONICS, INC.

Notes to Parent-Company-Only Financial Statements

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

- (i) It expects to settle the liability in its normal operating cycle;
- (ii) It holds the liability primarily for the purpose of trading;
- (iii) The liability is due to be settled within twelve months after the reporting period; or
- (iv) The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not impact its classification.

(e) Cash and cash equivalents

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

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

(f) Financial instruments

(i) Financial assets

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

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

1) Financial assets measured at amortized cost

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

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(Continued)

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

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

2) Fair value through other comprehensive income (“FVOCI”)

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

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

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

(Continued)

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

3) Fair value through profit or loss (“FVTPL”)

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

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

4) Impairment of financial assets

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

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

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

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

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

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

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

(Continued)

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

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

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

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

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

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

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

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

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

(Continued)

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

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

5) Derecognition of financial assets

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

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

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

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

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

(Continued)

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

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

2) Financial liabilities at fair value through profit or loss

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

3) Other financial liabilities

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

4) Derecognition of financial liabilities

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

5) Offsetting of financial assets and liabilities

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

(iii) Derivative financial instruments

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

(Continued)

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

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

(g) Inventories

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

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

(h) Investment in associates

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

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

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

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

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

(Continued)

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

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

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

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

(i) Investment in subsidiaries

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

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

(Continued)

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

(j) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Subsequent cost

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

(iii) Depreciation

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

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

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

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

- 1) Buildings: 35~50 years
- 2) Building improvement: 8~15 years

(Continued)

COMPAL ELECTRONICS, INC.

Notes to Parent-Company-Only Financial Statements

- 3) Research equipment: 3 years
- 4) Other equipment: 0.5~5 years

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

(k) Leases

(i) Identifying a lease

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

- 1) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and
- 2) the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- 3) the Company has the right to direct the use of the asset when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Company has the right to direct the use of an asset if either:
 - the Company has the right to operate the asset and the providers do not have the right to vary; or
 - the Company designed the asset in a way that predetermines how and for what purpose it will be used.

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

(ii) As a lessee

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

(Continued)

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

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

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

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

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

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

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

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

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

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

(Continued)

COMPAL ELECTRONICS, INC.

Notes to Parent-Company-Only Financial Statements

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

(iii) As a lessor

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

(l) Intangible assets

(i) Goodwill

1) Initial recognition

Goodwill arising from acquisition of subsidiaries is included in intangible assets. The measurement of initial recognition of goodwill, please refer to note (4)(t).

2) Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses.

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

(ii) Research & Development

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

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

- 1) The technical feasibility of completing the intangible asset so that it will be available for use or sale.
- 2) Its intention to complete the intangible asset and use or sell it.

(Continued)

COMPAL ELECTRONICS, INC.

Notes to Parent-Company-Only Financial Statements

- 3) Its ability to use or sell the intangible asset.
- 4) How the intangible asset will generate probable future economic benefits.
- 5) The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
- 6) Its ability to measure reliably the expenditure attributable to the intangible asset during its development.

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

(iii) Other intangible assets

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

(iv) Subsequent expenditure

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

(v) Amortization

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

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

- 1) Patents: the shorter of contract period and estimated useful lives
- 2) Computer software: 1~3 years

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

(m) Impairment of non-derivative financial assets

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

(Continued)

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

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

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

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

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

(n) Provisions

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

(o) Treasury stock

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

(Continued)

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

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

(p) Revenue from contracts with customers

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

i) Sale of goods

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

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

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

ii) Financing components

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

(Continued)

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

(q) Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plans

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

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

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

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

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

(iii) Short term employee benefits

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

(Continued)

COMPAL ELECTRONICS, INC.

Notes to Parent-Company-Only Financial Statements

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

(r) Share-based payment

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

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

(s) Income taxes

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

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

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

- (i) Assets and liabilities that are initially recognized but are not related to the business combination and have no effect on net income or taxable gains (losses) during the transaction.
- (ii) Temporary differences arising from equity investments in subsidiaries or joint ventures where there is a high probability that such temporary differences will not reverse.
- (iii) Initial recognition of goodwill.

Deferred tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities may be offset against each other if the following criteria are met:

- (i) The entity has the legal right to settle tax assets and liabilities on a net basis; and
- (ii) the taxing of deferred tax assets and liabilities fulfill one of the below scenarios:

(Continued)

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

- 1) levied by the same taxing authority; or
- 2) levied by different taxing authorities, but where each such authority intends to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of expected asset realization or debt liquidation, or where the timing of asset realization and debt liquidation is matched.

A deferred tax asset should be recognized for the carry-forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized. Such unused tax losses, unused tax credits, and deductible temporary differences shall also be re-evaluated every year on the financial reporting date, and they shall be adjusted based on the probability that future taxable profit that will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized.

The surtax on unappropriated earnings is recoded as current tax expense in the following year after the resolution to appropriate retained earnings is approved in a stockholders' meeting.

(t) **Business combination**

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

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

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

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

(Continued)

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

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

(u) Earnings per share

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

(v) Operating segments

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

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

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

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

There are no critical judgments in applying the accounting policies that have significant effect on the amounts recognized in the financial statements.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year is as follows. Those assumptions and estimation have been updated to reflect the impact of COVID-19 pandemic.

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

(a) Recognition and measurement of refund liabilities

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

(b) Valuation of inventories

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

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

| | December 31, 2020 | December 31, 2019 |
|---|------------------------------|------------------------------|
| Cash on hand | \$ 1,700 | 1,527 |
| Checking accounts and demand deposits | 7,578,068 | 3,523,187 |
| Time deposits | 76,598 | 9,885,255 |
| Bonds purchased under resale agreements | 10,000 | 50,000 |
| | <u>\$ 7,666,366</u> | <u>13,459,969</u> |

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

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

| | December 31, 2020 | December 31, 2019 |
|---|------------------------------|------------------------------|
| Mandatorily measured at fair value through profit or loss: | | |
| Non-derivative financial assets | | |
| Structured deposits | \$ - | 149,888 |
| Stock unlisted in domestic markets | 100,190 | 24,350 |
| Fund in foreign market | 58,579 | 46,747 |
| Total | <u>\$ 158,769</u> | <u>220,985</u> |
| Current | \$ - | 149,888 |
| Non-current | 158,769 | 71,097 |
| | <u>\$ 158,769</u> | <u>220,985</u> |

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

For the market risk related to the financial instruments, please refer to note (6)(u).

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

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

| | December 31, 2020 | December 31, 2019 |
|--|------------------------------|------------------------------|
| Equity investments at fair value through other comprehensive income: | | |
| Stock listed in domestic markets | \$ 1,520,779 | 1,614,565 |
| Stock listed in foreign markets | 491,243 | 448,110 |
| Stock unlisted in domestic markets | 801,238 | 914,507 |
| Stock unlisted in foreign markets | <u>67,861</u> | <u>42,211</u> |
| Total | <u>\$ 2,881,121</u> | <u>3,019,393</u> |

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

For the year ended December 31, 2020, the Company had sold all of its shares, measured at fair value through other comprehensive income, in Global Bio Pharma, Inc. and Taiwan Sanga Co., Ltd. The fair value of the shares upon disposal amounted to \$25,156, resulting in a cumulative loss of \$24,844, which was reclassified from other comprehensive income to retained earnings.

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

If there is an increase (decrease) in the market price by 5% on the reporting date of the equity securities hold by the Company, the increase (decrease) in other comprehensive income (pre-tax) for the years ended December 31, 2020 and 2019, will be \$144,056 and \$150,970, respectively. These analyses are performed on the same basis for the period and assume that all other variables remain the same.

For the Company's information of market risk, please refer to note (6)(u).

As of December 31, 2020 and 2019, the Company 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.
Notes to Parent-Company-Only Financial Statements

(d) Notes and accounts receivable

| | December 31, 2020 | December 31, 2019 |
|---|------------------------------|------------------------------|
| Notes receivable from operating activities | \$ - | 1,104 |
| Accounts receivable – measured at amortized cost | 194,723,552 | 154,482,480 |
| Accounts receivable – fair value through other comprehensive income | <u>38,331,299</u> | <u>27,170,468</u> |
| | 233,054,851 | 181,654,052 |
| Less: allowance for uncollectible accounts | <u>(3,634,794)</u> | <u>(3,634,190)</u> |
| | <u>\$ 229,420,057</u> | <u>178,019,862</u> |
| Notes and accounts receivable | <u>\$ 218,292,177</u> | <u>176,967,731</u> |
| Notes and accounts receivable – related parties | <u>\$ 11,127,880</u> | <u>1,052,131</u> |

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

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

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

| | December 31, 2020 | | | |
|----------------------|---|--|-------------------------|-----------------------------|
| Credit rating | Carrying amount of notes and accounts receivable | Weighted- ave rage ECL rate | Lifetime ECLs | Credit-impai red |
| Level A | \$ 224,404,852 | 0% | - | No |
| Level B | 5,026,262 | 0.22% | 11,057 | No |
| Level C | <u>3,623,737</u> | 100% | <u>3,623,737</u> | Yes |
| | <u>\$ 233,054,851</u> | | <u>3,634,794</u> | |

(Continued)

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

| December 31, 2019 | | | | |
|-------------------|--|----------------------------|------------------|------------------|
| Credit rating | Carrying amount of notes and accounts receivable | Weighted- average ECL rate | Lifetime ECLs | Credit-impai red |
| Level A | \$ 173,733,360 | 0% | - | No |
| Level B | 4,296,955 | 0.24% | 10,453 | No |
| Level C | 3,623,737 | 100% | 3,623,737 | Yes |
| | \$ 181,654,052 | | 3,634,190 | |

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

| | December 31, 2020 | December 31, 2019 |
|-----------------------|---------------------|-------------------|
| Overdue 1 to 180 days | \$ 1,364,958 | 497,543 |

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

| | 2020 | 2019 |
|------------------------------|---------------------|------------------|
| Balance at January 1 | \$ 3,634,190 | 3,718,560 |
| Impairment losses recognized | 604 | 1,537 |
| Amounts written off | - | (85,907) |
| Balance at December 31 | \$ 3,634,794 | 3,634,190 |

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

The Company entered into accounts receivable factoring agreements with banks. As of December 31, 2020 and 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 1,600,000 thousands and USD 1,000,000 thousands, respectively. Based on the agreements, the Company is not responsible for guaranteeing the ability of the accounts receivable obligor to make payment when it is affected by credit risk. Thus, this is a non-recourse accounts receivable factoring. The Company derecognized the above account receivables because it has transferred substantially all of the risks and rewards of their ownership and it does not have any continuing involvement in them. After the transfer of the accounts receivable, the Company can request partial advanced amount, while the interest calculated at an agreed rate is paid to the bank in the period during the time of receiving advance and the accounts receivable is collected. The remaining amounts with no advance are received when the accounts receivable are settled by the customers. As of December 31, 2020 and 2019, accounts receivable factored were recovered.

(Continued)

COMPAL ELECTRONICS, INC.

Notes to Parent-Company-Only Financial Statements

The Company, customers, and banks signed the three-party contracts in which the banks purchase accounts receivable from the Company. The total amount of the accounts receivable should not exceed the facility limit provided by the banks to the Company's customers. Based on the contracts, the banks have no right to request the Company to repurchase the accounts receivable. Thus, this is a non-recourse accounts receivable transfer. As of December 31, 2020 and 2019, accounts receivable factored were recovered.

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

| December 31, 2020 | | | | | | | |
|-----------------------|--------------------------------------|-----------------|------------|--|------------|---------------------|---------------|
| Purchaser | Accounts receivable factored (gross) | Amount advanced | | Amount recognized in other receivables | Collateral | Amount derecognized | Interest rate |
| | | Unpaid | Paid | | | | |
| Financial Institution | \$ 42,187,597 | - | 42,187,597 | - | - | 42,187,597 | 0.58%~0.93% |

| December 31, 2019 | | | | | | | |
|-----------------------|--------------------------------------|-----------------|------------|--|------------|---------------------|---------------|
| Purchaser | Accounts receivable factored (gross) | Amount advanced | | Amount recognized in other receivables | Collateral | Amount derecognized | Interest rate |
| | | Unpaid | Paid | | | | |
| Financial Institution | \$ 25,672,764 | - | 25,672,764 | - | - | 25,672,764 | 2.21%~2.80% |

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

(e) Other receivables

| | December 31, 2020 | December 31, 2019 |
|---|---------------------|-------------------|
| Other receivables - loans to subsidiaries | \$ 1,644,000 | 1,719,000 |
| Other receivables - related parties | 141,149 | 149,120 |
| Others | 1,061,348 | 1,242,487 |
| | <u>\$ 2,846,497</u> | <u>3,110,607</u> |

As of December 31, 2020 and 2019, none of other receivables were past due.

(f) Inventories

| | December 31, 2020 | December 31, 2019 |
|------------------|----------------------|-------------------|
| Finished goods | \$ 11,718,417 | 13,454,860 |
| Work in progress | 682,167 | 152,421 |
| Raw materials | 43,391,764 | 36,440,788 |
| | <u>\$ 55,792,348</u> | <u>50,048,069</u> |

(Continued)

COMPAL ELECTRONICS, INC.

Notes to Parent-Company-Only Financial Statements

- (i) During the years ended December 31, 2020 and 2019, inventory cost recognized as cost of sales amounted to \$968,054,585 and \$891,431,772, respectively.
- (ii) The write-down of inventories to net realizable value amounted to \$35,077 in the year ended December 31, 2020. The Company reversed its allowance for inventory valuation loss amounting to \$66,336 due to sale and disposal of its obsolete inventories in the year ended December 31, 2019.
- (iii) As of December 31, 2020 and 2019, the Company did not provide any inventories as collaterals for its loans.
- (g) Investments accounted for using equity method

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

| | December 31, 2020 | December 31, 2019 |
|---|------------------------------|------------------------------|
| Subsidiaries | \$ 79,719,654 | 79,267,709 |
| Associates | <u>2,877,977</u> | <u>2,615,406</u> |
| | 82,597,631 | 81,883,115 |
| Plus: Other receivables—related parties | 581,227 | 659,296 |
| Credit balance of investment in equity method (other non-current liability) | 789,148 | 891,274 |
| Less: unrealized profits or losses | <u>(10,157)</u> | <u>(3,516)</u> |
| | <u>\$ 83,957,849</u> | <u>83,430,169</u> |

- (i) Subsidiaries

Please refer to the consolidated financial statement for the year ended December 31, 2020.

- (ii) Associates

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

| | December 31, 2020 | December 31, 2019 |
|---|------------------------------|------------------------------|
| Allied Circuit Co., Ltd. ("Allied Circuit") | \$ 1,229,085 | 1,076,719 |
| Avalue Technology Inc. ("Avalue") | <u>828,286</u> | <u>1,147,839</u> |
| | <u>\$ 2,057,371</u> | <u>2,224,558</u> |

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

| | 2020 | 2019 |
|---|--------------------------|----------------------|
| The Company's share of the gain of associates | <u>\$ 258,376</u> | <u>70,378</u> |

(Continued)

COMPAL ELECTRONICS, INC.

Notes to Parent-Company-Only Financial Statements

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

| | December 31, 2020 | December 31, 2019 |
|---|------------------------------|------------------------------|
| Carrying amount of individually immaterial associates | <u>\$ 2,877,977</u> | <u>2,615,406</u> |
| | 2020 | 2019 |
| The Company's share of the net income (loss) of associates: | | |
| Profit from continuing operations | \$ 258,376 | 70,378 |
| Other comprehensive income (loss) | 107,656 | (158,336) |
| Total comprehensive income (loss) | <u>\$ 366,032</u> | <u>(87,958)</u> |

- 4) For the years ended December 31, 2020 and 2019, the Company had sold part of its shares held in Avalue, with a consideration (net of costs of disposal) amounting to \$8,306 and \$18,034, respectively. The transactions have been completed and the price has been fully recovered, wherein the Company recognized gains of \$3,914 and \$8,990, respectively, which were accounted for as other gain and loss.
- (iii) As of December 31, 2020 and 2019, the Company did not provide any investments accounted for using equity method as collaterals for its loans.
- (h) Changes in subsidiaries' equity
- (i) Changes in subsidiaries' equity did not result in the Company's loss of control
- 1) Subsidiaries' employee stock options exercised
- Compal Broadband Network Inc. ("CBN") issued 45 thousand and 69 thousand new shares because of its employees' exercised stock options in 2020 and 2019, respectively, resulting in a decrease in the ownership of the Company and its subsidiaries in CBN by 0.03% and 0.07%, respectively.
- 2) Issuance of new shares for cash of subsidiaries
- The Company and its subsidiaries purchased newly issued shares of Arcadyan amounting to \$323,917 at a percentage different from its existing ownership percentage in the fourth quarter of 2019, resulting in a decrease in the ownership of the Company and its subsidiaries in Arcadyan by 0.37%.
- 3) Issuance and cancellation of subsidiaries' restricted shares
- Arcadyan canceled 126 thousand and 84 thousand restricted shares in the years ended December 31, 2020 and 2019, respectively, resulting in an increase of 0.01% of the ownership of the Company and its subsidiaries in Arcadyan for the both years.

(Continued)

COMPAL ELECTRONICS, INC.

Notes to Parent-Company-Only Financial Statements

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

| | 2020 | 2019 |
|---|-----------------|---------------|
| Capital surplus – changes in ownership interest in subsidiaries | \$ 1,735 | 43,473 |

- (i) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Company for the years ended December 31, 2020 and 2019, were as follows:

| | Land | Buildings and building improvement | Other equipment | Under construction and prepayment for purchase of equipment | Total |
|------------------------------------|---------------------|---|------------------------|--|------------------|
| Cost: | | | | | |
| Balance on January 1, 2020 | \$ 1,047,797 | 2,390,275 | 2,382,078 | 188,245 | 6,008,395 |
| Additions | - | 138,772 | 342,763 | 70,149 | 551,684 |
| Disposals and derecognitions | - | (11,722) | (89,536) | (157,408) | (258,666) |
| Reclassifications | - | 1,175 | 90,255 | (91,430) | - |
| Balance on December 31, 2020 | \$ 1,047,797 | 2,518,500 | 2,725,560 | 9,556 | 6,301,413 |
| Balance on January 1, 2019 | \$ 1,047,797 | 2,194,761 | 2,112,018 | 36,487 | 5,391,063 |
| Additions | - | 138,731 | 343,873 | 279,325 | 761,929 |
| Disposals and derecognitions | - | (6,637) | (137,960) | - | (144,597) |
| Reclassifications | - | 63,420 | 64,147 | (127,567) | - |
| Balance on December 31, 2019 | \$ 1,047,797 | 2,390,275 | 2,382,078 | 188,245 | 6,008,395 |
| Depreciation and impairments loss: | | | | | |
| Balance on January 1, 2020 | \$ - | 1,443,734 | 1,944,023 | - | 3,387,757 |
| Depreciation for the period | - | 122,763 | 241,067 | - | 363,830 |
| Disposals and derecognitions | - | (11,722) | (43,345) | - | (55,067) |
| Balance on December 31, 2020 | \$ - | 1,554,775 | 2,141,745 | - | 3,696,520 |
| Balance on January 1, 2019 | \$ - | 1,368,955 | 1,893,927 | - | 3,262,882 |
| Depreciation for the period | - | 80,891 | 185,219 | - | 266,110 |
| Disposals and derecognitions | - | (6,112) | (135,123) | - | (141,235) |
| Balance on December 31, 2019 | \$ - | 1,443,734 | 1,944,023 | - | 3,387,757 |
| Carrying amounts: | | | | | |
| Balance on December 31, 2020 | \$ 1,047,797 | 963,725 | 583,815 | 9,556 | 2,604,893 |
| Balance on January 1, 2019 | \$ 1,047,797 | 825,806 | 218,091 | 36,487 | 2,128,181 |
| Balance on December 31, 2019 | \$ 1,047,797 | 946,541 | 438,055 | 188,245 | 2,620,638 |

As of December 31, 2020 and 2019, the Company did not provide property, plant and equipment as collateral for its borrowing.

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COMPAL ELECTRONICS, INC.

Notes to Parent-Company-Only Financial Statements

(j) Right-of-use assets

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

| | <u>Buildings</u> | <u>Vehicles</u> | <u>Total</u> |
|------------------------------|----------------------------|----------------------|-------------------------|
| Cost: | | | |
| Balance on January 1, 2020 | \$ 1,687,346 | 50,120 | 1,737,466 |
| Additions | 369,422 | 2,175 | 371,597 |
| Deductions | <u>(73,493)</u> | <u>(7,121)</u> | <u>(80,614)</u> |
| Balance on December 31, 2020 | <u>\$ 1,983,275</u> | <u>45,174</u> | <u>2,028,449</u> |
| Balance on January 1, 2019 | \$ 781,756 | 40,060 | 821,816 |
| Additional | 979,422 | 12,098 | 991,520 |
| Deductions | <u>(73,832)</u> | <u>(2,038)</u> | <u>(75,870)</u> |
| Balance on December 31, 2019 | <u>\$ 1,687,346</u> | <u>50,120</u> | <u>1,737,466</u> |
| Depreciation: | | | |
| Balance on January 1, 2020 | \$ 333,271 | 16,580 | 349,851 |
| Depreciation for the period | 450,829 | 17,850 | 468,679 |
| Deductions | <u>(73,090)</u> | <u>(7,116)</u> | <u>(80,206)</u> |
| Balance on December 31, 2020 | <u>\$ 711,010</u> | <u>27,314</u> | <u>738,324</u> |
| Balance on January 1, 2019 | \$ - | - | - |
| Depreciation for the period | 407,103 | 18,618 | 425,721 |
| Deductions | <u>(73,832)</u> | <u>(2,038)</u> | <u>(75,870)</u> |
| Balance on December 31, 2019 | <u>\$ 333,271</u> | <u>16,580</u> | <u>349,851</u> |
| Carrying amount: | | | |
| Balance on December 31, 2020 | <u>\$ 1,272,265</u> | <u>17,860</u> | <u>1,290,125</u> |
| Balance on January 1, 2019 | <u>781,756</u> | <u>40,060</u> | <u>821,816</u> |
| Balance on December 31, 2019 | <u>1,354,075</u> | <u>33,540</u> | <u>1,387,615</u> |

(k) Short-term borrowings

The details of short-term borrowings were as following:

| | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|--|------------------------------|------------------------------|
| Unsecured bank loans | <u>\$ 55,991,680</u> | <u>39,363,800</u> |
| Unused credit line for short-term borrowings | <u>\$ 46,248,000</u> | <u>57,478,000</u> |
| Range of interest rates | <u>0.48%~1.00%</u> | <u>0.66%~2.49%</u> |

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

(Continued)

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

(l) Long-term borrowings

The details of long-term borrowings were as follows:

| December 31, 2020 | | | | |
|--|-----------------|---|----------------------|----------------------|
| | Currency | Range of annual interest rates | Maturity year | Amount |
| Unsecured bank loans | TWD | 0.66%~0.98% | 2021~2023 | \$ 11,900,000 |
| Unsecured bank loans | USD | 0.69%~0.92% | 2021~2022 | 7,205,440 |
| Less: current portion | | | | (8,855,440) |
| Total | | | | \$ 10,250,000 |
| Unused credit line for long-term borrowings | | | | \$ 15,290,000 |

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

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

(m) Lease liabilities

The details of lease liabilities were as follows:

| | December 31, 2020 | December 31, 2019 |
|-------------|------------------------------|------------------------------|
| Current | \$ 202,113 | 387,499 |
| Non-current | \$ 1,096,415 | 1,010,933 |

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

The amounts recognized in profit or loss was as follows:

| | 2020 | 2019 |
|---|------------------|---------------|
| Interest on lease liabilities | \$ 17,077 | 13,549 |
| Expenses relating to leases of low-value assets or short-term leases | \$ 5,843 | 3,325 |

(Continued)

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

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

| | <u>2020</u> | <u>2019</u> |
|-------------------------------|-------------------|----------------|
| Total cash outflow for leases | <u>\$ 494,013</u> | <u>431,730</u> |

(i) Building leases

The Company leases buildings for its office and factory space, typically run for a period of 1~10 years.

(ii) Other leases

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

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

(n) Employee benefits

(i) Defined benefit plans

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

| | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|--|------------------------------|------------------------------|
| Present value of defined benefit obligations | \$ (1,286,459) | (1,270,206) |
| Fair value of plan assets | <u>599,405</u> | <u>626,953</u> |
| Net defined benefit liabilities | <u>\$ (687,054)</u> | <u>(643,253)</u> |

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

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COMPAL ELECTRONICS, INC.

Notes to Parent-Company-Only Financial Statements

1) Composition of plan assets

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

The balance of the Company's labor pension reserve account in the Bank of Taiwan amounted to \$594,242 (excluding the ending balance of interest receivable) as of December 31, 2020. For information on the utilization of the labor pension fund assets including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

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

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

| | <u>2020</u> | <u>2019</u> |
|--|-----------------------|--------------------|
| Defined benefit obligations on January 1 | \$ (1,270,206) | (1,246,221) |
| Current service costs and interest | (15,945) | (21,108) |
| Remeasurements of net benefit liabilities | (77,143) | (53,073) |
| Benefit paid by the plan | 76,835 | 50,196 |
| Defined benefit obligations on December 31 | <u>\$ (1,286,459)</u> | <u>(1,270,206)</u> |

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

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

| | <u>2020</u> | <u>2019</u> |
|---|-------------------|----------------|
| Fair value of plan assets on January 1 | \$ 626,953 | 624,640 |
| Expected return on plan assets | 5,455 | 7,875 |
| Remeasurements of net benefit plan assets | 19,919 | 20,428 |
| Contributions paid by the employer | 23,913 | 24,206 |
| Benefits paid by the plan | (76,835) | (50,196) |
| Fair value of plan assets on December 31 | <u>\$ 599,405</u> | <u>626,953</u> |

(Continued)

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

4) Expenses recognized in profit or loss

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

| | <u>2020</u> | <u>2019</u> |
|--|-------------------------|----------------------|
| Current service cost | \$ 4,811 | 5,314 |
| Net interest on the net defined benefit liability (asset) | <u>5,679</u> | <u>7,919</u> |
| | <u>\$ 10,490</u> | <u>13,233</u> |
| Cost of sales | \$ 383 | 517 |
| Selling expenses | 504 | 631 |
| Administrative expenses | 2,611 | 3,239 |
| Research and development expenses | <u>6,992</u> | <u>8,846</u> |
| | <u>\$ 10,490</u> | <u>13,233</u> |

5) Actuarial assumptions

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

| | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|-----------------------------|------------------------------|------------------------------|
| Discount rate | 0.50% | 0.90% |
| Future salary increase rate | 3.00% | 3.00% |

The expected allocation payment made by the Company to the defined benefit plans for the one year period after the reporting date is \$25,409.

The weighted-average lifetime of the defined benefit plan is 9.6 years.

6) Sensitivity analysis

If the main actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

| | <u>Effects to the defined benefit obligation</u> | |
|-------------------------------|--|----------------------------|
| | <u>Increased 0.25%</u> | <u>Decreased 0.25%</u> |
| December 31, 2020 | | |
| Discount rate | (30,316) | 31,422 |
| Future salary increasing rate | 30,583 | (29,675) |
| December 31, 2019 | | |
| Discount rate | (30,821) | 31,967 |
| Future salary increasing rate | 31,239 | (30,287) |

(Continued)

COMPAL ELECTRONICS, INC.

Notes to Parent-Company-Only Financial Statements

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

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

(ii) Defined contribution plans

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

The Company recognized the pension costs under the defined contribution method amounting to \$364,251 and \$335,403 for the years ended December 31, 2020 and 2019, respectively. Payment was made to the Bureau of Labor Insurance.

(o) Income taxes

(i) Income tax expenses

- 1) The amount of income tax for the years ended December 31, 2020 and 2019, was as follows:

| | <u>2020</u> | <u>2019</u> |
|---|----------------------------|-----------------------|
| Current tax expense | | |
| Recognized during the period | \$ 1,319,010 | 934,581 |
| Undistributed earnings additional tax | 16,836 | 274,317 |
| Tax credit of investment | <u>(273,959)</u> | <u>(438,511)</u> |
| | 1,061,887 | 770,387 |
| Deferred tax expense | | |
| Recognition and reversal of temporary differences | <u>3,497</u> | <u>97,393</u> |
| | 3,497 | 97,393 |
| Income tax expense | <u>\$ 1,065,384</u> | <u>867,780</u> |

(Continued)

COMPAL ELECTRONICS, INC.

Notes to Parent-Company-Only Financial Statements

- 2) The amount of income tax recognized in other comprehensive income for the years ended December 31, 2020 and 2019, was as follows:

| | 2020 | 2019 |
|--|-------------------|--------------|
| Items that will not be reclassified subsequently to profit or loss: | | |
| Remeasurement of defined benefit obligation | \$ (11,445) | (6,529) |
| Unrealized gains (losses) on equity instruments at fair value through other comprehensive income | 8,627 | 9,585 |
| | \$ (2,818) | 3,056 |

- 3) The income tax expense that was reconciled between the actual income tax expense and profit before tax for the years ended December 31, 2020 and 2019, was as follows:

| | 2020 | 2019 |
|---|----------------------|------------------|
| Profit before tax | \$ 10,427,277 | 7,823,679 |
| Income tax calculated based on tax rate | \$ 2,085,455 | 1,564,736 |
| Undistributed earnings additional tax | 16,836 | 274,317 |
| Estimated tax effect of tax exemption on investment income, net | (169,069) | (55,294) |
| Realized investment loss | (60,000) | (25,237) |
| Investment tax credit | (273,959) | (438,511) |
| Changes in temporary differences | (873,487) | (211,637) |
| Adjustment of estimated difference and other | 339,608 | (240,594) |
| Income tax expense | \$ 1,065,384 | 867,780 |

(ii) Deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2020 and 2019 were as follows:

| | Exchange differences on translation | Refund liabilities | Contract liabilities | Unrealized exchange losses, net | Others | Total |
|--|--|---------------------------|-----------------------------|--|----------------|------------------|
| Deferred tax assets: | | | | | | |
| Balance on January 1, 2020 | \$ 9,823 | 120,603 | 59,429 | 670,265 | 306,688 | 1,166,808 |
| Recognized in profit or loss | - | 14,277 | (9,893) | (82,240) | 2,257 | (75,599) |
| Recognized in other comprehensive income | - | - | - | - | 11,445 | 11,445 |
| Balance on December 31, 2020 | \$ 9,823 | 134,880 | 49,536 | 588,025 | 320,390 | 1,102,654 |
| Balance on January 1, 2019 | \$ 9,823 | 178,025 | 164,955 | 106,526 | 301,251 | 760,580 |
| Recognized in profit or loss | - | (57,422) | (105,526) | 563,739 | (1,092) | 399,699 |
| Recognized in other comprehensive income | - | - | - | - | 6,529 | 6,529 |
| Balance on December 31, 2019 | \$ 9,823 | 120,603 | 59,429 | 670,265 | 306,688 | 1,166,808 |

(Continued)

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

| | Unrealized exchange gains, net | Others | Total |
|--|---|------------------|------------------|
| Deferred tax liabilities: | | | |
| Balance on January 1, 2020 | \$ (497,092) | (396,140) | (893,232) |
| Recognized in profit or loss | 72,102 | - | 72,102 |
| Recognized in other comprehensive income | - | (8,627) | (8,627) |
| Balance on December 31, 2020 | <u>\$ (424,990)</u> | <u>(404,767)</u> | <u>(829,757)</u> |
| Balance on January 1, 2019 | \$ - | (386,555) | (386,555) |
| Recognized in profit or loss | (497,092) | - | (497,092) |
| Recognized in other comprehensive income | - | (9,585) | (9,585) |
| Balance on December 31, 2019 | <u>\$ (497,092)</u> | <u>(396,140)</u> | <u>(893,232)</u> |

(iii) Unrecognized deferred tax assets

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

| | December 31, 2020 | December 31, 2019 |
|--|------------------------------|------------------------------|
| Tax effect of deductible temporary differences | <u>\$ 388,424</u> | <u>398,919</u> |

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

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

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

As of December 31, 2020 and 2019, the aggregate deductible temporary differences relating to investments in subsidiaries not recognized as deferred tax assets amounted to \$1,856,500 and \$1,894,891, respectively.

As of December 31, 2020 and 2019, the aggregate taxable temporary differences relating to investments in subsidiaries not recognized as deferred tax liabilities amounted to \$54,205,119 and \$53,620,982, respectively.

(v) Examination and approval

The Company's tax returns for the year through 2018 were assessed by the tax authorities.

(Continued)

COMPAL ELECTRONICS, INC.

Notes to Parent-Company-Only Financial Statements

(p) Capital and other equities

(i) Ordinary shares

As of December 31, 2020 and 2019, the Company's authorized common stock consisting of 6,000,000 thousand shares with a par value of 10 New Taiwan dollar per share amounted to \$60,000,000 of which 4,407,147 thousand shares were issued. All issued shares were paid up upon issuance.

(ii) Capital surplus

The balances of capital surplus were as follows:

| | December 31, 2020 | December 31, 2019 |
|---|------------------------------|------------------------------|
| Additional paid-in capital | \$ 5,422,060 | 6,302,490 |
| Treasury share transactions | 2,541,906 | 2,481,885 |
| Difference between consideration and carrying amount arising from acquisition or disposal of subsidiaries | 36,766 | 36,766 |
| Recognition of changes in ownership interests in subsidiaries | 60,850 | 59,115 |
| Changes in equity of associates and joint ventures accounted for using equity method | <u>281,231</u> | <u>279,003</u> |
| | <u>\$ 8,342,813</u> | <u>9,159,259</u> |

In accordance with the ROC Company Act, realized capital reserves can only be used to increase the common stock or distributed as cash dividends after offsetting losses. The aforementioned capital reserves include share premiums and donation gains. In accordance with the Securities Offering and Issuance Guidelines, the amount of capital reserves to be reclassified under share capital shall not exceed 10% of the actual share capital amount.

The Company's shareholders' meeting held on June 21, 2019, approved to distribute cash of \$881,429 (representing 0.2 New Taiwan dollars per share), by using the additional paid-in capital.

The Company's Board of Directors' meeting held on March 30, 2020, approved to distribute cash of \$881,429 (representing 0.2 New Taiwan dollars per share), by using the additional paid-in capital.

The Company's Board of Directors' meeting held on March 36, 2021, approved to distribute cash of \$1,762,859 (representing 0.4 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 Board of Directors' meeting.

(Continued)

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

(iii) Retained earnings

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

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

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

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

1) Legal reverse

When a company incurs no loss, it may, in pursuant to a resolution to be adopted by the shareholders' meeting as required, distribute its legal reserve by issuing new shares and distributing stock dividends or distributing cash to shareholders. Only the portion of the legal reserve which exceeds 25% of the paid-in capital may be distributed.

(Continued)

COMPAL ELECTRONICS, INC.

Notes to Parent-Company-Only Financial Statements

2) Special reverse

In accordance with Ruling No. 1010012865 issued by the FSC on April 6, 2012, a portion of current earnings and previous unappropriated earnings shall be set aside as a special reserve during earnings distribution. The amount to be set aside should equal the total amount of contra accounts that are accounted for as deductions to other equity interests. A portion of previous unappropriated earnings shall be set aside as a special reserve, which should not be distributed, to account for cumulative changes to other equity interests pertaining to prior periods. The special reserve shall be made available for appropriation when the net deductions of other equity interests are reversed in the subsequent periods.

3) Earnings distribution

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

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

Distribution for the earnings of 2020 was approved in the meeting of the Board of Directors held on March 26, 2021. The relevant information was as follows:

| | 2020 | |
|--|---------------------|------------------|
| | Amount per share | Total amount |
| Cash dividends distributed to common shareholders from the unappropriated earnings | \$ 1.2 | <u>5,288,576</u> |

The related information of the earnings distribution for the year ended December 31, 2020, can be accessed through the Market Observation Post System website after the related meeting.

(iv) Treasury stock

The subsidiaries of the Company did not sell the ordinary shares of the Company in the years ended December 31, 2020 and 2019. As of December 31, 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 20.70 and 18.85 New Taiwan dollars per share as of December 31, 2020 and 2019, respectively.

(Continued)

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

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

(v) Other equity interests (net-of-taxes)

| | Exchange differences on transaction of foreign operation financial statements | Unrealized gain (loss) from financial assets at fair value through other comprehensive income | Unearned compensation for restricted employee shares and others | Total |
|------------------------------|--|---|---|--------------------|
| Balance on January 1, 2020 | \$ (3,794,980) | (306,763) | (1,706) | (4,103,449) |
| The Company | (3,073,441) | (100,249) | - | (3,173,690) |
| Subsidiaries | (182,054) | 75,529 | 927 | (105,598) |
| Associates | 161,498 | (45,469) | - | 116,029 |
| Balance on December 31, 2020 | <u>\$ (6,888,977)</u> | <u>(376,952)</u> | <u>(779)</u> | <u>(7,266,708)</u> |
| Balance on January 1, 2019 | \$ (1,852,952) | (5,606,436) | - | (7,459,388) |
| The Company | (1,620,812) | 4,936,223 | - | 3,315,411 |
| Subsidiaries | (52,530) | 252,170 | (1,706) | 197,934 |
| Associates | (268,686) | 111,280 | - | (157,406) |
| Balance on December 31, 2019 | <u>\$ (3,794,980)</u> | <u>(306,763)</u> | <u>(1,706)</u> | <u>(4,103,449)</u> |

(q) Earnings per share

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

| | 2020 | 2019 |
|---|---------------------|------------------|
| Basic earnings per share: | | |
| Profit attributable to ordinary shareholders of the Company | <u>\$ 9,361,893</u> | <u>6,955,899</u> |
| Weighted-average number of outstanding ordinary shares (in thousands) | <u>4,357,130</u> | <u>4,357,130</u> |

(Continued)

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

Diluted earnings per share:

| | | |
|---|---------------------|------------------|
| Profit attributable to ordinary shareholders of the Company (after adjustment of potential diluted ordinary shares) | \$ 9,361,893 | 6,955,899 |
| 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 |
| Effect of potential diluted common stock | | |
| Employee compensation (in thousands) | 57,482 | 49,860 |
| Weighted-average number of ordinary shares (after adjustment of potential diluted ordinary shares) (in thousands) | 4,414,612 | 4,406,990 |

(r) Revenue from contracts with customers

(i) Disaggregation of revenue

| | <u>2020</u> | <u>2019</u> |
|--------------------------------|---------------------------|---------------------------|
| | <u>IT Product Segment</u> | <u>IT Product Segment</u> |
| Primary geographical markets: | | |
| United states | \$ 438,228,844 | 376,228,186 |
| China | 120,250,527 | 90,543,393 |
| Netherlands | 83,664,387 | 98,084,239 |
| United Kingdom | 45,763,811 | 43,940,021 |
| Others | 303,371,701 | 307,484,189 |
| | \$ 991,279,270 | 916,280,028 |
| Major products : | | |
| 5C related electronic products | \$ 990,202,030 | 915,421,296 |
| Others | 1,077,240 | 858,732 |
| | \$ 991,279,270 | 916,280,028 |

(ii) Contract balance

| | <u>December 31, 2020</u> | <u>December 31, 2019</u> | <u>January 1, 2019</u> |
|---|--------------------------|--------------------------|------------------------|
| Notes and accounts receivable (including related parties) | \$ 233,054,851 | 181,654,052 | 194,553,384 |
| Less: allowance for impairment | (3,634,794) | (3,634,190) | (3,718,560) |
| Total | \$ 229,420,057 | 178,019,862 | 190,834,824 |
| Contract liabilities | \$ 828,978 | 877,822 | 1,405,452 |

(Continued)

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

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

The amounts of revenue recognized for the years ended December 31, 2020 and 2019 that was included in the balances of contract liability at the beginning of the period were \$877,822 and \$1,405,452, 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.

(s) 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 \$974,694 and \$731,322, respectively, and directors' compensation of \$51,541 and \$38,672 for the years ended December 31, 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 related information can be accessed through the Market Observation Post System website. There is no difference between the amount approved in the Board of Directors' meeting and those recognized in the financial statements in 2020 and 2019.

There is no differences between the amount estimated and recognized in the financial statements in 2019. The related information can be accessed through the Market observation Post System website.

(Continued)

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

(t) Non-operating income and expenses

(i) Interest income

The interest income for the years ended December 31, 2020 and 2019, were as follows:

| | <u>2020</u> | <u>2019</u> |
|---|-------------------|----------------|
| Interest income from bank deposits | \$ 80,823 | 141,195 |
| Interest income from financial assets measured at amortized cost | - | 2,992 |
| Other interest income | 46,059 | 40,420 |
| | <u>\$ 126,882</u> | <u>184,607</u> |

(ii) Other income

The other income for the years ended December 31, 2020 and 2019, were as follows:

| | <u>2020</u> | <u>2019</u> |
|-------------------------|-------------------|----------------|
| Dividend revenue | 56,780 | 71,778 |
| Sale of expensed assets | 85,268 | 275,412 |
| Other revenue | 216,622 | 122,042 |
| | <u>\$ 358,670</u> | <u>469,232</u> |

(iii) Other gains and losses

The other gains and losses for the years ended December 31, 2020 and 2019, were as follows:

| | <u>2020</u> | <u>2019</u> |
|---|-------------------|------------------|
| Gains on disposal of investments | \$ 3,914 | 8,990 |
| Gains (losses) on financial assets and liabilities at fair value through profit or loss, net | (9,013) | 55,140 |
| Foreign currency exchange gains (losses), net | 604,339 | (484,552) |
| Others | 72 | (501) |
| | <u>\$ 599,312</u> | <u>(420,923)</u> |

(u) Financial instruments

(i) Credit risk

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

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

(Continued)

COMPAL ELECTRONICS, INC.

Notes to Parent-Company-Only Financial Statements

2) Receivables and debt securities

For information of exposure to credit risk of notes and accounts receivable, please refer to note (6)(d).

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

(ii) Liquidity risk

The following table shows the contractual maturities of financial liabilities. Except for lease liabilities, the amounts exclude estimated interest payments.

| | <u>Carrying Amount</u> | <u>Contractual cash flows</u> | <u>Within 1 year</u> | <u>1 ~ 2 years</u> | <u>Over 2 years</u> |
|---|----------------------------|-----------------------------------|----------------------|--------------------|---------------------|
| December 31, 2020 | | | | | |
| Non-derivative financial liabilities | | | | | |
| Unsecured borrowings | \$ 75,097,120 | (75,097,120) | (64,847,120) | (5,125,000) | (5,125,000) |
| Notes and accounts payable | 188,627,673 | (188,627,673) | (188,627,673) | - | - |
| Other payables | 9,229,539 | (9,229,539) | (9,229,539) | - | - |
| Lease liabilities—current and non-current | 1,298,528 | (1,347,574) | (217,649) | (348,353) | (781,572) |
| | <u>\$ 274,252,860</u> | <u>(274,301,906)</u> | <u>(262,921,981)</u> | <u>(5,473,353)</u> | <u>(5,906,572)</u> |
| December 31, 2019 | | | | | |
| Non-derivative financial liabilities | | | | | |
| Unsecured borrowings | \$ 65,013,800 | (65,013,800) | (57,513,800) | (1,925,000) | (5,575,000) |
| Notes and accounts payable | 149,064,159 | (149,064,159) | (149,064,159) | - | - |
| Other payables | 9,390,399 | (9,390,399) | (9,390,399) | - | - |
| Lease liabilities—current and non-current | 1,398,432 | (1,444,217) | (402,010) | (306,979) | (735,228) |
| | <u>\$ 224,866,790</u> | <u>(224,912,575)</u> | <u>(216,370,368)</u> | <u>(2,231,979)</u> | <u>(6,310,228)</u> |

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

(Continued)

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

(iii) Currency risk

1) Exposure to foreign currency risk

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

| | December 31, 2020 | | | December 31, 2019 | | |
|-----------------------|-------------------|---------------|-------------|-------------------|---------------|-------------|
| | Foreign currency | Exchange rate | TWD | Foreign currency | Exchange rate | TWD |
| Financial assets | | | | | | |
| Monetary items | | | | | | |
| USD to TWD | \$ 8,521,135 | 28.48 | 242,681,925 | 6,580,212 | 29.98 | 197,274,756 |
| Non-monetary items | | | | | | |
| THB to TWD | 516,989 | 0.9502 | 491,243 | 446,859 | 1.0028 | 448,110 |
| Financial liabilities | | | | | | |
| Monetary items | | | | | | |
| USD to TWD | 9,056,682 | 28.48 | 257,934,303 | 6,021,076 | 29.98 | 180,511,858 |

2) Sensitivity analysis

The Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable, other receivables, loans and borrowings, accounts payable, and other payables that are denominated in foreign currency. Assuming all other variable factors remain constant, a strengthening (weakening) 5% of appreciation (depreciation) of the each major foreign currency against the Company's functional currency as of December 31, 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.

| | December 31, 2020 | December 31, 2019 |
|-----------------------|----------------------|----------------------|
| USD (against the TWD) | | |
| Strengthening 5% | \$ (762,619) | 838,145 |
| Weakening 5% | 762,619 | (838,145) |

3) Exchange gains and losses of monetary items

As the Company deals with diverse foreign currencies, gains or losses on foreign exchange were summarized as a single amount. For the years ended December 31, 2020 and 2019, the foreign exchange losses, including both realized and unrealized, amounted to \$604,339 and \$(484,552), respectively.

(iv) Interest rate analysis

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

(Continued)

COMPAL ELECTRONICS, INC.

Notes to Parent-Company-Only Financial Statements

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

Assuming all other variable factors remaining constant, if the interest rate had increased or decreased by 0.25%, the impact to the net profit before tax would be as follows for the years ended December 31, 2020 and 2019, which would be mainly resulted from the bank savings and borrowings with variable interest rates.

| | 2020 | 2019 |
|-----------------------------|-------------|-------------|
| Interest increased by 0.25% | \$ (5,566) | (30,454) |
| Interest decreased by 0.25% | 5,566 | 30,454 |

(v) Fair value information

1) The categories and fair value of financial instruments

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

| | December 31, 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 | | | | | | |
| Non-derivative financial assets mandatorily measured at fair value through profit or loss | \$ 158,769 | - | - | 158,769 | 158,769 | |
| Financial assets at fair value through other comprehensive income | | | | | | |
| Stocks listed on domestic markets | 1,520,779 | 1,520,779 | - | - | 1,520,779 | |
| Stocks listed on foreign markets | 491,243 | 491,243 | - | - | 491,243 | |
| Stocks unlisted on domestic markets | 801,238 | - | - | 801,238 | 801,238 | |
| Stocks unlisted on foreign markets | 67,861 | - | - | 67,861 | 67,861 | |
| Accounts receivable | <u>38,331,299</u> | - | 38,331,299 | - | 38,331,299 | |
| Subtotal | <u>41,212,420</u> | | | | | |

(Continued)

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

| | December 31, 2020 | | | | |
|---|------------------------------|------------|------------|---------|------------|
| | Book value | Fair Value | | | Total |
| | | Level 1 | Level 2 | Level 3 | |
| Financial assets measured at amortized cost | | | | | |
| Cash and cash equivalents | 7,666,366 | - | - | - | - |
| Notes and accounts receivable, net | 179,960,878 | - | - | - | - |
| Notes and accounts receivable due from related parties, net | 11,127,880 | - | - | - | - |
| Other receivables | 2,846,497 | - | - | - | - |
| Guarantee deposits | <u>136,119</u> | - | - | - | - |
| Subtotal | <u>201,737,740</u> | | | | |
| Total | <u>\$ 243,108,929</u> | | | | |
| Financial liabilities measured at amortized cost | | | | | |
| Short-term borrowings | \$ 55,991,680 | - | - | - | - |
| Notes and accounts payable | 100,825,221 | - | - | - | - |
| Notes and accounts payable to related parties | 87,802,452 | - | - | - | - |
| Other payables | 9,229,539 | - | - | - | - |
| Lease liabilities—current and non-current | 1,298,528 | - | - | - | - |
| Long-term borrowings current portion | 8,855,440 | - | - | - | - |
| Long-term borrowings | 10,250,000 | - | - | - | - |
| Deposits received | <u>220</u> | - | - | - | - |
| Total | <u>\$ 274,253,080</u> | | | | |
| | December 31, 2019 | | | | |
| | | Fair Value | | | |
| | Book value | Level 1 | Level 2 | Level 3 | Total |
| Financial assets at fair value through profit or loss—current and non-current | | | | | |
| Non-derivative financial assets mandatorily measured at fair value through profit or loss | <u>\$ 220,985</u> | - | 149,888 | 71,097 | 220,985 |
| Financial assets at fair value through other comprehensive income | | | | | |
| Stocks listed on domestic markets | 1,614,565 | 1,614,565 | - | - | 1,614,565 |
| Stocks listed on foreign markets | 448,110 | 448,110 | - | - | 448,110 |
| Stocks unlisted on domestic markets | 914,507 | - | - | 914,507 | 914,507 |
| Stocks unlisted on foreign markets | 42,211 | - | - | 42,211 | 42,211 |
| Accounts receivable | <u>27,170,468</u> | - | 27,170,468 | - | 27,170,468 |
| Subtotal | <u>30,189,861</u> | | | | |

(Continued)

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

| | December 31, 2019 | | | | |
|---|------------------------------|------------|---------|---------|-------|
| | Book value | Fair Value | | | Total |
| | | Level 1 | Level 2 | Level 3 | |
| Financial assets measured at amortized cost | | | | | |
| Cash and cash equivalents | 13,459,969 | - | - | - | - |
| Notes and accounts receivable, net | 149,797,263 | - | - | - | - |
| Notes and accounts receivable due from related parties, net | 1,052,131 | - | - | - | - |
| Other receivables | 3,110,607 | - | - | - | - |
| Guarantee deposits | <u>126,605</u> | - | - | - | - |
| Subtotal | <u>167,546,575</u> | | | | |
| Total | <u>\$ 197,957,421</u> | | | | |
| Financial liabilities measured at amortized cost | | | | | |
| Short-term borrowings | \$ 39,363,800 | - | - | - | - |
| Notes and accounts payable | 74,138,921 | - | - | - | - |
| Notes and accounts payable to related parties | 74,925,238 | - | - | - | - |
| Other payables | 9,390,399 | - | - | - | - |
| Lease liabilities—current and non-current | 1,398,432 | - | - | - | - |
| Long-term borrowings current portion | 18,150,000 | - | - | - | - |
| Long-term borrowings | 7,500,000 | - | - | - | - |
| Deposits received | <u>220</u> | - | - | - | - |
| Total | <u>\$ 224,867,010</u> | | | | |

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

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

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

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

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

a) Non-derivative financial instruments

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

(Continued)

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

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

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

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

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

b) Derivative financial instruments

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

4) Transfer from one level to another

There was no transfer from one level to another in the year ended December 31, 2020.

The Company held an investment in equity of Crystalvue Medical Corporation ("Crystalvue"). The investment was categorized as level 3 as of December 31, 2018, because the shares were not listed on the exchange market and was measured by significant unobservable inputs. In December 2019, Crystalvue's shares were listed on the exchange market, wherein they are actively traded. Currently, the equity shares have quoted market price in an active market; therefore, the category was transferred from level 3 to level 1 as of December 31, 2019.

(Continued)

COMPAL ELECTRONICS, INC.

Notes to Parent-Company-Only Financial Statements

5) Changes in level 3

The change in level 3 at fair value in the years ended December 31, 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 | \$ 71,097 | 956,718 | 1,027,815 |
| Total gains and losses recognized: | | | |
| In profit or loss | 10,997 | - | 10,997 |
| In other comprehensive income | - | (65,813) | (65,813) |
| Purchased | 76,675 | 7,578 | 84,253 |
| Disposal | - | (25,156) | (25,156) |
| Proceeds of capital reduction of investment | - | (4,228) | (4,228) |
| Balance on December 31, 2020 | <u>\$ 158,769</u> | <u>869,099</u> | <u>1,027,868</u> |
| Balance on January 1, 2019 | \$ 23,745 | 947,758 | 971,503 |
| Total gains and losses recognized: | | | |
| In profit or loss | (8,244) | - | (8,244) |
| In other comprehensive income | - | 18,468 | 18,468 |
| Purchased | 55,596 | 19,396 | 74,992 |
| Disposal | - | (791) | (791) |
| Proceeds of capital reduction of investment | - | (7,615) | (7,615) |
| Transferred out from level 3 | - | (20,498) | (20,498) |
| Balance on December 31, 2019 | <u>\$ 71,097</u> | <u>956,718</u> | <u>1,027,815</u> |

For the years ended December 31, 2020 and 2019, total gains and losses that were included in “other gains and losses, net” and “unrealized gains and losses from equity instruments at fair value through other comprehensive income” ,respectively, were as follows:

| | 2020 | 2019 |
|--|---------------------------|-----------------------|
| Total gains and losses recognized: | | |
| In profit or loss (as “other gains and losses, net”) | <u>\$ 10,997</u> | <u>(8,244)</u> |
| In other comprehensive income (as “unrealized gains and losses from equity instruments at fair value through other comprehensive income”) | <u>\$ (46,709)</u> | <u>17,677</u> |

(Continued)

COMPAL ELECTRONICS, INC.

Notes to Parent-Company-Only Financial Statements

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

The Company's financial instruments that use level 3 input to measure fair values include financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss.

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

The quantified information for significant unobservable inputs was as follows:

| <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 — equity investment without an active market | Comparable market approach (Price-Book ratio method and Earnings multiplier method) | Price-Book ratio multiples (1.72~7.9 and 1.4~5.64, respectively, on December 31, 2020 and 2019) | The higher the multiple is, the higher the fair value will be. |
| | | Multiples of earnings (3.12~11.24, on December 31, 2019) | The higher the multiple is, the higher the fair value will be. |
| | | Lack-of-Marketability discount rate (35%~85%, and 35%~85%, respectively, on December 31, 2020 and 2019) | The higher the Lack-of-Marketability discount rate is, the lower the fair value will be. |

(Continued)

COMPAL ELECTRONICS, INC.

Notes to Parent-Company-Only 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 | Net asset value method | Net asset value | Inapplicable |

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

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

| | <u>Input</u> | <u>Move up or down</u> | <u>Other comprehensive income</u> | |
|---|-------------------------------------|------------------------|-----------------------------------|---------------------------|
| | | | <u>Favorable change</u> | <u>Unfavorable change</u> |
| December 31, 2020 | | | | |
| Financial assets at fair value through other comprehensive income | Price-Book ratio multiples | 5% | \$ <u>35,945</u> | <u>35,279</u> |
| | Lack-of-Marketability discount rate | 5% | \$ <u>4,523</u> | <u>4,567</u> |
| December 31, 2019 | | | | |
| Financial assets at fair value through other comprehensive income | Price-Book ratio multiples | 5% | \$ <u>25,552</u> | <u>24,531</u> |
| | Multiples of earnings | 5% | \$ <u>14,707</u> | <u>12,746</u> |
| | Lack-of-Marketability discount rate | 5% | \$ <u>6,589</u> | <u>6,548</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.

(Continued)

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

(v) Financial risk management

(i) Overview

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

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

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

(ii) Structure of risk management

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

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

(iii) Credit risk

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

1) Accounts receivable and other receivables

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

(Continued)

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

2) Investments

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

3) Guarantees

Pursuant to the Company's policies, it is only permissible to provide financial guarantees to subsidiaries and companies that the Company has business with. As of December 31, 2020 and 2019, the guarantees provide to the subsidiaries amounted to \$214,797 and \$255,662, respectively.

(iv) Liquidity risk

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

The Company manages and maintains sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. The Company's management supervises the banking facilities and ensures in compliance with the terms of the loan agreements. Please refer to notes (6)(k) and (6)(l) for unused credit lines of short-term and long-term borrowings as of December 31, 2020 and 2019.

(v) Market risk

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

1) Currency risk

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

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

2) Interest rate risk

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

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COMPAL ELECTRONICS, INC.

Notes to Parent-Company-Only Financial Statements

3) Other price risk

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

(w) Capital management

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

The Company monitors the capital structure by way of periodical review the debt ratio. As of December 31, 2020 and 2019, the debt ratio was as follows:

| | December 31, 2020 | December 31, 2019 |
|-------------------|------------------------------|------------------------------|
| Total liabilities | <u>\$ 282,118,646</u> | <u>231,810,855</u> |
| Total assets | <u>\$ 388,951,151</u> | <u>337,783,488</u> |
| Debt ratio | <u>73%</u> | <u>69%</u> |

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

As of December 31, 2020, there were no changes in the Company's approach of capital management.

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

The Company's investing and financing activities which did not affect the current cash flow in the years ended December 31, 2020 and 2019 were acquisition of right-of-use assets by leasing, please refer to note (6)(j).

Reconciliation of liabilities arising from financial activities was as follows:

| | January 1, 2020 | Cash flow | Other non-cash changes | December 31, 2020 |
|---|----------------------------|------------------|---------------------------------------|------------------------------|
| Short-term borrowings | \$ 39,363,800 | 16,627,880 | - | 55,991,680 |
| Long-term borrowings | 25,650,000 | (6,544,560) | - | 19,105,440 |
| Lease liabilities | 1,398,432 | (471,093) | 371,189 | 1,298,528 |
| Guarantee deposits | 220 | - | - | 220 |
| Total liabilities from financing activities | <u>\$ 66,412,452</u> | <u>9,612,227</u> | <u>371,189</u> | <u>76,395,868</u> |

(Continued)

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

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

(7) Related-party transactions:

(a) Name and relationship with related parties

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

| Name of related party | Relationship with the Company |
|---|-------------------------------|
| Panpal Technology Corp. ("Panpal") | The Company's subsidiary |
| Gempal Technology Corp. ("Gempal") | The Company's subsidiary |
| Hong Ji Capital Co., Ltd. ("Hong Ji") | The Company's subsidiary |
| Hong Jin Investment Co., Ltd. ("Hong Jin") | The Company's subsidiary |
| Accesstek, Inc. ("ATK") | The Company's subsidiary |
| Arcadyan | The Company's subsidiary |
| Rayonnant Technology Co., Ltd. ("Rayonnant Technology") | The Company's subsidiary |
| HengHao Technology Co., Ltd. ("HengHao") | The Company's subsidiary |
| Ripal Optortronics Co., Ltd. ("Ripal") | The Company's subsidiary |
| Auscom Engineering Inc. ("Auscom") | The Company's subsidiary |
| Just International Ltd. ("Just") | The Company's subsidiary |
| Compal International Holding Co., Ltd. ("CIH") | The Company's subsidiary |
| Compal Electronics (Holding) Ltd. ("CEH") | The Company's subsidiary |
| Bizcom Electronics, Inc. ("Bizcom") | The Company's subsidiary |
| Flight Global Holding Inc. ("FGH") | The Company's subsidiary |
| High Shine Industrial Corp. ("HSI") | The Company's subsidiary |
| Compal Europe (Poland) Sp. z o.o. ("CEP") | The Company's subsidiary |
| Big Chance International Co., Ltd. ("BCI") | The Company's subsidiary |
| Compal Rayonnant Holdings Limited ("CRH") | The Company's subsidiary |

(Continued)

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

| Name of related party | Relationship with the Company |
|---|--------------------------------------|
| Core Profit Holdings Limited (“CORE”) | The Company’s subsidiary |
| Compalead Electronics B.V. (“CPE”) | The Company’s subsidiary |
| Compalead Eletronica do Brasil Industria e Comercio Ltda. (“CEB”) | The Company’s subsidiary |
| Compal Display Holding (HK) Limited (“CDH (HK)”) | The Company’s subsidiary |
| Compal Electronics International Ltd. (“CIH”) | The Company’s subsidiary |
| Compal International Ltd. (“CPI”) | The Company’s subsidiary |
| Compal Electronics (China) Co., Ltd. (“CPC”) | The Company’s subsidiary |
| Compal Optoelectronics (Kunshan) Co., Ltd. (“CPO”) | The Company’s subsidiary |
| Compal System Trading (Kunshan) Co., Ltd. (“CST”) | The Company’s subsidiary |
| Smart International Trading Ltd. (“Smart”) | The Company’s subsidiary |
| Amexcom Electronics Inc. (“AEI”) | The Company’s subsidiary |
| Mexcom Electronics, LLC (“MEL”) | The Company’s subsidiary |
| Mexcom Technologies, LLC (“MTL”) | The Company’s subsidiary |
| CENA Electromex, S.A. de C.V. (“CMX”) (Note) | The Company’s subsidiary |
| Compal International Holding (HK) Limited (“CIH (HK)”) | The Company’s subsidiary |
| Jenpal International Ltd. (“Jenpal”) | The Company’s subsidiary |
| Prospect Fortune Group Ltd. (“PFG”) | The Company’s subsidiary |
| Compal Electronics Technology (Kunshan) Co., Ltd. (“CET”) | The Company’s subsidiary |
| Compal Information (Kunshan) Co., Ltd. (“CIC”) | The Company’s subsidiary |
| Compal Information Technology (Kunshan) Co., Ltd. (“CIT”) | The Company’s subsidiary |
| Kunshan Botai Electronics Co., Ltd. (“BT”) | The Company’s subsidiary |
| Compal Information Research and Development (Nanjing) Co., Ltd. (“CIN”) | The Company’s subsidiary |
| Compal Digital Technology (Kunshan) Co., Ltd. (“CDT”) | The Company’s subsidiary |
| Compower Global Service Co., Ltd. (“CGS”) | The Company’s subsidiary |
| Compal Investment (Jiansu) Co., Ltd. (“CIJ”) | The Company’s subsidiary |
| Compal Display Electronics (Kunshan) Co., Ltd. (“CDE”) | The Company’s subsidiary |
| Etrade Management Co., Ltd. (“Etrade”) | The Company’s subsidiary |
| Webtek Technology Co., Ltd. (“Webtek”) | The Company’s subsidiary |
| Forever Young Technology Inc. (“Forever”) | The Company’s subsidiary |
| Unicom Global, Inc. (“UCGI”) | The Company’s subsidiary |
| Palcom International Corporation (“Palcom”) | The Company’s subsidiary |
| Compal Communication (Nanjing) Co., Ltd. (“CCI Nanjing”) | The Company’s subsidiary |

(Continued)

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

| Name of related party | Relationship with the Company |
|--|--------------------------------------|
| Compal Digital Communication (Nanjing) Co., Ltd. (“CDCN”) | The Company’s subsidiary |
| Compal Wireless Communication (Nanjing) Co., Ltd. (“CWCN”) | The Company’s subsidiary |
| Hanhelt Communication (Nanjing) Co., Ltd. (“Hanhelt”) | The Company’s subsidiary |
| Giant Rank Trading Ltd. (“GIA”) | The Company’s subsidiary |
| OptoRite Inc. | The Company’s subsidiary |
| MSI-ATK Optics Holding Corporation (“MSI-ATK”) | The Company’s subsidiary |
| Maitek (BVI) Corporation (“Maitek”) | The Company’s subsidiary |
| Arcadyan Technology N.A. Corp. (“Arcadyan USA”) | The Company’s subsidiary |
| Arcadyan Germany Technology GmbH (“Arcadyan Germany”) | The Company’s subsidiary |
| Arcadyan Technology Corporation Korea (“Arcadyan Korea”) | The Company’s subsidiary |
| Arcadyan Holding (BVI) Corp. (“Arcadyan Holding”) | The Company’s subsidiary |
| Arcadyan do Brasil Ltda. (“Arcadyan Brasil”) | The Company’s subsidiary |
| Arcadyan Technology Limited (“Arcadyan UK”) | The Company’s subsidiary |
| Arcadyan Technology Australia Pty Ltd. (“Arcadyan AU”) | The Company’s subsidiary |
| Zhi-Bao Technology Inc. (“Zhi-Bao”) | The Company’s subsidiary |
| Tatung Technology Inc. (“TTI”) | The Company’s subsidiary |
| AcBel Telecom Inc. (“AcBel Telecom”) | The Company’s subsidiary |
| CBN | The Company’s subsidiary |
| Speedlink Tradings Limited (“Speedlink”) | The Company’s subsidiary |
| Compal Broadband Networks Belgium BVBA (“CBNB”) | The Company’s subsidiary |
| Compal Broadband Networks Netherlands B.V. (“CBNN”) | The Company’s subsidiary |
| Sinoprime Global Inc. (“Sinoprime”) | The Company’s subsidiary |
| Arcadyan Technology (Vietnam) Co., Ltd. (“Arcadyan Vietnam”) | The Company’s subsidiary |
| Arcadyan Technology (Shanghai) corp. (“SVA Arcadyan”) | The Company’s subsidiary |
| Arch Holding (BVI) Corp. (“Arch Holding”) | The Company’s subsidiary |
| Compal Networking (Kunshan) Co., Ltd. (“CNC”) | The Company’s subsidiary |
| Leading Images Ltd. (“Leading Images”) | The Company’s subsidiary |
| Astoria Networks GmbH (“Astoria GmbH”) | The Company’s subsidiary |
| Quest International Group Co., Ltd. (“Quest”) | The Company’s subsidiary |
| Exquisite Electronic Co., Ltd. (“Exquisite”) | The Company’s subsidiary |
| Tatung Home Appliances (Wujiang) Co., Ltd. (“THAC”) | The Company’s subsidiary |
| Tatung Technology of Japan Co., Ltd. (“TTJC”) | The Company’s subsidiary |

(Continued)

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

| Name of related party | Relationship with the Company |
|---|--------------------------------------|
| Intelligent Universal Enterprise Ltd. (“IUE”) | The Company’s subsidiary |
| Goal Reach Enterprises Ltd. (“Goal”) | The Company’s subsidiary |
| Compal (Vietnam) Co., Ltd. (“CVC”) | The Company’s subsidiary |
| Compal Development & Management (Vietnam) Co., Ltd. (“CDM”) | The Company’s subsidiary |
| Allied Power Holding Corp. (“APH”) | The Company’s subsidiary |
| Primetek Enterprises Limited (“PEL”) | The Company’s subsidiary |
| Rayonnant Technology (HK) Co., Ltd. (“Rayonnant Technology (HK)”) | The Company’s subsidiary |
| Royonnant Technology (Taicang) Co., Ltd. (“Rayonnant Technology (Taicang)”) | The Company’s subsidiary |
| HengHao Holdings A Co., Ltd. (“HHA”) | The Company’s subsidiary |
| HengHao Holdings B Co., Ltd. (“HHB”) | The Company’s subsidiary |
| HengHao Trading Co., Ltd. | The Company’s subsidiary |
| HengHao Optoelectronics Technology (Kunshan) Co., Ltd. | The Company’s subsidiary |
| LUCOM Display Technology (Kunshan) Limited (“Lucom”) | The Company’s subsidiary |
| Center Mind International Co., Ltd. (“CMI”) | The Company’s subsidiary |
| Prisco International Co., Ltd. (“PRI”) | The Company’s subsidiary |
| Compal Electronic (Sichuan) Co., Ltd. (“CIS”) | The Company’s subsidiary |
| Compal Electronic (Chongqing) Co., Ltd. (“CEQ”) | The Company’s subsidiary |
| Compal Electronic (Chengdu) Co., Ltd. (“CEC”) | The Company’s subsidiary |
| Compal Management (Chengdu) Co., Ltd. (“CMC”) | The Company’s subsidiary |
| Compal Smart Device (Chongqing) Co., Ltd. (“CSD”) | The Company’s subsidiary |
| Billion Sea Holdings Limited (“BSH”) | The Company’s subsidiary |
| Mithera Capital Io LP (“Mithera”) | The Company’s subsidiary |
| Fortune Way Technology Corp. (“FWT”) | The Company’s subsidiary |
| General Life Biotechnology Co., Ltd. (“GLB”) | The Company’s subsidiary |
| Mactech Co., Ltd. (“Mactech”) | The Company’s subsidiary |
| Rapha Bio Ltd. (“Rapha”) | The Company’s subsidiary |
| Compal Electronics India Private Limited (“CEIN”) | The Company’s subsidiary |
| Shennona Corporation (“Shennona”) | The Company’s subsidiary |
| Unicore BioMedical Co., Ltd. (“Unicore”) | The Company’s subsidiary |
| Raycore Biotech Co., Ltd. (“Raycore”) | The Company’s subsidiary |

(Continued)

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

| <u>Name of related party</u> | <u>Relationship with the Company</u> |
|--|---|
| Hippo Screen Neurotech Co., Ltd. ("Hippo Screen") | The Company's subsidiary |
| Shennona Co., Ltd. ("Shennona TW") | The Company's subsidiary |
| Aco Smartcare Co., Ltd. ("Aco Smartcare") | The Company's subsidiary |
| Compal Electronica DA Amazonia LTDA ("CEA") | The Company's subsidiary |
| Compal Wise Electronic (Vietnam) Co., Ltd. ("CWV") | The Company's subsidiary |
| Arcadyan Technology Corporation (Russia), LLC. ("Arcadyan RU") | The Company's subsidiary |
| CGS Technology (Poland) Sp. z o.o. ("CGSP") | The Company's subsidiary |
| AcBel Polytech Inc. (AcBel) and its subsidiaries ("AcBel") | The same Chairman of the Board with the Company |
| Cal-Comp Electronics & Communications Company Limited ("Cal-Comp") | The same Chairman of the Board with the Company |
| Avalue | An associate |
| Crownpo Technology Inc. ("Crownpo") | An associate |
| Kinpo Group Management Consultant Company ("Kinpo Group Management") | An associate |
| Allied Circuit | An associate |
| LIZ Electronics (Kunshan) Co., Ltd. ("LIZ") | An associate |
| Compal Precision Module (Jiangsu) Co., Ltd. ("CPM") | An associate |
| Changbao Electronic Technology (Chongqing) Co., Ltd. ("Changbao") | An associate |
| Hong Ya Technology Corporation ("Hong Ya Technology") | An associate |
| Raypal Biomedical Co., Ltd. ("Raypal") | An associate |
| ARCE Therapeutics Co., Ltd. ("ARCE") | An associate |
| Compal Connector Manufacture Ltd. ("CCM") | A joint venture company |

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

(b) Transactions with key management personnel

Key management personnel remunerations comprised:

| | <u>2020</u> | <u>2019</u> |
|------------------------------|-------------------|----------------|
| Short-term employee benefits | \$ 516,197 | 482,308 |
| Post-employment benefits | 6,007 | 6,130 |
| | <u>\$ 522,204</u> | <u>488,438</u> |

There are no termination benefits and other long-term benefits.

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

(c) Significant related-party transactions

(i) Sale of goods to related parties

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

| | <u>2020</u> | <u>2019</u> |
|-----------------------|----------------------------|-------------------------|
| Subsidiaries | \$ 1,170,456 | 1,432,433 |
| Associates | 190 | 179 |
| Other related parties | <u>476,501</u> | <u>-</u> |
| | <u>\$ 1,647,147</u> | <u>1,432,612</u> |

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

(ii) Purchase of goods from related parties

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

| | <u>2020</u> | <u>2019</u> |
|-----------------------|------------------------------|---------------------------|
| Subsidiaries | | |
| CSD | \$ 145,525,596 | 96,242,404 |
| Others | <u>219,732,381</u> | <u>296,062,338</u> |
| | 365,257,977 | 392,304,742 |
| Associates | 2,859 | 410 |
| Other related parties | 41,802 | 65,573 |
| Joint venture | <u>-</u> | <u>467</u> |
| | <u>\$ 365,302,638</u> | <u>392,371,192</u> |

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

(iii) Product warranty service expenses

The product warranty service expenses paid to subsidiaries for the years ended December 31, 2020 and 2019, amounted to \$255,349 and \$292,959, respectively. As of December 31, 2020 and 2019, the unpaid warranty service expenses were record as other payables.

(iv) Technical service expense

The Company engaged its subsidiaries to research and develop of notebooks, and the related technical service expenses for the years ended December 31, 2020 and 2019, amounted to \$198,315 and \$170,657, respectively. As of December 31, 2020 and 2019, the unpaid technical service expenses were recorded as other payables.

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COMPAL ELECTRONICS, INC.

Notes to Parent-Company-Only Financial Statements

(v) Receivables due from relate parties

The receivables arising from the transactions mentioned above, the sale of machinery and equipment to related parties, and the purchasing of machinery, equipment and others on behalf of the related parties as of December 31, 2020 and 2019, were as follows:

| <u>Account</u> | <u>Related party categories</u> | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|---|---------------------------------|-----------------------------|--------------------------|
| Notes and accounts receivable | Subsidiaries | \$ 10,820,424 | 1,052,131 |
| Notes and accounts receivable | Other related parties | 307,456 | - |
| Other receivables | Subsidiaries - UCGI | 506,229 | 581,199 |
| Other receivables | Subsidiaries - Others | 15,176 | 27,155 |
| Other receivables | Associates | 907 | - |
| Other receivables | Joint venture | 64 | 62 |
| | | <u>11,650,256</u> | <u>1,660,547</u> |
| Less: Credit balance of investments accounted for using the equity method | | <u>(381,227)</u> | <u>(459,296)</u> |
| | | <u>\$ 11,269,029</u> | <u>1,201,251</u> |

As of December 31, 2020 and 2019, the Company's investment accounted for using the equity method in subsidiaries was a credit balance, recorded as a deduction from other receivable (other receivables) – related party. Please refer to note (6)(g).

(vi) Payables to related parties

The payables to related parties as of December 31, 2020 and 2019, were as follows:

| <u>Account</u> | <u>Related party categories</u> | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|----------------------------|---------------------------------|-----------------------------|--------------------------|
| Notes and accounts payable | Subsidiaries - CIT | \$ 30,623,968 | 31,847,665 |
| Notes and accounts payable | Subsidiaries - Others | 57,161,436 | 43,055,746 |
| Notes and accounts payable | Associates | 166 | 259 |
| Notes and accounts payable | Other related parties | 16,882 | 21,568 |
| Other payables | Subsidiaries | 174,010 | 339,318 |
| | | <u>\$ 87,976,462</u> | <u>75,264,556</u> |

(Continued)

COMPAL ELECTRONICS, INC.

Notes to Parent-Company-Only Financial Statements

(vii) Loans to related parties

The interest rate of unsecured loans to subsidiaries was 1.08%~2.05%, and the Company had assessed that no bad debt expenses should be recognized. As of December 31, 2020 and 2019, the loans due to related parties were recorded as other receivables.

| <u>Account</u> | <u>Related party categories</u> | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|---|---------------------------------|----------------------------|--------------------------|
| Other receivables | Subsidiaries - CEB | \$ 1,424,000 | 1,499,000 |
| Other receivables | Subsidiaries - HengHao | 200,000 | 200,000 |
| Other receivables | Subsidiaries - UCGI | 220,000 | 220,000 |
| Less: Credit balance of investments accounted for using the equity method | | <u>(200,000)</u> | <u>(200,000)</u> |
| | | <u>\$ 1,644,000</u> | <u>1,719,000</u> |

As of December 31, 2020 and 2019, the Company's investment accounted for using the equity method in some subsidiaries was a credit balance, recorded as a deduction from other receivables – related parties (classified as other receivables). Please refer to note (6)(g).

(viii) Guarantees

As of December 31, 2020 and 2019, the guarantees provided to subsidiaries were \$214,797 and \$255,662, respectively.

(8) Pledged assets: None.

(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 Company concerning its former employees who joined the Company. This is deemed as an act of violation according to the Trade Secret Law and Copyright Law. The Company engaged lawyers to defend its right on this matter. Currently, the case is still in progress; therefore, the Company cannot make any reasonable estimation regarding the possible impact on its business operation.
- (b) The Company entered into various patent license agreements with third parties, and was required to make royalty payments of a predetermined amount periodically.

(10) Losses due to major disasters: None

(11) Subsequent events: None

(Continued)

COMPAL ELECTRONICS, INC.

Notes to Parent-Company-Only Financial Statements

(12) Other:

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

| By function By item | 2020 | | | 2019 | | |
|----------------------------|-----------------|--------------------|------------|-----------------|--------------------|-----------|
| | Operating costs | Operating expenses | Total | Operating costs | Operating expenses | Total |
| Employee benefits | | | | | | |
| Salary | 1,108,657 | 9,021,361 | 10,130,018 | 677,649 | 8,450,610 | 9,128,259 |
| Labor and health insurance | 81,056 | 607,195 | 688,251 | 51,188 | 571,822 | 623,010 |
| Pension | 27,718 | 347,023 | 374,741 | 17,972 | 330,664 | 348,636 |
| Remuneration of directors | - | 61,500 | 61,500 | - | 48,630 | 48,630 |
| Others | 209,112 | 403,706 | 612,818 | 136,787 | 402,952 | 539,739 |
| Depreciation | 156,554 | 675,955 | 832,509 | 93,277 | 598,554 | 691,831 |
| Amortization | 6,301 | 384,626 | 390,927 | 5,980 | 319,247 | 325,227 |

For the years ended December 31, 2020 and 2019, the information on the number of employees and employee benefit expense of the Company is as follows:

| | 2020 | 2019 |
|---|-----------------|----------------|
| Number of employees (Average salaries) | <u>8,633</u> | <u>7,682</u> |
| Number of directors (non-employees) | <u>11</u> | <u>11</u> |
| Average benefit expense of employees | <u>\$ 1,369</u> | <u>1,387</u> |
| Average salary expense of employees | <u>\$ 1,175</u> | <u>1,190</u> |
| Percentage of change in average salary expense of employees | <u>(1.26)%</u> | <u>(4.11)%</u> |
| Remuneration received by supervisors | <u>\$ -</u> | <u>-</u> |

Information about salary and compensation policies (including directors, managers and employees) of the Company is as follows:

Directors' remuneration is allocated according to the terms of the Articles of the Incorporation, and no more than 2% of the Company's pre-tax profit in the fiscal year, excluding employees' and directors' compensations, shall be paid to directors as remuneration along with reasonable compensation based on other factors to be taken into consideration, such as the Company's operational performance and the individual directors' contribution to the Company's performance.

Remuneration of the independent directors' of the Company is allocated according to the terms of the Articles of the Incorporation, as well as the involvement level in the corporate operation, contribution value, responsibility that is taken, risk that is borne by the independent directors and reference of competitors from the same industry. The remuneration is proposed by the Remuneration Committee and resolved by the Board of Directors.

The Company's remuneration policy for managers has been established based on various factors including the Company's wage policy, the average wage offered by competitors for the same position, the duties and responsibilities for the position in question, and the manager's actual contribution to the Company's operational objectives.

(Continued)

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

The Company's procedure for determining remuneration takes into account the Company's overall operational performance as well as includes employee's personal performance and their contribution to the Company's performance in order to determine a reasonable compensation. Relevant salaries and compensations are reviewed by the Remuneration Committee and resolved by the Board of Directors. The Company will frequently examine the latest developments in the global economy, international financial environment, and change of the industry condition in order to predict its operational development, profit status, operational risks and changes in pertinent regulations in the near future in order to review the compensation system, thereby reach a balance between the Company's sustainable operation and relevant risk control.

(13) Other disclosures:

(a) Information on significant transactions

The following were the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Company for the year ended December 31, 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 December 31, 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: Please refer to Table 5
 - (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 6
 - (viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: Please refer to Table 7
 - (ix) Trading in derivative instruments: None.
- (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 more than 5% shares.

(14) Segment information:

Please refer to the consolidated financial report of 2020.

(Continued)

COMPAL ELECTRONICS, INC.

Statement of cash and cash equivalents

December 31, 2020

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

| <u>Item</u> | <u>Description</u> | <u>Amount</u> |
|---|---|----------------------------|
| Cash on hand | | <u>\$ 1,700</u> |
| Checking account and demand deposits | TWD | 265,111 |
| | Foreign currency (US\$256,192,860 and others) | <u>7,312,957</u> |
| | | <u>7,578,068</u> |
| Time deposits | Foreign currency (CNY\$17,500,000, Maturity date: 2021.1.8~2021.3.15) | <u>76,598</u> |
| Cash equivalents: | | |
| Bonds purchased under resale agreements | TWD (Maturity date: 2021.1.7) | <u>10,000</u> |
| Total | | <u>\$ 7,666,366</u> |

Note: The exchange rate is 28.48 New Taiwan dollars for 1 US dollar; 4.377 New Taiwan dollars for 1 CNY dollar.

(Continued)

COMPAL ELECTRONICS, INC.

Statement of notes and accounts receivable

December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

| <u>Item</u> | <u>Description</u> | <u>Amount</u> |
|--|------------------------------|------------------------------|
| D Company | Sales of non-related parties | \$ 126,299,231 |
| E Company | // | 26,254,007 |
| A Company | // | 18,158,410 |
| C Company | // | 13,675,832 |
| B Company | // | 13,074,071 |
| Others (Note) | // | <u>24,465,420</u> |
| | | 221,926,971 |
| Less: allowance for uncollectible accounts | | <u>(3,634,794)</u> |
| Notes and accounts receivable, net | | <u>\$ 218,292,177</u> |

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

Statement of inventories

| <u>Item</u> | <u>Cost</u> | <u>Net Realizable Value</u> |
|------------------|-----------------------------|-----------------------------|
| Finished goods | \$ 11,718,417 | 11,922,637 |
| Work in progress | 682,167 | 682,167 |
| Raw materials | <u>43,391,764</u> | <u>43,427,910</u> |
| Total | <u>\$ 55,792,348</u> | <u>56,032,714</u> |

(Continued)

COMPAL ELECTRONICS, INC.

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

For the year ended December 31, 2020

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

| Investee Company | Beginning Balance | | Increase (Note 1) | | Decrease (Note 2) | | Ending Balance (including impairment loss) | | | | | |
|---|-------------------|---------------|-------------------|---------|-------------------|-----------|--|---|--|--------------------------|---------------|--------------------|
| | Number of shares | Amount | Number of shares | Amount | Number of shares | Amount | Amount (not including exchange differences on transaction of foreign financial statements) | Exchange differences on transaction of foreign financial statements | Ending Balance (including exchange differences on transaction of foreign financial statements) | Market Price / Net Value | | |
| Auscom | 3,000 | \$ 139,509 | - | - | - | - | 4,635 | 3,000 | 144,144 | (19,317) | 124,827 | 124,827 |
| Panpal | 500,000 | 6,396,435 | - | 38,272 | - | 244,660 | (28,650) | 500,000 | 6,161,397 | (689,880) | 5,471,517 | 5,555,384 |
| Just | 48,010 | 8,462,270 | - | - | - | - | 3,843 | 48,010 | 8,466,113 | (731,922) | 7,734,191 | 7,734,191 |
| CIH | 53,001 | 35,953,096 | - | - | - | - | 2,502,193 | 53,001 | 38,455,289 | (3,214,118) | 35,241,171 | 35,228,323 |
| CEH | 1 | 3,906,656 | - | - | - | - | - | 1 | 3,906,656 | (550,093) | 3,356,563 | 3,356,563 |
| Gempal | 90,000 | 1,944,816 | - | 123,166 | - | 109,063 | 115,689 | 90,000 | 2,074,608 | (23,886) | 2,050,722 | 2,102,475 |
| Hong Ji | 100,000 | 1,083,154 | - | 119 | - | 44,089 | 110,567 | 100,000 | 1,149,751 | (8,312) | 1,141,439 | 1,141,439 |
| Hong Jin | 29,500 | 344,708 | - | 165 | - | 27,314 | 38,084 | 29,500 | 355,643 | (4,335) | 351,308 | 351,308 |
| Maxima Ventures I, Inc. | 126 | 4,998 | - | - | - | - | 701 | 126 | 5,699 | - | 5,699 | 5,121 |
| ATK | 899 | 8,548 | - | - | 899 | 8,563 | 15 | - | - | - | - | - |
| Allied Circuit | 10,158 | 319,049 | - | - | - | 37,047 | 108,556 | 10,158 | 390,558 | (103) | 390,455 | 1,229,085 (Note 4) |
| Bizcom | 100 | 471,164 | - | - | - | - | 8,266 | 100 | 479,430 | (47,596) | 431,834 | 431,834 |
| LIPO | 98 | 552,441 | - | 695 | - | - | 58,689 | 98 | 611,825 | (36,778) | 575,047 | 575,047 |
| Crownpo | 3,739 | 58,754 | - | - | - | 72 | 1,976 | 3,739 | 60,658 | (2,532) | 58,126 | 58,126 |
| Arcadyan | 41,305 | 2,278,389 | - | 1,482 | - | 198,760 | 339,600 | 41,305 | 2,420,711 | (34,418) | 2,386,293 | 3,874,362 (Note 3) |
| FGH | 89,755 | 5,058,576 | - | 550 | - | - | 112,909 | 89,755 | 5,172,035 | (375,507) | 4,796,528 | 4,796,528 |
| HSI | 42,700 | 557,178 | - | - | - | - | (162,171) | 42,700 | 395,007 | (37,370) | 357,637 | 1,411,398 |
| Lead-Honor Optronics Co., Ltd. | 2,772 | (3) | - | - | - | - | - | 2,772 | (3) | 3 | - | - |
| CBN | 29,060 | 734,180 | - | - | - | 40,972 | 20,297 | 29,060 | 713,505 | 52 | 713,557 | 932,832 (Note 3) |
| Kinpo Group Management | 300 | 4,628 | - | - | - | - | 31 | 300 | 4,659 | - | 4,659 | 5,819 |
| Rayonnant Technology | 29,500 | 66,671 | - | - | - | - | 69,187 | 29,500 | 135,858 | (10,539) | 125,319 | 125,319 |
| CRH | 12,500 | 132,685 | - | - | - | - | 68,396 | 12,500 | 201,081 | (10,062) | 191,019 | 191,019 |
| HengHao | 20,015 | (469,615) | 20,000 | 200,000 | 20,000 | - | 8,553 | 20,015 | (261,062) | (8,191) | (269,253) | (269,253) |
| Infinno Technology Corp. | 5,650 | 17,199 | - | - | - | - | (4,182) | 5,650 | 13,017 | - | 13,017 | 13,017 |
| CEP | 136 | 22,199 | - | - | - | - | 2,244 | 136 | 24,443 | (5,777) | 18,666 | 18,666 |
| BCI | 90,820 | 6,153,514 | - | - | - | - | 613,030 | 90,820 | 6,766,544 | (304,021) | 6,462,523 | 6,462,523 |
| APE | 31,253 | 1,081,612 | - | - | - | 54,446 | 49,423 | 31,253 | 1,076,589 | (81,706) | 994,883 | 994,883 |
| CORE | 147,000 | 7,627,386 | - | - | - | - | 74,866 | 147,000 | 7,702,252 | (345,581) | 7,356,671 | 7,356,671 |
| Unicore | 20,000 | 145,664 | - | - | - | - | (20,381) | 20,000 | 125,283 | - | 125,283 | 125,283 |
| Ripal | 6,000 | 76,632 | - | - | - | - | 6,849 | 6,000 | 83,481 | - | 83,481 | 83,481 |
| CPE | 6,427 | 856,150 | - | - | - | - | 6,256 | 6,427 | 862,406 | (74,147) | 788,259 | 788,259 |
| Avalue | 15,024 | 654,537 | - | 2,819 | 100 | 64,089 | 47,355 | 14,924 | 640,622 | (15,434) | 625,188 | 828,286 (Note 4) |
| Etrade | 46,900 | (481,001) | - | - | - | - | (162,840) | 46,900 | (643,841) | (76,054) | (719,895) | (719,895) |
| Webtek | 100 | 645,132 | - | - | - | - | 55,882 | 100 | 701,014 | (128,145) | 572,869 | 572,869 |
| Forever | 50 | 1,568,742 | - | - | - | - | (53,455) | 50 | 1,515,287 | (186,173) | 1,329,114 | 1,329,114 |
| UCGI | 10,000 | (459,297) | 10,000 | 99,999 | 10,000 | - | (21,929) | 10,000 | (381,227) | - | (381,227) | (381,227) |
| Palcom | 10,000 | 105,623 | - | - | - | - | 6,801 | 10,000 | 112,424 | - | 112,424 | 112,424 |
| Mactech | 21,756 | 237,496 | - | 206 | - | 11,903 | 9,735 | 21,756 | 235,534 | - | 235,534 | 235,534 |
| GLB | 15,000 | 305,987 | - | - | - | - | 12,032 | 15,000 | 318,019 | - | 318,019 | 207,631 |
| Shennona | 2,600 | 695 | - | - | - | - | (84) | 2,600 | 611 | 611 | 1,222 | 1,222 |
| Hippo Screen | 4,200 | 34,869 | - | - | 2,100 | - | (17,920) | 2,100 | 16,949 | - | 16,949 | 4,475 |
| Shennona TW | 600 | 4,292 | - | - | - | - | (1,519) | 600 | 2,773 | - | 2,773 | 2,773 |
| Aco Smartcare | 100,000 | 85,978 | - | - | - | - | (12,414) | 100,000 | 73,564 | - | 73,564 | 45,751 |
| ARCE | - | - | 20,000 | 60,000 | - | - | (148) | 20,000 | 59,852 | - | 59,852 | 59,852 |
| CGSP | - | - | - | 37 | - | - | (37) | - | - | - | - | - |
| Raypal | - | - | 3,446 | 155,076 | - | - | (4,025) | 3,446 | 151,051 | - | 151,051 | 151,051 |
| Subtotal | | 86,691,696 | | 682,586 | | 840,978 | 3,966,905 | | 90,500,209 | (7,021,331) | 83,478,878 | |
| Exchange differences on transaction of foreign financial statements | | (3,927,334) | | - | | 3,093,997 | - | | (7,021,331) | - | (881,247) | |
| Less: Treasury shares held by subsidiaries | | (881,247) | | - | | - | - | | (881,247) | - | (881,247) | |
| Unrealized profits or losses | | (3,516) | | - | | 6,641 | - | | (10,157) | - | (10,157) | |
| Subtotal | | 81,879,599 | | 682,586 | | 3,941,616 | 3,966,905 | | 82,587,474 | | 82,587,474 | |
| Plus: Deduction of accounts receivable and other receivable – related parties | | 659,296 | | - | | - | - | | - | | 581,227 | |
| Plus: Credit balance of investment in equity method | | 891,274 | | - | | - | - | | - | | 789,148 | |
| Total | | \$ 83,430,169 | | | | | | | | | \$ 83,957,849 | |

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

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

Note 3 : The unit price is calculated by the closing price of the Taiwan Stock Exchange as of December 31, 2020.

Note 4 : The unit price is calculated by the closing price of Taipei Exchange as of December 31, 2020.

(Continued)

COMPAL ELECTRONICS, INC.

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

For the year ended December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

| Investee Company | Beginning Balance | | Increase (Note 1) | | Decrease (Note 2) | | Ending Balance | | Collaterals or Pledged |
|--|-----------------------------|----------------------------|-----------------------------|----------------------|-----------------------------|-----------------------|-----------------------------|-------------------------|-----------------------------------|
| | Number of Shares | Amount | Number of Shares | Amount | Number of Shares | Amount | Number of Shares | Amount | Assets |
| Kinpo | 124,044 | \$ 1,593,962 | - | - | - | 86,830 | 124,044 | 1,507,132 | None |
| Cal-Comp Electronics (Thailand) Public Co., Ltd. | 239,631 | 448,110 | - | 43,133 | - | - | 239,631 | 491,243 | None |
| Taiwan Star | 98,046 | 680,442 | - | 5,883 | - | - | 98,046 | 686,325 | None |
| Others | - | <u>296,879</u> | - | <u>30,278</u> | - | <u>130,736</u> | - | <u>196,421</u> | None |
| Total | | <u>\$ 3,019,393</u> | | <u>79,294</u> | | <u>217,566</u> | | <u>2,881,121</u> | |

Note 1: Increase included purchasing financial assets at fair value through other comprehensive income, deferred tax for unrealized gains and unrealized gains on financial instruments at fair value.

Note 2: Decrease included sale of financial assets at fair value through other comprehensive income, unrealized loss on financial instruments at fair value and proceeds of capital reduction of investments.

(Continued)

COMPAL ELECTRONICS, INC.

Statement of property, plant and equipment

For the year ended December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Please refer to Note (6)(i).

Statement of short-term borrowings

December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

| <u>Creditor</u> | <u>Description</u> | <u>Contract Period</u> | <u>Interest Rate</u> | <u>Loan Commitments</u> | <u>Collaterals or Pledged Assets</u> | <u>Ending balance</u> |
|--|--------------------|----------------------------|----------------------|-----------------------------|--|---------------------------|
| Taishin International Bank | Credit Loans | 2020.12~2021.01 | Note | \$ 3,000,000 | None | 2,848,000 |
| United Overseas Bank | " | 2020.12~2021.01 | " | 4,272,000 | None | 4,272,000 |
| Bank of China Limited | " | 2020.12~2021.01 | " | 6,265,600 | None | 2,848,000 |
| Cathay United Bank | " | 2020.12~2021.01 | " | 4,272,000 | None | 4,272,000 |
| The bank of Tokyo-Mitsubishi UFJ | | 2020.12~2021.01 | " | 4,272,000 | None | 4,272,000 |
| Bank of Communications CO., Ltd. | " | 2020.12~2021.01 | " | 2,848,000 | None | 2,848,000 |
| DBS Bank Limited | " | 2020.12~2021.01 | " | 2,848,000 | None | 2,819,520 |
| Taipei Fubon Commercial Bank CO. Ltd. | " | 2020.12~2021.01 | " | 1,851,200 | None | 1,851,200 |
| China Construction Bank Corporation | " | 2020.12~2021.01 | " | 4,272,000 | None | 4,272,000 |
| Land Bank of Taiwan | " | 2020.12~2021.01 | " | 5,000,000 | None | 4,556,800 |
| E.SUN Commercial Bank | " | 2020.12~2021.01 | " | 4,000,000 | None | 1,424,000 |
| Sumitomo Mitsui Banking Corporation | " | 2020.12~2021.01 | " | 7,120,000 | None | 6,550,400 |
| Shanghai Commercial and Savings Bank | " | 2020.12~2021.01 | " | 2,420,800 | None | 1,424,000 |
| Citibank Taiwan, Ltd. | " | 2020.12~2021.01 | " | 8,401,600 | None | 5,097,920 |
| Agricultural Bank of Taiwan | " | 2020.12~2021.02 | " | 1,550,000 | None | 1,509,440 |
| HSBC Bank (Taiwan) Limited | " | 2020.12~2021.02 | " | <u>5,696,000</u> | None | <u>5,126,400</u> |
| | | | | <u>\$ 68,089,200</u> | | <u>55,991,680</u> |

Note: The range of interest rates of aforementioned loans were 0.48%~1.00%.

(Continued)

COMPAL ELECTRONICS, INC.

Statement of notes and accounts payable

December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

| <u>Suppliers</u> | <u>Amount</u> |
|------------------|------------------------------|
| E Company | \$ 30,279,281 |
| I Company | 12,250,502 |
| A Company | 9,709,329 |
| D Company | 9,625,248 |
| J Company | 9,601,755 |
| B Company | 9,293,659 |
| C Company | 7,004,933 |
| Others (Note) | <u>13,060,514</u> |
| Total | <u>\$ 100,825,221</u> |

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

(Continued)

COMPAL ELECTRONICS, INC.

Statement of long-term borrowings

December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

| Creditor | Loan Commitments | Amount | | Contract Period | Interest Rate | Amount | Collaterals or Pledged Assets |
|--|----------------------|--------------------|-----------------------|-----------------|---------------|-------------------|-------------------------------|
| | | Loan within 1 year | Loan more than 1 year | | | | |
| Shanghai Commercial and Savings Bank | \$ 2,300,000 | - | 2,300,000 | 2020.06~2023.06 | Note | 2,300,000 | None |
| Bank of Taiwan | 4,000,000 | 2,258,800 | 1,650,000 | 2019.09~2022.09 | " | 3,908,800 | None |
| Taipei Fubon Commercial Bank CO. Ltd. | 2,000,000 | 939,840 | - | 2020.07~2022.07 | " | 939,840 | None |
| Mizuho Bank, Ltd. | 5,696,000 | 5,656,800 | - | 2020.05~2022.05 | " | 5,656,800 | None |
| CTBC Bank Co., Ltd. | 2,000,000 | - | 2,000,000 | 2020.11~2023.11 | " | 2,000,000 | None |
| Far Eastern International Bank Co., Ltd. | 1,000,000 | - | 1,000,000 | 2019.08~2022.08 | " | 1,000,000 | None |
| Bank SinoPac Co., Ltd. | <u>3,300,000</u> | <u>-</u> | <u>3,300,000</u> | 2019.03~2023.03 | " | <u>3,300,000</u> | None |
| | <u>\$ 20,296,000</u> | <u>8,855,440</u> | <u>10,250,000</u> | | | <u>19,105,440</u> | |

Note: The range of interest rates of aforementioned loans were 0.66%~0.98%.

Statement of lease liabilities

December 31, 2020

| Item | Description | Lease term | Discount rate | Ending balance |
|---------------------------------|------------------------------|------------|---------------|---------------------|
| Buildings | For office and factory space | 1~10 years | 1.2% | \$ 1,280,468 |
| Vehicles | For operating activities | 1~5 years | 1.2% | <u>18,060</u> |
| | | | | 1,298,528 |
| Less: Current portion | | | | <u>(202,113)</u> |
| Lease liabilities — Non Current | | | | <u>\$ 1,096,415</u> |

(Continued)

COMPAL ELECTRONICS, INC.

Statement of other payables

December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

| <u>Item</u> | <u>Description</u> | <u>Amount</u> |
|---|--|----------------------------|
| Payroll payables and year-end bonuses payable | Payroll for December 2020, estimated year-end bonuses for 2020, and employees and directors' compensations | \$ 3,873,936 |
| Technical service fee payables | | 988,765 |
| Others (Note) | Export expense payables and others | <u>4,366,838</u> |
| Total | | <u><u>\$ 9,229,539</u></u> |

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

Statement of operating revenue

For the year ended December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

| <u>Item</u> | <u>Quantity</u> | <u>Amount</u> |
|--------------------------------|-----------------|------------------------------|
| Sales revenue: | | |
| 5C electronic products | Note | \$ 991,194,015 |
| Others | | 114,212 |
| Less: Sales return | | (443,819) |
| Sales allowance | | <u>(662,378)</u> |
| Net sales | | 990,202,030 |
| Other operating revenue: | | |
| Service and processing revenue | | <u>1,077,240</u> |
| Net sales revenue | | <u><u>\$ 991,279,270</u></u> |

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

(Continued)

COMPAL ELECTRONICS, INC.

Statement of operating costs

For the year ended December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

| Item | Amount |
|---|------------------------------|
| Raw materials | |
| Raw materials, beginning of the year | \$ 37,621,576 |
| Add: Purchases | 627,925,144 |
| Less: Raw materials, end of the year | (44,603,184) |
| Transferred to operating expense | (16,821) |
| Cost of material sold | (2,785,177) |
| Scraps | (334,566) |
| Others | <u>(3,443)</u> |
| Raw materials used | 617,803,529 |
| Direct labor | 624,957 |
| Manufacturing expenses | <u>1,434,510</u> |
| Total Manufacturing costs | 619,862,996 |
| Add: Work-in-process, beginning of the year | 153,034 |
| Less: Work-in-process, end of the year | (685,002) |
| Scraps | <u>(4,662)</u> |
| Cost of finished goods | 619,326,366 |
| Add: Finished goods, beginning of the year | 13,492,637 |
| Purchases | 340,101,288 |
| Others | 863,305 |
| Less: Finished goods, end of the year | (11,758,417) |
| Scraps | (3,350) |
| Transferred to operating expense | <u>(373,513)</u> |
| Costs of sales of finished goods and processing costs | 961,648,316 |
| Maintenance costs | 3,243,437 |
| Cost of material sold | 2,785,177 |
| Allowance for obsolescence loss and inventory valuation | 35,077 |
| Scrap loss of inventory | <u>342,578</u> |
| Cost of sales | <u>\$ 968,054,585</u> |

(Continued)

COMPAL ELECTRONICS, INC.

Statement of operating expenses

For the year ended December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

| <u>Item</u> | <u>Selling expenses</u> | <u>Administrative expenses</u> | <u>Research and development expenses</u> |
|-------------------|-----------------------------|------------------------------------|--|
| Payroll expenses | \$ 336,384 | 1,338,561 | 7,346,416 |
| Export expenses | 218,903 | - | - |
| Royalty expenses | 203,682 | - | - |
| Research expenses | - | - | 1,185,001 |
| Shipping expenses | 2,530,981 | 1,519 | 272 |
| Sample expenses | 378,594 | 273 | 593 |
| Others (Note) | 37,285 | 922,502 | 2,637,352 |
| Total | \$ 3,705,829 | 2,262,855 | 11,169,634 |

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

(Continued)

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

Table 1 Loans to other parties:
(December 31, 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 | - | - | - | 21,366,501 | 42,733,002 | (Note 1) |
| 0 | The Company | UCGI | Other receivables | Y | 500,000 | 250,000 | 220,000 | 1.08%~1.20% | Short-term financing | - | Operating demand | - | - | - | 21,366,501 | 42,733,002 | (Note 1) |
| 0 | The Company | HengHao | Other receivables | Y | 400,000 | 200,000 | 200,000 | 1.08%~1.20% | Short-term financing | - | Operating demand | - | - | - | 21,366,501 | 42,733,002 | (Note 1) |
| 0 | The Company | CEB | Other receivables | Y | 3,013,500 | 1,424,000 | 1,424,000 | 2.05%~3.50% | Short-term financing | - | Operating demand | - | - | - | 21,366,501 | 42,733,002 | (Note 1) |
| 1 | CIH | CEP | Other receivables | Y | 163,655 | 56,960 | 56,960 | 3.50% | Short-term financing | - | Operating demand | - | - | - | 35,228,322 | 35,228,322 | (Note 2) |
| 2 | CPC | CDE | Other receivables | Y | 2,610,900 | 1,313,100 | 1,313,100 | 2.20% | Short-term financing | - | Operating demand | - | - | - | 1,987,846 | 1,987,846 | (Note 3) |
| 2 | CPC | CIC | Other receivables | Y | 437,900 | 437,700 | - | 2.20% | Short-term financing | - | Operating demand | - | - | - | 1,987,846 | 1,987,846 | (Note 3) |
| 3 | CIT | CCI Nanjing | Other receivables | Y | 4,154,500 | 1,993,600 | 1,606,272 | 2.00%~2.76% | Short-term financing | - | Operating demand | - | - | - | 20,913,770 | 20,913,770 | (Note 4) |
| 3 | CIT | Rayonnant (Taicang) | Other receivables | Y | 65,685 | 65,655 | 65,655 | 4.35% | Short-term financing | - | Operating demand | - | - | - | 20,913,770 | 20,913,770 | (Note 4) |
| 4 | CPO | HengHao Kunshan | Other receivables | Y | 1,642,410 | 966,800 | 966,800 | 2.00%~4.35% | Short-term financing | - | Operating demand | - | - | - | 2,810,936 | 2,810,936 | (Note 5) |
| 4 | CPO | CIT | Other receivables | Y | 656,850 | 656,550 | - | 2.20% | Short-term financing | - | Operating demand | - | - | - | 2,810,936 | 2,810,936 | (Note 5) |
| 5 | CET | BT | Other receivables | Y | 262,740 | 262,620 | 65,655 | 2.20% | Short-term financing | - | Operating demand | - | - | - | 4,761,295 | 4,761,295 | (Note 6) |
| 6 | CIC | HengHao Kunshan | Other receivables | Y | 582,000 | 569,600 | 569,600 | 2.00% | Short-term financing | - | Operating demand | - | - | - | 8,030,522 | 8,030,522 | (Note 7) |
| 7 | Panpal | HengHao | Other receivables | Y | 1,200,000 | 600,000 | 600,000 | 1.08%~1.2% | Short-term financing | - | Operating demand | - | - | - | 2,222,153 | 2,222,153 | (Note 8) |
| 8 | Arcadyan | Arcadyan Brasil | Other receivables | Y | 56,960 | - | - | 1.00% | Short-term financing | - | Operating financing | - | - | - | 2,321,872 | 4,643,744 | (Note 9) |
| 8 | Arcadyan | Arcadyan Brasil | Other receivables | Y | 56,960 | 56,960 | 37,024 | 1.00% | Short-term financing | - | Operating financing | - | - | - | 2,321,872 | 4,643,744 | (Note 9) |
| 8 | Arcadyan | Arcadyan UK | Other receivables | Y | 199,360 | - | - | 1.00% | Transaction for business between two parties | 4,272,000 | - | - | - | - | 2,321,872 | 4,643,744 | (Note 9) |
| 8 | Arcadyan | Arcadyan UK | Other receivables | Y | 284,800 | 284,800 | - | 1.00% | Transaction for business between two parties | 4,475,717 | - | - | - | - | 2,321,872 | 4,643,744 | (Note 9) |
| 8 | Arcadyan | Arcadyan Vietnam | Other receivables | Y | 256,320 | - | - | 1.00% | Transaction for business between two parties | 569,600 | - | - | - | - | 455,680 | 4,643,744 | (Note 9) |
| 8 | Arcadyan | Arcadyan Vietnam | Other receivables | Y | 256,320 | 256,320 | - | 1.00% | Transaction for business between two parties | 5,530,446 | - | - | - | - | 2,321,872 | 4,643,744 | (Note 9) |
| 8 | Arcadyan | Arcadyan Russia | Other receivables | Y | 56,960 | 56,960 | 6,925 | 1.00% | Transaction for business between two parties | 170,787 | - | - | - | - | 136,629 | 4,643,744 | (Note 9) |
| 9 | Zhi-bao | Arcadyan Brasil | Other receivables | Y | 31,328 | - | - | 1.00% | Short-term financing | - | Operating financing | - | - | - | 42,399 | 169,598 | (Note 10) |
| 10 | Arcadyan Holding | CNC | Other receivables | Y | 484,160 | - | - | 1.00% | Short-term financing | - | Operating financing | - | - | - | 2,287,344 | 2,287,344 | (Note 11) |
| 10 | Arcadyan Holding | CNC | Other receivables | Y | 484,160 | 484,160 | 484,160 | 1.00% | Short-term financing | - | Operating financing | - | - | - | 2,287,344 | 2,287,344 | (Note 11) |
| 11 | SVA | CNC | Other receivables | Y | 153,020 | 153,020 | 139,904 | 3.85% | Short-term financing | - | Operating financing | - | - | - | 164,728 | 164,728 | (Note 12) |

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

(Continued)

COMPAL ELECTRONICS, INC.

Notes to Parent-Company-Only Financial Statements

Table 1 Loans to other parties:

(December 31, 2020)

- 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.
- 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 CIC's Procedures for Lending Funds to Other parties, the total amount of loans to others shall not exceed 40% of the net worth of CIC. When a short-term financing facility with CIC 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 CIC'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 CIC, and shall be combined with the company's endorsements/guarantees for the borrower when calculating.
- Note 8: 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 9: 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 10: The total amount of loans to others shall not exceed 40% of the net worth of Zhi-bao. To borrowers having business relationship with Zhi-bao, 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-bao. When a short-term financing facility is necessary, the borrower should be the investee of parent company, and the total amount for lending the borrower shall not exceed 10% of the net worth of the borrower.
- Note 11: 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 12: According to SVA's Procedure for Lending Funds to Other Parties, the total amount of loans to others shall not exceed 40% of the net worth of SVA. To borrowers having business relationship with SVA, 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 SVA. Also, the amount shall be combined with the SVA's endorsements/guarantees for the borrower when calculating. When a short-term financing facility is necessary, the borrower should be the investee of the parent company. The total amount for lending the borrower shall not exceed 20% of the net worth of SVA, and shall be combined with SVA's endorsements/guarantees for the borrower when calculating. In addition, when lending to the parent company or its 100% directly and indirectly owned subsidiaries, the total amount or individual amount shall not exceed the net worth of the latest financial statements of SVA.

(Continued)

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

Table 2 Guarantees and endorsements for other parties:
(December 31, 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) | 26,708,126 | 60,500 | 56,960 | 56,960 | - | 0.05% | 53,416,252 | Y | - | - |
| 0 | The Company | CEP | (Note 2) | 26,708,126 | 190,295 | 157,837 | 157,837 | - | 0.15% | 53,416,252 | 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.
Notes to Parent-Company-Only Financial Statements

Table 3 Securities held as of December 31, 2020 (excluding investment in subsidiaries, associates and joint ventures):

(December 31, 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 | |
| The Company | Taiwan Star | - | Financial assets at fair value through other comprehensive income-non-current | 98,046 | 686,325 | 3% | 686,325 | |
| | Kinpo Electronics, Inc. ("Kinpo") | The same chairman of the Company | Financial assets at fair value through other comprehensive income-non-current | 124,044 | 1,507,132 | 9% | 1,507,132 | |
| | 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 | 491,243 | 5% | 491,243 | |
| | HWA VI Venture Capital Corp. | - | Financial assets at fair value through other comprehensive income-non-current | 290 | 26,701 | 10% | 26,701 | |
| | HWA Chi Venture Capital Corp. | - | Financial assets at fair value through other comprehensive income-non-current | 632 | 20,804 | 11% | 20,804 | |
| | mProbe Ltd. | - | Financial assets at fair value through other comprehensive income-non-current | 4,000 | 60,680 | 3% | 60,680 | |
| | Chen Feng Optoelectronics | - | Financial assets at fair value through other comprehensive income-non-current | 6,685 | 35,764 | 10% | 35,764 | |
| | PrimeSensor Technology Inc. | - | Financial assets at fair value through other comprehensive income-non-current | 663 | 6,920 | 3% | 6,920 | |
| | IIH Biomedical Venture Fund | - | Financial assets at fair value through profit or loss-non current | 2,500 | 23,450 | 8% | 23,450 | |
| | Phoenix Innovation Investment Corporation. | - | Financial assets at fair value through profit or loss-non current | 6,000 | 76,740 | 19% | 76,740 | |
| | Others | | Financial assets at fair value through profit or loss and other comprehensive income | | 104,131 | | | |
| | Total | | | | <u>3,039,890</u> | | | |
| Panpal | Compal Electronics, Inc. | The parent company | Financial assets at fair value through other comprehensive income-non-current | 31,648 | 655,115 | 1% | 655,115 | |
| | Kinpo | The same chairman of the Company | Financial assets at fair value through other comprehensive income-non-current | 23,172 | 281,546 | 2% | 281,546 | |
| | CDIB Partners Investment Holding Corp. | - | Financial assets at fair value through other comprehensive income-non-current | 54,000 | 827,820 | 5% | 827,820 | |
| | AcBel | The same chairman of the Company | Financial assets at fair value through other comprehensive income-non-current | 5,677 | 164,340 | 1% | 164,340 | |
| | Taiwan Biotech Co., Ltd. | - | Financial assets at fair value through other comprehensive income-non-current | 5,769 | 115,378 | 3% | 115,378 | |
| | Others | | Financial assets at fair value through other comprehensive income-non-current | | 197,139 | | | |
| Total | | | | <u>2,241,338</u> | | | | |

(Continued)

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

Table 3 Securities held as of December 31, 2020 (excluding investment in subsidiaries, associates and joint ventures):

(December 31, 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 | Compal Electronics, Inc. | The parent company | Financial assets at fair value through other comprehensive income-non-current | 18,369 | 380,246 | - | 380,246 | |
| | Lian Hong Art. Co., Ltd. | - | Financial assets at fair value through other comprehensive income-non-current | 2,140 | 175,783 | 6% | 175,783 | |
| | Others | | Financial assets at fair value through other comprehensive income-non-current | | 2,313 | | | |
| | Total | | | | <u>558,342</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% | - | |
| | AirHop Communication Inc. | - | Financial assets at fair value through profit or loss-non-current | 1,152 | - | 5% | - | |
| | Adant Technologies Inc. | - | Financial assets at fair value through profit or loss-non-current | 349 | - | 5% | - | |
| | IOT EYE, Inc. | - | Financial assets at fair value through profit or loss-non-current | 60 | - | 14% | - | |
| | TIEF FUND L.P. | - | Financial assets at fair value through profit or loss-non-current | - | 42,840 | 7% | 42,840 | |
| | Chimei Motor Electronics Co., LTD | - | Financial assets at fair value through other comprehensive income-non-current | 1,650 | 31,135 | 7% | 31,135 | |
| | Golden Smarhome Technology Corp. | - | Financial assets at fair value through other comprehensive income-non-current | 1,229 | - | 8% | - | |
| | Total | | | | <u>73,975</u> | | | |
| Mactech | Taichung International Golf Country Club | - | Financial assets at fair value through other comprehensive income-non-current | - | <u>7,920</u> | - | 7,920 | |
| HHB | HWALLAR OPTRONICS (Fuzhou) CO., LTD. | - | Financial assets at fair value through profit or loss-non-current | - | - | 19% | - | (Note 1) |
| Mithera | Beyond Limits, Inc. | - | Financial assets at fair value through other comprehensive income-non-current | 873 | <u>128,160</u> | - | 128,160 | |
| BT | Suzhou Genki Fuhong Health Management Co., Ltd. | - | Financial assets at fair value through other comprehensive income-non-current | - | <u>4,356</u> | 17% | 4,356 | |
| CIT | Structured deposits-Agricultural Bank of China "HuiLiFeng" customization RMB Structured Deposit | - | Financial assets at fair value through profit or loss-current | - | <u>1,470,031</u> | - | 1,470,031 | |

(Continued)

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

Table 3 Securities held as of December 31, 2020 (excluding investment in subsidiaries, associates and joint ventures):

(December 31, 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 | |
| CIC | Structured deposits–Agricultural Bank of China "HuiLiFeng" customization RMB Structured Deposit | - | Financial assets at fair value through profit or loss-current | - | <u>261,366</u> | - | 261,366 | |
| CET | Structured deposits–Agricultural Bank of China "HuiLiFeng" customization RMB Structured Deposit | - | Financial assets at fair value through profit or loss-current | - | <u>241,113</u> | - | 241,113 | |
| CNC | Structured deposits–Agricultural Bank of China "HuiLiFeng" customization RMB Structured Deposit | - | Financial assets at fair value through profit or loss-current | - | <u>130,875</u> | - | 130,875 | |
| CNC | Structured deposits–SPD Bank Yield Plus Structured Deposit | - | Financial assets at fair value through profit or loss-current | - | <u>130,799</u> | - | 130,799 | |

Note 1: The carrying value is the remaining amount after deducting accumulated impairment.

(Continued)

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

Table 4 Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock:
(For the year ended December 31, 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 | - | 385,196 | - | 784,688 | 779,209 | 5,479 (Note 2) | - | - | - | - |
| CIT | 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 | - | - | - | - | 3,152,190 | - | 1,743,032 | 1,711,984 | 31,048 (Note 2) | - | 29,825 (Note 1) | - | 1,470,031 |
| CIT | Structured deposits-SPD Bank Yield Plus Structured Deposit | Financial assets at fair value through profit or loss-current | Shanghai Pudong Development Bank | - | - | - | - | 855,992 | - | 863,317 | 855,992 | 7,325 (Note 2) | - | - | - | - |
| CIT | Structured deposits-Win-win Interest Rate Structure RMB Structural Deposits | Financial assets at fair value through profit or loss-current | China CITIC Bank | - | - | - | - | 641,994 | - | 646,956 | 641,994 | 4,962 (Note 2) | - | - | - | - |
| CEC | Structured deposits-Win-win Interest Rate Structure RMB Structural Deposits | Financial assets at fair value through profit or loss-current | China CITIC Bank | - | - | - | - | 1,044,310 | - | 1,061,102 | 1,044,310 | 16,792 (Note 2) | - | - | - | - |
| 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 | - | - | - | - | 941,591 | - | 958,576 | 941,591 | 16,985 (Note 2) | - | - | - | - |
| CPO | Structured deposits-Win-win Interest Rate Structure RMB Structural Deposits | Financial assets at fair value through profit or loss-current | China CITIC Bank | - | - | - | - | 342,397 | - | 346,182 | 342,397 | 3,785 (Note 2) | - | - | - | - |
| 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 | - | - | - | - | 427,996 | - | 436,110 | 427,996 | 8,114 (Note 2) | - | - | - | - |
| CIC | 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 | - | - | - | - | 804,633 | - | 554,026 | 547,835 | 6,191 (Note 2) | - | 4,568 (Note 1) | - | 261,366 |
| CET | Structured deposits-Agricultural Bank of China "HuiLiFeng" customization RMB structured deposit | Financial assets at fair value through profit or loss-current | Agricultural Bank of China | - | - | - | - | 449,395 | - | 217,649.00 | 213,998 | 3,651 (Note 2) | - | 5,716 (Note 1) | - | 241,113 |
| CET | Structured deposits-The RMB "Open on schedule" Financial Product | Financial assets at fair value through profit or loss-current | Bank of China | - | - | - | - | 855,992 | - | 867,292 | 855,992 | 11,300 (Note 2) | - | - | - | - |
| 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 | - | 427,996 | - | 871,923 | 865,836 | 6,087 (Note 2) | - | - | - | - |
| CET | Structured deposits-Win-win Interest Rate Structure RMB Structural Deposits | Financial assets at fair value through profit or loss-current | China CITIC Bank | - | - | - | - | 1,198,388 | - | 1,211,355 | 1,198,388 | 12,967 (Note 2) | - | - | - | - |

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.
Notes to Parent-Company-Only Financial Statements

Table 5 Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock:
(December 31, 2020)

(In Thousands of New Taiwan Dollars)

| Name of company | Name of property | Transaction date | Transaction amount | Status of payment | Counter-party | Relationship with the Company | If the counter-party is a related party, disclose the previous transfer information | | | | References for determining price | Purpose of acquisition and current condition | Others |
|------------------|---|------------------------|---|---------------------------------------|---|-------------------------------|---|-------------------------------|------------------|----------------|--|--|--------|
| | | | | | | | Owner | Relationship with the Company | Date of transfer | Amount | | | |
| CVC | Plant | September, 2020 | The maximum limit of the overall project is 100 million US dollars. | Depending on progress in construction | L&K Engineering Vietnam, LLC., and Vietnam Jih Giang Long, LLC. | Non-related party | Not applicable | Not applicable | Not applicable | Not applicable | Price negotiation | Operating purpose | None |
| Arcadyan Vietnam | Plant and mechanical and electrical equipment | July 28, 2020 (Note 1) | Estimated 794,885 (Note 2) | Depending on progress in construction | Giza E&C etc. | Non-related party | Not applicable | Not applicable | Not applicable | Not applicable | Price comparison and price negotiation | Manufacturing purpose | None |

Note 1: On July 28, 2020, the Board of Directors of Arcadyan Vietnam made a resolution to build plant by lease. The total contract amount is estimated to be 794,885 thousand (VND 691,204,153 thousand).

Note 2: As of December 31, 2020, contracts of hydrant, information equipment and renovation have not been signed and completed.

(Continued)

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

Table 6 Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

(For the year ended December 31, 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 | UCGI | Subsidiaries wholly owned by the Company | Sale | (362,834) | - | 120 days | Similar to non-related parties | There is no significant difference | 272,826 | 0.1% | |
| | CBN | The Company's subsidiaries | Sale | (613,725) | (0.1)% | 90 days | Similar to non-related parties | There is no significant difference | 293,229 | 0.1% | |
| | Cal-Comp | With the same chairman | Sale | (476,501) | - | 120 days | Similar to non-related parties | There is no significant difference. | 307,456 | 0.1% | |
| | CEP | Subsidiaries wholly owned by the Company | Purchase | 217,864 | - | 120 days | Similar to non-related parties | There is no significant difference, and adjustments will be made based on demand for funding if necessary | - | - | |
| | CIH and its subsidiaries | Subsidiaries wholly owned by the Company | Purchase | 131,063,501 | 13.5% | 120 days | Similar to non-related parties | There is no significant difference, and adjustments will be made based on demand for funding if necessary | (51,675,245) | (27.4)% | |
| | Just and its subsidiaries | Subsidiaries wholly owned by the Company | Purchase | 150,400,041 | 15.5% | 120 days | Similar to non-related parties | There is no significant difference, and adjustments will be made based on demand for funding if necessary | (6,550,748) | (3.5)% | |
| | HSI and its subsidiaries | Subsidiaries wholly owned by the Company | Purchase | 27,468,420 | 2.8% | 120 days | Similar to non-related parties | There is no significant difference, and adjustments will be made based on demand for funding if necessary | (13,129,981) | (7.0)% | |
| | BCI and its subsidiaries | Subsidiaries wholly owned by the Company | Purchase | 28,091,599 | 2.9% | 120 days | Markup based on BCI and its subsidiaries' cost | There is no significant difference, and adjustments will be made based on demand for funding if necessary | (10,533,140) | (5.6)% | |
| | Etrade and its subsidiaries | Subsidiaries wholly owned by the Company | Purchase | 28,106,438 | 2.9% | Net 60 days from purchase | Markup based on Etrade and its subsidiaries' cost | There is no significant difference, and adjustments will be made based on demand for funding if necessary | (3,767,885) | (2.0)% | |
| | Henghao | Subsidiaries wholly owned by the Company | Purchase | 120,250 | - | 120 days | Similar to non-related parties | There is no significant difference. | (5,448) | - | |
| Just and its subsidiaries | Palcom | Subsidiaries wholly owned by the Company | Sale | (101,649) | - | Net 60 days from delivery | Similar to non-related parties | There is no significant difference, and adjustments will be made based on demand for funding if necessary | 11,627 | - | |
| | Compal Electronic, Inc. | Parent company | Sale | (150,302,684) | (99.0)% | 120 days | Similar to non-related parties | There is no significant difference, and adjustments will be made based on demand for funding if necessary | 6,550,748 | 97.4% | |
| | CIH and its subsidiaries | With the same ultimate parent company | Sale | (1,433,990) | (0.9)% | 120 days | Similar to non-related parties | Adjustments will be made based on demand for funding | 1,136,914 | 2.5% | |
| | CIH and its subsidiaries | With the same ultimate parent company | Purchase | 1,363,778 | (0.9)% | 120 days | Similar to non-related parties | Adjustments will be made based on demand for funding | (1,288,223) | (2.0)% | |
| | HSI and its subsidiaries | With the same ultimate parent company | Purchase | 133,166 | (0.1)% | 120 days | Similar to non-related parties | Adjustments will be made based on demand for funding | (101,939) | (0.2)% | |
| CIH and its subsidiaries | Compal Electronic, Inc. | Parent company | Sale | (131,048,882) | (98.1)% | 120 days | Similar to non-related parties | There is no significant difference, and adjustments will be made based on demand for funding if necessary | 51,675,245 | 95.3% | |
| | CEB | With the same ultimate parent company | Sale | (151,865) | - | 120 days | Similar to non-related parties | There is no significant difference, and adjustments will be made based on demand for funding if necessary | 69,475 | 0.1% | |

(Continued)

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

Table 6 Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

(For the year ended December 31, 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) | |
| CIH and its subsidiaries | Just and its subsidiaries | With the same ultimate parent company | Sale | (1,377,997) | (0.3)% | 120 days | Similar to non-related parties | Adjustments will be made based on demand for funding | 1,288,223 | 1.0% | |
| | BCI and its subsidiaries | With the same ultimate parent company | Sale | (2,473,443) | (0.6)% | 120 days | Similar to non-related parties | There is no significant difference, and adjustments will be made based on demand for funding if necessary | 1,548,460 | 1.2% | |
| | BCI and its subsidiaries | With the same ultimate parent company | Purchase | 589,141 | 0.1% | 120 days | Similar to non-related parties | Adjustments will be made based on demand for funding | (5,576) | - | |
| | Just and its subsidiaries | With the same ultimate parent company | Purchase | 1,436,851 | 0.3% | 120 days | Similar to non-related parties | Adjustments will be made based on demand for funding | (1,136,914) | (0.9)% | |
| | HSI and its subsidiaries | With the same ultimate parent company | Sale | (3,061,483) | (0.7)% | 120 days | Similar to non-related parties | There is no significant difference, and adjustments will be made based on demand for funding if necessary | 2,539,028 | 2.0% | |
| CBN | Compal Electronic, Inc. | Parent company | Purchase | 610,939 | 32.0% | Net 90 days from delivery | - | There is no significant difference | (293,229) | (40.0)% | |
| BCI and its subsidiaries | Compal Electronic, Inc. | Parent company | Sale | (28,308,716) | (97.8)% | 120 days | Markup based on BCI and its subsidiaries' cost | Adjustments will be made based on demand for funding | 10,533,140 | 87.7% | |
| | CIH and its subsidiaries | With the same ultimate parent company | Sale | (427,368) | (0.4)% | 120 days | According to markup pricing | Adjustments will be made based on demand for funding | 5,576 | - | |
| | CIH and its subsidiaries | With the same ultimate parent company | Purchase | 2,472,797 | 2.1% | 120 days | According to markup pricing | Adjustments will be made based on demand for funding | (1,548,460) | (5.0)% | |
| | HSI and its subsidiaries | With the same ultimate parent company | Sale | (764,533) | (0.6)% | 120 days | According to markup pricing | Adjustments will be made based on demand for funding | 2,360,423 | 7.3% | |
| | CEB | With the same ultimate parent company | Sale | (986,502) | 0.8% | 120 days | According to markup pricing | There is no significant difference | 1,380,707 | (4.3)% | |
| CEB | BCI and its subsidiaries | With the same ultimate parent company | Purchase | 975,309 | 10.5% | 120 days | Similar to non-related parties | There is no significant difference | (1,380,707) | (43.5)% | |
| | CIH and its subsidiaries | With the same ultimate parent company | Purchase | 152,379 | 1.6% | 120 days | Similar to non-related parties | There is no significant difference | (69,475) | (4.7)% | |
| Errade and its subsidiaries | Compal Electronic, Inc. | Parent company | Sale | (28,152,136) | (99.6)% | Net 60 days from delivery | According to markup pricing | Adjustments will be made based on demand for funding | 3,767,885 | 98.6% | |
| | HSI and its subsidiaries | With the same ultimate parent company | Purchase | 489,035 | 2.2% | Net 60 days from purchase | Similar to non-related parties | Adjustments will be made based on demand for funding | (287,543) | (5.3)% | |
| UCGI | Compal Electronic, Inc. | Parent company | Purchase | 370,916 | 86.6% | 120 days | Similar to non-related parties | There is no significant difference | (272,826) | (99.9)% | |
| Palcom | Compal Electronic, Inc. | Parent company | Purchase | 101,823 | 94.2% | Net 60 days from purchase | Similar to non-related parties | There is no significant difference | (11,627) | (96.7)% | |
| Henghao | Compal Electronic, Inc. | Parent company | Sale | (119,412) | 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 | 5,448 | 0.2% | |
| CEP | Compal Electronic, Inc. | Parent company | Sale | (234,154) | (99.3)% | 120 days | Similar to non-related parties | There is no significant difference, and adjustments will be made based on demand for funding if necessary | - | - | |
| HSI and its subsidiaries | Compal Electronic, Inc. | Parent company | Sale | (27,689,174) | (97.7)% | 120 days | Similar to non-related parties | There is no significant difference, and adjustments will be made based on demand for funding if necessary | 13,129,981 | 97.2% | |
| | CIH and its subsidiaries | With the same ultimate parent company | Purchase | 3,064,654 | 10.5% | 120 days | Similar to non-related parties | There is no significant difference, and adjustments will be made based on demand for funding if necessary | (2,539,028) | (11.8)% | |

(Continued)

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

Table 6 Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

(For the year ended December 31, 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 | BCI and its subsidiaries | With the same ultimate parent company | Purchase | 759,770 | 2.6% | 120 days | Similar to non-related parties | There is no significant difference, and adjustments will be made based on demand for funding if necessary | (2,360,423) | (11.0)% | |
| | Just and its subsidiaries | With the same ultimate parent company | Sale | (138,402) | 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 | 101,939 | (0.8)% | |
| | Etrade and its subsidiaries | With the same ultimate parent company | Sale | (505,022) | (1.8)% | 120 days | Similar to non-related parties | There is no significant difference, and adjustments will be made based on demand for funding if necessary | 287,543 | 2.0% | |
| Arcadyan | Arcadyan Germany | Arcadyan's subsidiary | Sale | (867,017) | (3.0)% | Net 150 days from delivery | - | - | 242,935 | 4.0% | |
| | Arcadyan USA | Arcadyan's subsidiary | Sale | (5,413,289) | (18.0)% | Net 120 days from delivery | - | - | 1,039,758 | 17.0% | |
| | Arcadyan AU | Arcadyan's subsidiary | Sale | (1,394,596) | (5.0)% | Net 60 days from the end of the month | - | - | 22,357 | - | |
| | CNC | Arcadyan's subsidiary | Purchase | 11,026,936 | 27.0% | Net 120 days from delivery | According to markup pricing | - | (3,407,485) | (40.0)% | (Note 1) |
| | Arcadyan Vietnam | Arcadyan's subsidiary | Purchase | 1,065,328 | 3.0% | Net 180 days from the end of the month | According to markup pricing | - | (Note 2) | - | (Note 1) |
| CNC | Arcadyan | With the same ultimate parent company | Sale | (11,026,936) | (100.0)% | Net 120 days from delivery | According to markup pricing | - | 3,407,485 | 94.0% | (Note 1) |
| Arcadyan Vietnam | Arcadyan | With the same ultimate parent company | Sale | (1,065,328) | (100.0)% | Net 180 days from the end of the month | According to markup pricing | - | (Note 2) | - | (Note 1) |
| Arcadyan Germany | Arcadyan | With the same ultimate parent company | Purchase | 867,017 | 100.0% | Net 150 days from delivery | - | - | (242,935) | (100.0)% | |
| Arcadyan USA | Arcadyan | With the same ultimate parent company | Purchase | 5,413,289 | 100.0% | Net 120 days from delivery | - | - | (1,039,758) | (100.0)% | |
| Arcadyan AU | Arcadyan | With the same ultimate parent company | Purchase | 1,394,596 | 100.0% | Net 60 days from the end of the month of delivery | - | - | (22,357) | (100.0)% | |

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

Note 2: The amount of other receivables on December 31, 2020 is 303,959 thousand dollars.

(Continued)

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

Table 7 Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

(December 31, 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 | 293,229 | 1.97 | - | - | 176,313 (Note 1) | - |
| The Company | UCGI | The Company's subsidiary | 272,826 | 2.28 | - | - | - (Note 1) | - |
| The Company | Cal-comp | With the same chairman | 307,456 | 3.10 | - | - | - (Note 1) | - |
| Just and its subsidiaries | Compal Electronic, Inc. | Parent company | 6,550,748 | 7.39 | - | - | - (Note 1) | - |
| Just and its subsidiaries | CIH and its subsidiaries | With the same ultimate parent company | 1,136,914 | 2.52 | - | - | - (Note 1) | - |
| CIH and its subsidiaries | Compal Electronic, Inc. | Parent company | 51,675,245 | 2.44 | - | - | 51,675,245 (Note 1) | - |
| CIH and its subsidiaries | Just and its subsidiaries | With the same ultimate parent company | 1,288,223 | 2.14 | - | - | - (Note 1) | - |
| CIH and its subsidiaries | BCI and its subsidiaries | With the same ultimate parent company | 1,548,460 | 3.14 | - | - | - (Note 1) | - |
| CIH and its subsidiaries | HSI and its subsidiaries | With the same ultimate parent company | 2,539,028 | 2.35 | - | - | - (Note 1) | - |
| BCI and its subsidiaries | Compal Electronic, Inc. | Parent company | 10,533,140 | 3.03 | - | - | 10,533,140 (Note 1) | - |
| BCI and its subsidiaries | HSI and its subsidiaries | With the same ultimate parent company | 2,360,423 | 0.38 | - | - | - (Note 1) | - |
| BCI and its subsidiaries | CEB | With the same ultimate parent company | 1,380,707 | 0.92 | - | - | 200,985 (Note 1) | - |
| Etrade and its subsidiaries | Compal Electronic, Inc. | Parent company | 3,767,885 | 5.73 | - | - | - (Note 1) | - |
| HSI and its subsidiaries | Compal Electronic, Inc. | Parent company | 13,129,981 | 1.76 | - | - | 3,391,483 (Note 1) | - |
| HSI and its subsidiaries | Etrade and its subsidiaries | With the same ultimate parent company | 287,543 | 3.51 | - | - | 100,280 (Note 1) | - |
| HSI and its subsidiaries | Just and its subsidiaries | With the same ultimate parent company | 101,939 | 2.72 | - | - | 95,173 (Note 1) | - |
| Arcadyan | Arcadyan Germany | Arcadyan's subsidiary | 242,935 | 2.73 | - | - | 216,165 (Note 2) | - |
| Arcadyan | Arcadyan USA | Arcadyan's subsidiary | 1,039,758 | 2.91 | - | - | 1,019,515 (Note 2) | - |
| Arcadyan | Arcadyan Vietnam | Arcadyan's subsidiary | 303,959 (Note 3) | (Note 3) | - | - | 7,278 (Note 2) | - |
| CNC | Arcadyan | With the same ultimate parent company | 3,407,485 (Note 4) | 3.38 | - | - | 3,223,397 (Note 2) | - |

Note 1: Balance as of March 16, 2021.

Note 2: Balance as of February 26, 2021.

Note 3: Other receivables due to purchasing on behalf of related parties.

Note 4: Accounts receivables due to processing raw material.

(Continued)

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

Table 8 The information on investees for the year ended December 31, 2020 (excluding information on investees in Mainland China):

(December 31, 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 |
|------------------|------------------------|------------------------|---|----------------------------|-------------------|----------------|-------------------------|-----------------------|---------------------------------|-------------------------------------|------|
| | | | | December 31, 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% | 431,834 | 8,266 | 8,266 | |
| | Just | British Virgin Islands | Investment | 1,480,509 | 1,480,509 | 48,010 | 100% | 7,734,191 | 3,843 | 3,843 | |
| | CIH | British Virgin Islands | Investment | 1,787,680 | 1,787,680 | 53,001 | 100% | 35,241,171 | 2,502,193 | 2,502,193 | |
| | Panpal | Taipei City | Investment | 5,171,837 | 5,171,837 | 500,000 | 100% | 4,911,705 (Note 1) | 9,328 | (28,650) | |
| | Gempal | Taipei City | Investment | 900,036 | 900,036 | 90,000 | 100% | 1,729,287 (Note 1) | 137,732 | 115,689 | |
| | Kinpo Group management | Taipei City | Consultation, training services, etc. | 3,000 | 3,000 | 300 | 38% | 4,659 | 83 | 31 | |
| | Ripal | Tainan City | Manufacturing of electric appliance and audiovisual electric products | 60,000 | 60,000 | 6,000 | 100% | 83,481 | 12,248 | 6,849 | |
| | Unicore | Taipei City | Management&Consultant, rental and leasing business and wholesale and retail of medical equipments | 200,000 | 200,000 | 20,000 | 100% | 125,283 | (20,298) | (20,381) | |
| | 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% | 3,356,563 | - | - | |
| | Shenmona 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% | 2,773 | (1,340) | (1,519) | |
| | Allied Circuit | Taoyuan City | Production and sales of PCB boards | 395,388 | 395,388 | 10,158 | 20% | 390,455 | 531,744 | 108,556 | |
| | Maxima | Taipei City | Investment | 1,260 | 1,260 | 126 | 23% | 5,699 | 8,206 | 701 | |
| | 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% | 73,564 | (23,856) | (12,414) | |
| | Lipo | Cayman Islands | Investment | 489,450 | 489,450 | 98 | 49% | 575,047 | 119,774 | 58,689 | |
| | CPE | The Netherlands | Investment | 197,463 | 197,463 | 6,427 | 100% | 788,259 | 6,256 | 6,256 | |
| | ATK | Hsinchu City | Design, research & development, and selling of DVD, Combo, CD-RW Drives | - | - | - | - | - | 56 | 15 | |
| | 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% | 58,126 | 5,947 | 1,976 | |
| | Hong Ji | Taipei City | Investment | 1,000,000 | 1,000,000 | 100,000 | 100% | 1,141,439 | 110,567 | 110,567 | |
| | Hong Jin | Taipei City | Investment | 295,000 | 295,000 | 29,500 | 100% | 351,308 | 38,077 | 38,084 | |
| | Mactech | Taichung City | Manufacturing of equipment and lighting, retailing of equipment and international trading | 219,601 | 219,601 | 21,756 | 53% | 235,534 | 17,515 | 9,735 | |
| | Auscom | Austin, TX USA | R&D of notebook PC related products and components | 101,747 | 101,747 | 3,000 | 100% | 124,827 | 4,635 | 4,635 | |
| | 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% | 2,386,293 | 1,713,942 | 339,600 | |
| | FGH | British Virgin Islands | Investment | 2,754,741 | 2,754,741 | 89,755 | 100% | 4,796,528 | 112,909 | 112,909 | |
| | Shenmona | Delaware, USA | Medical care IOT business | 32,665 | 32,665 | 2,600 | 100% | 1,222 | (84) | (84) | |
| | HSI | British Virgin Islands | Investment | 1,346,814 | 1,346,814 | 42,700 | 54% | 357,637 | (190,132) | (162,171) | |
| | CEP | Poland | Maintenance and warranty services of notebook PCs | 90,156 | 90,156 | 136 | 100% | 18,666 | 842 | 2,244 | |

(Continued)

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

Table 8 The information on investees for the year ended December 31, 2020 (excluding information on investees in Mainland China):
(December 31, 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 |
|------------------|---|------------------------|--|----------------------------|-------------------|----------------|-------------------------|--------------------|---------------------------------|--|------|
| | | | | December 31, 2020 | December 31, 2019 | Shares | Percentage of Ownership | Carrying Value | | | |
| The Company | Hippo Screen | 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% | 16,949 | (26,086) | (17,920) | |
| | Infinno | Hsinchu County | Manufacturing of electronic components, wholesale and retail sale of precision instruments and electronic materials | 109,837 | 109,837 | 5,650 | 27% | 13,017 | (15,372) | (4,182) | |
| | HengHao | Taipei City | Manufacturing of PCs, computer periphery devices, and electronic components | 5,529,757 | 5,529,757 | 20,015 | 100% | (269,253) | 10,001 | 8,553 | |
| | BCI | British Virgin Islands | Investment | 2,636,051 | 2,636,051 | 90,820 | 100% | 6,462,523 | 613,030 | 613,030 | |
| | CBN | Hsinchu County | R&D and sales of cable modem, digital setup box, and other communication products | 284,827 | 284,827 | 29,060 | 43% | 713,557 | 46,723 | 20,297 | |
| | Rayonnant | Taipei City | Manufacturing and sales of PCs, computer periphery devices, and electronic components | 295,000 | 295,000 | 29,500 | 100% | 125,319 | 66,935 | 69,187 | |
| | CRH | British Virgin Islands | Investment | 377,328 | 377,328 | 12,500 | 100% | 191,019 | 68,396 | 68,396 | |
| | Acendant Private Equity Investment Ltd. ("APE") | British Virgin Islands | Investment | 943,922 | 943,922 | 31,253 | 35% | 994,883 | 142,340 | 49,423 | |
| | Etrade | British Virgin Islands | Investment | 1,532,029 | 1,532,029 | 46,900 | 65% | (719,895) | 155,770 | (162,840) | |
| | Webtek | British Virgin Islands | Investment | 3,340 | 3,340 | 100 | 100% | 572,869 | 55,882 | 55,882 | |
| | Forever | British Virgin Islands | Investment | 1,575 | 1,575 | 50 | 100% | 1,329,114 | (53,455) | (53,455) | |
| | UCGI | Taipei City | Manufacturing and retail sale of computers and electronic components | 199,999 | 100,000 | 10,000 | 100% | (381,227) | (22,052) | (21,929) | |
| | Palcom | Taipei City | Selling of mobile phones | 100,000 | 100,000 | 10,000 | 100% | 112,424 | 6,801 | 6,801 | |
| | Avalue | New Taipei City | Manufacturing, processing, and import and export business of industrial motherboards | 547,595 | 559,189 | 14,924 | 21% | 625,188 | 215,886 | 47,355 | |
| | CORE | British Virgin Islands | Investment | 4,318,860 | 4,318,860 | 147,000 | 100% | 7,356,671 | 74,866 | 74,866 | |
| | GLB | New Taipei City | Manufacturing and wholesale of medical equipment | 246,860 | 246,860 | 15,000 | 50% | 318,019 | 24,262 | 12,032 | |
| | CGSP | Poland | Maintenance and warranty services of notebook PCs | 37 | - | - | 100% | - | (37) | (37) | |
| | ARCE | Taipei City | Biotechnology services, research & development services, intellectual property rights, wholesale of animal medication, retail sale and management advisory. | 60,000 | - | 20,000 | 33% | 59,852 | (27,062) | (148) | |
| | Raypal | Taipei City | Cancerous immunocyte therapy and regenerative medicine | 155,076 | - | 3,446 | 30% | 151,051 | (38,071) | (4,025) | |
| | | | | | | | | 82,597,631 | | 3,966,905 | |
| 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% | 518,053 | 1,713,942 | Investment gain(losses) recognized by Panpal | |
| | Allied Circuit | Taoyuan City | Production and selling of PCB boards | 148,263 | 148,263 | 2,927 | 6% | 112,513 | 531,744 | Investment gain(losses) recognized by Panpal | |
| 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% | 306,536 611,802 | 1,713,942 | Investment gain(losses) recognized by Gempal | |

(Continued)

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

Table 8 The information on investees for the year ended December 31, 2020 (excluding information on investees in Mainland China):
(December 31, 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 |
|------------------|----------------------------|------------------------------|--|----------------------------|-------------------|----------------|-------------------------|-------------------|---------------------------------|---|------|
| | | | | December 31, 2020 | December 31, 2019 | Shares | Percentage of Ownership | Carrying Value | | | |
| Gempal | Allied Circuit | Taoyuan City | Production and selling of PCB boards | 53,645 | 53,645 | 3,220 | 6% | 123,764 | 531,744 | 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% | 611,802 | 1,713,942 | Investment gain(losses) recognized by Hong Ji | |
| Hong Jin | Allied Circuit Arcadyan | Taoyuan City Hsinchu City | Production and selling of PCB boards Telecommunication equipment and apparatus manufacturing, electronic parts and components manufacturing, restrained telecom radio frequency equipments and materials import and manufacturing | 10,389 131,942 | 12,274 131,942 | 851 4,609 | 2% 2% | 27,838 288,893 | 531,744 1,713,942 | Investment gain(losses) recognized by Hong Ji Investment gain(losses) recognized by Hong Jin | |
| Just | CDH (HK) | Hong Kong | Investment | 1,774,233 | 1,774,233 | 62,298 | 100% | 5,434,537 | (19,931) | Investment gain(losses) recognized by Just | |
| | CII | British Virgin Islands | Investment | 263,298 | 263,298 | 9,245 | 100% | 239,796 | (314) | Investment gain(losses) recognized by Just | |
| | CPI | British Virgin Islands | Investment | 14,240 | 14,240 | 500 | 100% | 852,569 | 9,450 | Investment gain(losses) recognized by Just | |
| CII | Smart | British Virgin Islands | Investment | 28 | 28 | 1 | 100% | 363 | (3) | Investment gain(losses) recognized by CII | |
| | AEI | U.S.A | Sales and maintenance of LCD TVs | 28,480 | 28,480 | 1,000 | 100% | 45,117 | (519) | Investment gain(losses) recognized by CII | |
| | MEL | U.S.A | Investment | 234,504 | 234,504 | - | 100% | 194,325 | 207 | Investment gain(losses) recognized by CII | |
| | MTL | U.S.A | Investment | 28 | 28 | - | 100% | 29 | - | Investment gain(losses) recognized by CII | |
| CIH | CIH (HK) | Hong Kong | Investment | 2,130,375 | 2,130,375 | 74,803 | 100% | 33,766,486 | 2,734,885 | Investment gain(losses) recognized by CIH | |
| | Jenpal | British Virgin Islands | Investment | 209,328 | 209,328 | 7,350 | 100% | 101,170 | 1,288 | Investment gain(losses) recognized by CIH | |
| | PFG | British Virgin Islands | Investment | 28 | 28 | 1 | 100% | 434,865 | 22,376 | Investment gain(losses) recognized by CIH | |
| | FWT | British Virgin Islands | Investment | 424,352 | 424,352 | 14,900 | 100% | 424,829 | 51 | Investment gain(losses) recognized by CIH | |
| | CCM | British Virgin Islands | Investment | 145,248 | 145,248 | 5,100 | 51% | 26,071 | 870 | Investment gain(losses) recognized by CIH | |
| HSI | IUE | British Virgin Islands | Investment | 1,908,160 | 1,908,160 | 67,000 | 100% | 1,111,077 | (213,296) | Investment gain(losses) recognized by HSI | |

(Continued)

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

Table 8 The information on investees for the year ended December 31, 2020 (excluding information on investees in Mainland China):
(December 31, 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 |
|------------------|------------------|------------------------|--|----------------------------|-------------------|----------------|-------------------------|----------------|---------------------------------|--|------|
| | | | | December 31, 2020 | December 31, 2019 | Shares | Percentage of Ownership | Carrying Value | | | |
| HSI | Goal | British Virgin Islands | Investment | 361,696 | 361,696 | 12,700 | 100% | 300,321 | (55,369) | Investment gain(losses) recognized by HSI | |
| IUE | CVC | Vietnam | R&D, manufacturing, sales, and maintenance of notebook PCs, computer monitors, LCD TVs and electronic components | 1,908,160 | 1,908,160 | 67,000 | 100% | 1,111,077 | (213,296) | Investment gain(losses) recognized by IUE | |
| Goal | CDM | Vietnam | Construction of and investment in infrastructure in Ba-Thien industrial district of Vietnam | 361,696 | 361,696 | 12,700 | 100% | 301,850 | (55,369) | Investment gain(losses) recognized by Goal | |
| BCI | CMI | British Virgin Islands | Investment | 2,301,754 | 2,301,754 | 80,820 | 100% | 4,045,228 | 396,577 | Investment gain(losses) recognized by BCI | |
| | PRI | British Virgin Islands | Investment | 284,800 | 284,800 | 10,000 | 100% | 2,417,295 | 216,453 | Investment gain(losses) recognized by BCI | |
| CORE | BSH | British Virgin Islands | Investment | 4,186,560 | 4,186,560 | 147,000 | 100% | 7,356,672 | 74,866 | Investment gain(losses) recognized by CORE | |
| BSH | Mithera | Cayman Islands | Investment | 142,400 | 142,400 | - | 99% | 136,264 | (3,109) | Investment gain(losses) recognized by BSH | |
| | HSI | British Virgin Islands | Investment | 1,053,760 | 1,053,760 | 37,000 | 46% | 1,053,760 | (190,132) | Investment gain(losses) recognized by BSH | |
| Forever | GIA | British Virgin Islands | Selling of mobile phones | - | - | - | 100% | - | - | Investment gain(losses) recognized by Forever | |
| | CWV | Vietnam | R&D, manufacturing, sales, and maintenance of notebook PCs, computer monitors, LCD TVs and electronic components | 56,960 | - | - | 100% | 3,203 | (55,790) | Investment gain(losses) recognized by Forever | |
| Webtek | Etrade | British Virgin Islands | Investment | 712,000 | 712,000 | 25,000 | 35% | (124,856) | 155,770 | Investment gain(losses) recognized by Webtek | |
| Unicore | Raycore | Taipei City | Animal medication retail and wholesale | 25,500 | 25,500 | 1,275 | 51% | 14,720 | (8,218) | Investment gain(losses) recognized by Unicore | |
| Arcadyan | Arcadyan Holding | British Virgin Islands | Investment | 2,359,732 | 2,064,032 | 69,780 | 100% | 2,240,149 | 95,019 | Investment gain(losses) recognized by Arcadyan | |
| | Arcadyan USA | U.S.A | Sales of wireless network products | 23,055 | 23,055 | 1 | 100% | 91,507 | 62,073 | Investment gain(losses) recognized by Arcadyan | |
| | Arcadyan Germany | Germany | Technology support and sales of wireless network products | 1,125 | 1,125 | 0.5 | 100% | 76,874 | 5,667 | Investment gain(losses) recognized by Arcadyan | |
| | Arcadyan Korea | Korea | Sales of wireless network products | 2,879 | 2,879 | 20 | 100% | 13,858 | 6,446 | Investment gain(losses) recognized by Arcadyan | |
| | Zhi-bao | Taipei City | Investment | 48,000 | 48,000 | 34,980 | 100% | 423,997 | 9,632 | Investment gain(losses) recognized by Arcadyan | |
| | TTI | Taipei City | R&D and sales of household digital products | 308,726 | 308,726 | 25,028 | 61% | 503,434 | (193,291) | Investment gain(losses) recognized by Arcadyan | |
| | AcBel Telecom | Taipei City | Investment | 23,000 | 23,000 | 4,494 | 51% | 32,700 | (16,432) | Investment gain(losses) recognized by Arcadyan | |

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

Table 8 The information on investees for the year ended December 31, 2020 (excluding information on investees in Mainland China):
(December 31, 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 |
|----------------------|-------------------|------------------------|---|----------------------------|-------------------|----------------|-------------------------|----------------|---------------------------------|--|----------|
| | | | | December 31, 2020 | December 31, 2019 | Shares | Percentage of Ownership | Carrying Value | | | |
| Arcadyan | Arcadyan UK | UK | Technical support of wireless network products | 1,988 | 1,988 | 50 | 100% | 3,555 | 446 | Investment gain(losses) recognized by Arcadyan | |
| | Arcadyan AU | Australia | Sales of wireless network products | 1,161 | 1,161 | 50 | 100% | 46,106 | 9,619 | Investment gain(losses) recognized by Arcadyan | |
| | CBN | Hsinchu County | Sales of communication and electronic components | 11,925 | 11,925 | 533 | 1% | 13,204 | 46,723 | Investment gain(losses) recognized by Arcadyan | |
| | Arcadyan RU | Russia | Sales of wireless network products | 2,492 | - | - | 100% | 2,142 | (243) | Investment gain(losses) recognized by Arcadyan | |
| Arcadyan and Zhi-bao | Arcadyan Brasil | Brazil | Sales of wireless network products | 81,593 | 81,593 | 968 | 100% | (16,192) | (10,717) | Investment gain(losses) recognized by Arcadyan | |
| Arcadyan Holding | Sinoprime | British Virgin Islands | Investment | 542,544 | 257,744 | 19,050 | 100% | 453,544 | (10,815) | Investment gain(losses) recognized by Arcadyan Holding | |
| | Arch Holding | British Virgin Islands | Investment | 313,593 | 313,593 | 35 | 100% | 886,668 | 62,526 | Investment gain(losses) recognized by Arcadyan Holding | |
| TTI | Quest | Samoa | Investment | 34,176 | 34,176 | 1,200 | 100% | 32,776 | (59,064) | Investment gain(losses) recognized by TTI | |
| | TTJC | Japan | Sales of household digital electronic products | 9,626 | 4,130 | 0.7 | 100% | 5,947 | (1,588) | Investment gain(losses) recognized by TTI | |
| Quest | Exquisite | Samoa | Investment | 33,322 | 33,322 | 1,170 | 100% | 19,908 | (59,068) | Investment gain(losses) recognized by Quest | |
| AcBel Telecom | Leading Images | British Virgin Islands | Investment | - | 1,424 | - | - | - | (14,432) | Investment gain(losses) recognized by AcBel Telecom | (Note 2) |
| Sinoprime | Arcadyan Vietnam | Vietnam | Manufacturing of wireless network products | 541,120 | 256,320 | - | 100% | 449,357 | (10,815) | Investment gain(losses) recognized by Sinoprime | |
| Leading Images | Astoria GmbH | Germany | Sales of wireless network products | - | 874 | - | - | - | (768) | Investment gain(losses) recognized by Leading Images | (Note 3) |
| Zhi-bao | CBN | Hsinchu County | Produces and sales of communication and electronic components | 36,272 | 36,272 | 13,140 | 20% | 325,386 | 46,723 | Investment gain(losses) recognized by Zhi-bao | |
| Rayonnant | APH | British Virgin Islands | Investment | 257,454 | 257,454 | 8,651 | 41% | 126,616 | 105,538 | Investment gain(losses) recognized by Rayonnant | |
| | Forming Co., Ltd. | Taoyuan City | R&D and manufacturing of electronic materials | 27,300 | 27,300 | 1,820 | 21% | - | - | Investment gain(losses) recognized by Rayonnant | |
| CRH | APH | British Virgin Islands | Investment | 356,000 | 356,000 | 12,500 | 59% | 191,019 | 105,538 | Investment gain(losses) recognized by CRH | |
| APH | PEL | British Virgin Islands | Investment | 89,740 | 89,740 | 3,151 | 100% | 38,083 | 3,973 | Investment gain(losses) recognized by APH | |
| | Rayonnant(HK) | Hong Kong | Investment | 512,640 | 512,640 | 18,000 | 100% | 271,991 | 101,565 | Investment gain(losses) recognized by APH | |

(Continued)

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

Table 8 The information on investees for the year ended December 31, 2020 (excluding information on investees in Mainland China):
(December 31, 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 |
|------------------|---|------------------------|--|----------------------------|-------------------|----------------|-------------------------|----------------|---------------------------------|---|------|
| | | | | December 31, 2020 | December 31, 2019 | Shares | Percentage of Ownership | Carrying Value | | | |
| HHT | HHA | British Virgin Islands | Investment | 1,429,235 | 1,429,235 | 46,882 | 100% | (183,304) | (163,529) | Investment gain(losses) recognized by HHT | |
| HHA | HHB | British Virgin Islands | Investment | 1,335,200 | 1,335,200 | 46,882 | 100% | (183,245) | (163,529) | Investment gain(losses) recognized by HHA | |
| HHB | HengHao Trading Co., Ltd. | British Virgin Islands | Investment | - | 285 | - | - | - | 5 | Investment gain(losses) recognized by HHB | |
| 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% | 6,321 | (256) | Investment gain(losses) recognized by CBN | |
| | CBNN | The Netherlands | The import and export business of broad band network products and related components, as well as technical support and advisory services | 7,016 | 7,016 | 20 | 100% | 6,848 | (135) | Investment gain(losses) recognized by CBN | |
| FGH | Wah Yuen Technology Holding Ltd. and its subsidiaries | Mauritius | Investment | 2,556,236 | 2,556,236 | 95,862 | 37% | 4,861,814 | 112,954 | Investment gain(losses) recognized by FGH | |
| GLB | Rapha | New Taipei City | Detectors and test strip | 6,500 | 6,500 | 1,275 | 100% | (36) | (334) | Investment gain(losses) recognized by GLB | |
| Mactech | Taiwan Intelligent Robotics Company, LTD. | Taipei City City | Manufacturing of equipment | 43,200 | 43,200 | 2,160 | 20% | 28,103 | (38,817) | 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 liquidation procedures had been completed on December 7, 2020.

Note 3: The liquidation procedures had been completed on October 14, 2020.

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

Table 9 Information on investment in Mainland China:

(December 31, 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 December 31, 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 | 1,053,760 | (Note 1) | 1,053,760 | - | - | 1,053,760 | 143,952 | 100% | 143,952 | 1,995,724 | - |
| CDT | Manufacturing and sales of notebook PCs, mobile phones, and Digital products | 569,600 | (Note 2) | 569,600 | - | - | 569,600 | (3,408) | 100% | (3,408) | 102,664 | - |
| CET | Manufacturing of notebook PCs | 341,760 | (Note 2) | 341,760 | - | - | 341,760 | 381,455 | 100% | 381,455 | 4,768,823 | - |
| CSD | Manufacturing of notebook PCs | 261,340 | (Note 2) | (Note 3) | - | - | - | 207,001 | 100% | 207,001 | 13,366 | - |
| 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 | 68,715 | (Note 2) | (Note 3) | - | - | - | (1,831) | 51% | (934) | (43,177) | - |
| BT | Maintenance and warranty service of notebook PCs | 28,480 | (Note 2) | 28,480 | - | - | 28,480 | 39,641 | 100% | 39,641 | (190,957) | - |
| CGS | Production and processing chipresistors, ceramic capacitors, diodes, and other latest electronic components and related precision electronic equipment; selling self-produced products | 8,711 | (Note 2) | (Note 3) | - | - | - | 1,960 | 100% | 1,960 | (25,586) | - |
| 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 | 911,360 | (Note 1) | 379,638 | - | - | 379,638 | 92,284 | 43% | 39,848 | 426,972 | - |
| LIZ Electronics (Nantong) Co., Ltd. | Research, manufacture and sales of communication devices, mobile phones, electronic computer, smart watch, and provide related technology service | 569,600 | (Note 1) | 41,866 | - | - | 41,866 | 129,313 | 48% | 61,553 | 460,351 | - |
| CIC | Manufacturing of notebook PCs | 341,760 | (Note 2) | 341,760 | - | - | 341,760 | 916,689 | 100% | 916,689 | 8,030,522 | - |
| CPO | Manufacturing and sales of LCD TVs | 344,608 | (Note 1) | 344,608 | - | - | 344,608 | (25) | 100% | (25) | 2,810,923 | - |
| CIT | Manufacturing of notebook PCs | 683,520 | (Note 2) | 683,520 | - | - | 683,520 | 1,454,332 | 100% | 1,454,328 | 20,913,770 | - |

(Continued)

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

Table 9 Information on investment in Mainland China:

(December 31, 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 December 31, 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 | 39,872 | (Note 2) | 39,872 | - | - | 39,872 | 3,123 | 100% | 3,123 | 48,065 | - |
| 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 | 284,800 | (Note 2) | 145,248 | - | - | 145,248 | (2,107) | 51% | (1,517) | 29,890 | - |
| CIJ | Investment and consulting services | 444,288 | (Note 2) | 444,288 | - | - | 444,288 | (220,802) | 100% | (220,802) | 578,414 | - |
| CDE | Manufacturing and sales of LCD TVs | 427,200 | (Note 2) | (Note 3) | - | - | - | (222,067) | 100% | (222,067) | 545,268 | - |
| CIS | Outward investment and consulting services | 2,301,754 | (Note 1) | 2,301,754 | - | - | 2,301,754 | 396,577 | 100% | 396,577 | 4,045,228 | - |
| CEC | R&D and manufacturing of notebook PCs, tablet PCs, digital products, network switches, wireless AP, and automobile electronic products | 2,278,400 | (Note 2) | (Note 3) | - | - | - | 396,303 | 100% | 396,303 | 4,016,319 | - |
| CMC | Corporate management consulting, financial and tax consulting, investment consulting, and investment management consulting services | 22,784 | (Note 2) | (Note 3) | - | - | - | 211 | 100% | 211 | 22,844 | - |
| CEQ | R&D, manufacturing and sales of notebook PCs and related components. Also provides related maintenance and warranty services | 284,800 | (Note 1) | 284,800 | - | - | 284,800 | 216,453 | 100% | 216,453 | 2,417,295 | - |
| CPM | Manufacturing and selling of magnesium alloy injection molding | 11,961,600 | (Note 2) | 2,353,217 | - | - | 2,353,217 | 356,025 | 37% | 138,213 | 5,905,294 | - |
| Changbao | Production and marketing of magnesium alloy molding | 1,708,800 | (Note 2) | 326,267 | - | - | 326,267 | (227,797) | 37% | (83,419) | 810,695 | - |
| Rayonnant (Taicang) | Manufacturing and sales of aluminum alloy and magnesium alloy products | 512,640 | (Note 2) | 356,000 | - | - | 356,000 | 101,565 | 100% | 101,565 | 272,548 | - |
| CCI Nanjing | Manufacturing and processing of mobile phones and tablet PCs | 768,960 | (Note 1) | 626,560 | - | - | 626,560 | (59,301) | 100% | (59,301) | (935,877) | - |
| CDCN | Manufacturing and processing of mobile phones and tablet PCs | 165,184 | (Note 1) | 165,184 | - | - | 165,184 | 1,774 | 100% | 1,774 | 86,422 | - |
| CWCN | Manufacturing and processing of mobile phones and tablet PCs | 1,395,520 | (Note 1) | 541,120 | - | - | 541,120 | 219,725 | 100% | 219,725 | 460,044 | - |

(Continued)

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

Table 9 Information on investment in Mainland China:

(December 31, 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 January 1, 2020 | Investment flows | | Accumulated outflow of investment from December 31, 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 | 56,960 | (Note 1) | 56,960 | - | - | 56,960 | (172) | 100% | (172) | 2,856 | - |
| Arcadyan SVA Arcadyan | R&D and sales of wireless network products | 373,088 | (Note 1) | 524,602 (Note 7) | - | - | 524,602 | 35,282 | 100% | 35,282 | 164,728 | - |
| CNC | Manufacturing and wireless network products | 354,576 | (Note 1) | 313,593 (Note 8) | - | - | 313,593 | 62,526 | 100% | 62,526 | 886,668 | - |
| THAC | Manufacturing of household electronics products | 95,408 | (Note 1 - 10) | 32,752 | - | - | 32,752 | (59,068) | 100% | (59,068) | 19,423 | - |
| HengHao HengHao Optoelectronic Technology (Kunshan) Co., Ltd. ("HengHao Kunshan") | Production of touch panels and related components | 1,139,200 | (Note 1) | 1,133,589 | - | - | 1,133,589 | (165,830) | 100% | (165,830) | (311,685) | - |
| Lucom Display Technology (Kunshan) Limited("Lucom") | Manufacturing of notebook PCs and related modules | 427,200 | (Note 2) | 185,092 (Note 12) | - | - | 185,092 | 2,276 | 100% | 2,276 | 128,188 | - |

(ii) Limitation on investment in Mainland China:

(In Thousands of USD)

| Names of Company | Accumulated Investment in Mainland China as of December 31, 2020 | 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 | 15,451,454 (US\$542,537) (Note 5) | 21,549,449 (US\$756,652) | (Note 6) |
| Arcadyan | 870,947 (US\$30,581) | 870,947 (US\$30,581) | 6,965,617 |
| HengHao | 1,334,915 (US\$46,872) | 1,334,915 (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) was determined based on the financial report audited by the CPAs.

Note 5: Including the investment amount of sold or dissolved companies, including Beijing Compower Xuntong Electronic Technology Co., Ltd., VAP Optoelectronics (NanJing) Corp., Flextronics Technology (Shanghai) Ltd., Lucom, LCFC (HeFei) Electronics Technology Co., Ltd. and the increased investment amount 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 December 31, 2020.

(iii) Significant transactions:

For the year ended December 31, 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".