

Stock Code:2324

**COMPAL ELECTRONICS, INC.
AND SUBSIDIARIES**

Consolidated Financial Statements

**With Independent Auditors' Review Report
For the Three Months Ended March 31, 2020 and 2019**

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Independent Auditors' Review Report

To COMPAL ELECTRONICS, INC.:

Introduction

We have reviewed the accompanying consolidated balance sheets of COMPAL ELECTRONICS, INC. and its subsidiaries (the "Group") as of March 31, 2020 and 2019, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2020 and 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

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

Basis for Qualified Conclusion

As stated in Note 4(b), the consolidated financial statements included the financial statements of certain non-significant subsidiaries, which were not reviewed by independent auditors. These financial statements reflect total assets amounting to \$17,064,073 thousand and \$20,423,715 thousand, constituting 4.8% and 5.2% of consolidated total assets as of March 31, 2020 and 2019, respectively, total liabilities amounting to \$1,844,274 thousand and \$4,898,000 thousand, constituting 0.8% and 1.8% of consolidated total liabilities as of March 31, 2020 and 2019, respectively, and the absolute value of total comprehensive income (loss) amounting to \$(521,729) thousand and \$(67,800) thousand, constituting 188.2% and 2.8% of consolidated total comprehensive income (loss) for the three months ended March 31, 2020 and 2019, respectively.

Qualified Conclusion

Except for the adjustments, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries described in the Basis for Qualified Conclusion paragraph above been reviewed by independent auditors, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of COMPAL ELECTRONICS, INC. and its subsidiaries as of March 31, 2020 and 2019, and of its consolidated financial performance and its consolidated cash flows for the three months ended March 31, 2020 and 2019 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

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



Taipei, Taiwan (Republic of China)
May 13, 2020

Notes to Readers

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

Reviewed only, not audited in accordance with the generally accepted auditing standards as of March 31, 2020 and 2019

COMPAL ELECTRONICS, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

March 31, 2020, December 31, 2019, and March 31, 2019

(Expressed in Thousands of New Taiwan Dollars)

		March 31, 2020		December 31, 2019		March 31, 2019				March 31, 2020		December 31, 2019		March 31, 2019	
		Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Assets															
Current assets:															
1100	Cash and cash equivalents (note (6)(a))	\$ 64,247,326	18.1	66,559,397	17.4	65,617,467	16.8	2100	Short-term borrowings (note (6)(m))	\$ 43,900,240	12.4	60,951,844	15.9	67,763,121	17.4
1110	Current financial assets at fair value through profit or loss (note (6)(b))	3,719,795	1.1	1,346,379	0.4	4,044,240	1.0	2120	Current financial liabilities at fair value through profit or loss (note (6)(b))	8,378	-	5,854	-	989	-
1135	Current derivative financial assets for hedging (note (6)(d))	73,688	-	61	-	227	-	2125	Current derivative financial liabilities for hedging (note (6)(d))	-	-	4,932	-	2,217	-
1136	Current financial assets at amortized cost (note (6)(e))	-	-	-	-	350,000	0.1	2130	Current contract liabilities (note (6)(w))	705,049	0.2	956,455	0.2	1,463,635	0.4
1170	Notes and accounts receivable, net (note (6)(f))	154,469,155	43.5	191,692,152	50.1	182,776,607	46.9	2170	Notes and accounts payable	140,553,785	39.6	142,940,869	37.4	151,741,350	38.9
1180	Notes and accounts receivable due from related parties, net (notes (6)(f) and (7))	23,392	-	44,512	-	23,207	-	2180	Notes and accounts payable to related parties (note (7))	1,641,260	0.5	1,504,908	0.4	1,558,333	0.4
1200	Other receivables, net (notes (6)(f) and (7))	1,846,080	0.5	2,006,113	0.5	2,684,835	0.7	2200	Other payables (note (7))	17,619,794	5.0	21,916,668	5.7	17,776,350	4.6
1310	Inventories (note (6)(g))	88,009,608	24.8	78,433,538	20.5	92,043,682	23.6	2216	Dividends payable	5,866,927	1.7	17	-	-	-
1470	Other current assets (note (8))	3,805,860	1.1	3,072,661	0.8	3,056,916	0.8	2230	Current tax liabilities	4,610,173	1.3	4,428,716	1.2	3,926,974	1.0
		<u>316,194,904</u>	<u>89.1</u>	<u>343,154,813</u>	<u>89.7</u>	<u>350,597,181</u>	<u>89.9</u>	2250	Current provisions (note (6)(q))	887,359	0.3	830,757	0.2	463,162	0.1
Non-current assets:															
1550	Investments accounted for using equity method (note (6)(h))	7,188,657	2.0	7,319,086	1.9	7,509,300	1.9	2280	Current lease liabilities (note (6)(p))	458,232	0.1	717,021	0.1	630,120	0.2
1510	Non-current financial assets at fair value through profit or loss (note (6)(b))	169,579	-	115,359	-	91,419	-	2300	Other current liabilities	1,864,251	0.5	1,990,243	0.5	2,773,575	0.7
1517	Non-current financial assets at fair value through other comprehensive income (note (6)(c))	4,085,776	1.2	4,928,053	1.3	5,487,217	1.4	2365	Current refund liabilities	1,474,556	0.3	1,382,374	0.4	1,578,204	0.4
1600	Property, plant and equipment (notes (6)(k) and (8))	19,934,781	5.6	19,972,347	5.2	20,405,435	5.2	2322	Long-term borrowings, current portion (note (6)(n))	<u>13,877,175</u>	<u>3.9</u>	<u>18,189,375</u>	<u>4.8</u>	<u>10,086,875</u>	<u>2.6</u>
1755	Right-of-use assets (note (6)(l))	3,546,682	1.0	3,350,172	0.9	2,848,983	0.7			<u>233,467,179</u>	<u>65.8</u>	<u>255,820,033</u>	<u>66.8</u>	<u>259,764,905</u>	<u>66.7</u>
1780	Intangible assets	1,624,402	0.4	1,553,342	0.4	1,695,903	0.4	Non-Current liabilities:							
1840	Deferred tax assets	1,626,586	0.5	1,637,626	0.4	1,025,119	0.3	2530	Bonds payable (note (6)(o))	969,905	0.3	966,492	0.3	-	-
1990	Other non-current assets (note (8))	566,290	0.2	617,621	0.2	609,221	0.2	2540	Long-term borrowings (note (6)(n))	7,709,619	2.2	7,559,063	2.0	12,238,594	3.1
		<u>38,742,753</u>	<u>10.9</u>	<u>39,493,606</u>	<u>10.3</u>	<u>39,672,597</u>	<u>10.1</u>	2570	Deferred tax liabilities	944,917	0.3	1,009,218	0.3	503,020	0.1
								2580	Non-current lease liabilities (note (6)(p))	1,705,134	0.4	1,550,067	0.4	1,268,571	0.3
								2640	Non-current net defined benefit liability (note (6)(r))	733,459	0.2	738,164	0.2	706,649	0.2
								2670	Non-current liabilities, others (note (6)(h))	216,210	-	246,038	-	194,473	-
										<u>12,279,244</u>	<u>3.4</u>	<u>12,069,042</u>	<u>3.2</u>	<u>14,911,307</u>	<u>3.7</u>
										<u>245,746,423</u>	<u>69.2</u>	<u>267,889,075</u>	<u>70.0</u>	<u>274,676,212</u>	<u>70.4</u>
									Total liabilities						
									Equity:						
									Equity attributable to owners of parent (notes (6)(t) and (6)(u)):						
								3110	Ordinary share	44,071,466	12.4	44,071,466	11.5	44,071,466	11.3
								3200	Capital surplus	8,338,999	2.3	9,159,259	2.4	9,933,014	2.5
								3300	Retained earnings	53,924,166	15.2	57,726,604	15.1	61,396,881	15.7
								3400	Other equity interest	(4,657,206)	(1.3)	(4,103,449)	(1.1)	(6,700,115)	(1.7)
								3500	Treasury shares	(881,247)	(0.2)	(881,247)	(0.2)	(881,247)	(0.2)
										<u>100,796,178</u>	<u>28.4</u>	<u>105,972,633</u>	<u>27.7</u>	<u>107,819,999</u>	<u>27.6</u>
								36XX	Non-controlling interests	8,395,056	2.4	8,786,711	2.3	7,773,567	2.0
									Total equity	109,191,234	30.8	114,759,344	30.0	115,593,566	29.6
									Total liabilities and equity	<u>\$ 354,937,657</u>	<u>100.</u>	<u>382,648,419</u>	<u>100.0</u>	<u>390,269,778</u>	<u>100.</u>

See accompanying notes to consolidated financial statements.

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

COMPAL ELECTRONICS, INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the three months ended March 31, 2020 and 2019

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

		For the three months ended March 31			
		2020		2019	
		Amount	%	Amount	%
4000	Net sales revenue (notes (6)(w) and (7))	\$ 182,047,046	100.0	210,600,553	100.0
5000	Cost of sales (notes (6)(g),(6)(r), (7) and (12))	<u>176,101,135</u>	96.7	<u>202,938,374</u>	96.4
	Gross profit	<u>5,945,911</u>	3.3	<u>7,662,179</u>	3.6
	Operating expenses: (notes (6)(p), (6)(r) and (12))				
6100	Selling expenses	790,605	0.4	1,059,264	0.5
6200	Administrative expenses	1,068,185	0.6	939,683	0.4
6300	Research and development expenses	<u>3,181,272</u>	1.8	<u>3,241,734</u>	1.5
		<u>5,040,062</u>	2.8	<u>5,240,681</u>	2.4
	Net operating income	<u>905,849</u>	0.5	<u>2,421,498</u>	1.2
	Non-operating income and expenses:				
7020	Other gains and losses, net (notes (6)(d), (6)(h), (6)(y) and (6)(aa))	(53,973)	-	61,820	-
7050	Finance costs (notes (6)(m) and (6)(n))	(382,778)	(0.2)	(739,401)	(0.4)
7190	Other income (note (6)(y))	547,284	0.3	428,564	0.2
7590	Miscellaneous disbursements	(6,893)	-	(598)	-
7770	Share of profit (loss) of associates and joint ventures accounted for using equity method (note (6)(h))	<u>79,171</u>	-	<u>(62,083)</u>	-
	Total non-operating income and expenses	<u>182,811</u>	0.1	<u>(311,698)</u>	(0.2)
7900	Profit from continuing operations before tax	1,088,660	0.6	2,109,800	1.0
7950	Less: Income tax expenses (note (6)(s))	<u>317,358</u>	0.2	<u>450,099</u>	0.2
	Profit	<u>771,302</u>	0.4	<u>1,659,701</u>	0.8
8300	Other comprehensive income:				
8310	Components of other comprehensive income that will not be reclassified to profit or loss				
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(860,814)	(0.5)	315,189	0.1
8320	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	(87,988)	-	37,119	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (note (6)(s))	<u>(54,963)</u>	-	<u>15,695</u>	-
	Components of other comprehensive income that will not be reclassified to profit or loss	<u>(893,839)</u>	(0.5)	<u>336,613</u>	0.1
8360	Components of other comprehensive income (loss) that will be reclassified to profit or loss				
8361	Exchange differences on translation of foreign financial statements	381,246	0.3	248,015	0.1
8368	Gains (losses) on hedging instrument (note (6)(z))	78,559	-	(1,990)	-
8370	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	(58,268)	-	164,782	0.1
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss (note (6)(s))	<u>1,842</u>	-	<u>873</u>	-
	Components of other comprehensive income that will be reclassified to profit or loss	<u>399,695</u>	0.3	<u>409,934</u>	0.2
8300	Other comprehensive income	<u>(494,144)</u>	(0.2)	<u>746,547</u>	0.3
8500	Total comprehensive income	<u>\$ 277,158</u>	<u>0.2</u>	<u>2,406,248</u>	<u>1.1</u>
	Profit, attributable to:				
8610	Profit, attributable to owners of parent	\$ 605,011	0.3	1,350,258	0.7
8620	Profit, attributable to non-controlling interests	<u>166,291</u>	0.1	<u>309,443</u>	0.1
		<u>\$ 771,302</u>	<u>0.4</u>	<u>1,659,701</u>	<u>0.8</u>
	Comprehensive income attributable to:				
8710	Comprehensive income (loss), attributable to owners of parent	\$ 51,428	-	2,095,773	1.0
8720	Comprehensive income (loss), attributable to non-controlling interests	<u>225,730</u>	0.2	<u>310,475</u>	0.1
		<u>\$ 277,158</u>	<u>0.2</u>	<u>2,406,248</u>	<u>1.1</u>
	Earnings per share (note 6(v))				
9750	Basic earnings per share	<u>\$ 0.14</u>		<u>0.31</u>	
9850	Diluted earnings per share	<u>\$ 0.14</u>		<u>0.31</u>	

See accompanying notes to consolidated financial statements.

Reviewed only, not audited in accordance with generally accepted auditing standards
COMPAL ELECTRONICS, INC. AND SUBSIDIARIES
Consolidated Statements of Changes in Equity
For the three months ended March 31, 2020 and 2019
(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent												Non-control interests	Total equity
	Retained earnings						Total other equity interest							
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensiv e income	Others	Total other equity interest	Treasury shares	Total equity attributable to owners of parent		
Balance at January 1, 2019	\$ 44,071,466	9,932,434	18,827,814	8,831,148	32,401,419	60,060,381	(1,852,952)	(5,606,436)	-	(7,459,388)	(881,247)	105,723,646	7,438,202	113,161,848
Profit for the three months ended March 31, 2019	-	-	-	-	1,350,258	1,350,258	-	-	-	-	-	1,350,258	309,443	1,659,701
Other comprehensive income	-	-	-	-	451	451	409,477	336,288	(701)	745,064	-	745,515	1,032	746,547
Total comprehensive income	-	-	-	-	1,350,709	1,350,709	409,477	336,288	(701)	745,064	-	2,095,773	310,475	2,406,248
Changes in ownership interests in subsidiaries	-	580	-	-	-	-	-	-	-	-	-	580	-	580
Disposal of investments in equity instruments measured at fair value through other comprehensive income	-	-	-	-	(14,209)	(14,209)	-	14,209	-	14,209	-	-	-	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	24,890	24,890
Balance at March 31, 2019	\$ 44,071,466	9,933,014	18,827,814	8,831,148	33,737,919	61,396,881	(1,443,475)	(5,255,939)	(701)	(6,700,115)	(881,247)	107,819,999	7,773,567	115,593,566
Balance at January 1, 2020	\$ 44,071,466	9,159,259	19,719,150	7,467,831	30,539,623	57,726,604	(3,794,980)	(306,763)	(1,706)	(4,103,449)	(881,247)	105,972,633	8,786,711	114,759,344
Profit for the three months ended March 31, 2020	-	-	-	-	605,011	605,011	-	-	-	-	-	605,011	166,291	771,302
Other comprehensive income	-	-	-	-	174	174	316,260	(893,999)	23,982	(553,757)	-	(553,583)	59,439	(494,144)
Total comprehensive income	-	-	-	-	605,185	605,185	316,260	(893,999)	23,982	(553,757)	-	51,428	225,730	277,158
Appropriation and distribution of retained earnings:														
Cash dividends of ordinary share	-	-	-	-	(4,407,147)	(4,407,147)	-	-	-	-	-	(4,407,147)	-	(4,407,147)
Cash dividends from capital surplus	-	(881,429)	-	-	-	-	-	-	-	-	-	(881,429)	-	(881,429)
Changes in ownership interests in subsidiaries	-	974	-	-	-	-	-	-	-	-	-	974	-	974
Changes in equity of associates and joint ventures accounted for using equity method	-	174	-	-	(476)	(476)	-	-	-	-	-	(302)	-	(302)
Adjustments of capital surplus for cash dividends received by subsidiaries	-	60,021	-	-	-	-	-	-	-	-	-	60,021	-	60,021
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(617,385)	(617,385)
Balance at March 31, 2020	\$ 44,071,466	8,338,999	19,719,150	7,467,831	26,737,185	53,924,166	(3,478,720)	(1,200,762)	22,276	(4,657,206)	(881,247)	100,796,178	8,395,056	109,191,234

See accompanying notes to consolidated financial statements.

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

COMPAL ELECTRONICS, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the three months ended March 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	For the three months ended March 31	
	2020	2019
Cash flows from (used in) operating activities:		
Profit before tax	\$ 1,088,660	2,109,800
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation and amortization	1,531,865	1,499,139
Increase (decrease) in expected credit loss	(1,724)	9,339
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	5,780	(62,021)
Finance cost	382,778	739,401
Interest income	(479,243)	(379,750)
Compensation cost of share-based payments	22,573	25,112
Share of loss (profit) of associates and joint ventures accounted for using equity method	(79,171)	62,083
Gain on disposal of property, plant and equipment	(1,088)	(969)
Gain on disposal of investments	(4,899)	-
Total adjustments to reconcile profit (loss)	1,376,871	1,892,334
Changes in operating assets and liabilities:		
Changes in operating assets:		
Decrease (increase) in financial assets at fair value through profit or loss	(2,373,416)	311,420
Decrease (increase) in notes and accounts receivable	37,247,762	20,960,308
Decrease (increase) in other receivables	243,717	(1,050,630)
Decrease (increase) in inventories	(9,576,070)	(12,894,760)
Decrease (increase) in other current assets	(733,199)	(157,587)
Decrease (increase) in other non-current assets	32,703	(21,532)
Total changes in operating assets	24,841,497	7,147,219
Changes in operating liabilities:		
Increase (decrease) in financial liabilities at fair value through profit or loss	2,524	(25,924)
Increase (decrease) in notes and accounts payable	(2,250,732)	(977,030)
Increase (decrease) in other payables	(3,938,012)	(1,651,874)
Increase (decrease) in refund liabilities	92,182	(1,628)
Increase (decrease) in provisions	56,602	36,181
Increase (decrease) in contract liabilities	(251,406)	(12,669)
Increase (decrease) in other current liabilities	(125,992)	(481,560)
Others	(4,705)	(3,455)
Total changes in operating liabilities	(6,419,539)	(3,117,959)
Total changes in operating assets and liabilities	18,421,958	4,029,260
Total adjustments	19,798,829	5,921,594
Cash inflow (outflow) generated from operations	20,887,489	8,031,394
Interest received	454,057	412,870
Interest paid	(460,387)	(883,025)
Income taxes paid	(99,719)	(175,827)
Net cash flows from (used in) operating activities	20,781,440	7,385,412
Cash flows from (used in) investing activities:		
Acquisition of financial assets at fair value through profit or loss and through other comprehensive income	(77,434)	(25,524)
Proceeds from disposal of financial assets at fair value through profit or loss and through other comprehensive income	-	326,928
Acquisition of investments accounted for using equity method	-	(6,000)
Proceeds from disposal of investments accounted for using equity method	8,306	-
Acquisition of property, plant and equipment	(1,360,573)	(1,037,784)
Proceeds from disposal of property, plant and equipment	46,905	3,891
Acquisition of intangible assets	(177,398)	(286,942)
Acquisition of right-of-use assets	(323,472)	(78,910)
Others	18,629	6,138
Net cash flows from (used in) investing activities	(1,865,037)	(1,098,203)
Cash flows from (used in) financing activities:		
Increase (decrease) in short-term borrowings	(17,051,604)	(4,587,076)
Proceeds from long-term borrowings	21,954,500	5,601,675
Repayments of long-term borrowings	(26,116,144)	(11,810,269)
Payment of lease liabilities	(226,597)	(191,259)
Change in non-controlling interests	-	1,259
Others	(30,262)	(43,851)
Net cash flows from (used in) financing activities	(21,470,107)	(11,029,521)
Effect of exchange rate changes on cash and cash equivalents	241,633	63,234
Net increase (decrease) in cash and cash equivalents	(2,312,071)	(4,679,078)
Cash and cash equivalents at beginning of period	66,559,397	70,296,545
Cash and cash equivalents at end of period	\$ 64,247,326	65,617,467

See accompanying notes to consolidated financial statements.

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

COMPAL ELECTRONICS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

March 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 and its subsidiaries (together referred to as the “Group” and individually as the (“Group entities”) primarily are involved in the manufacture and sale of notebook personal computers (“notebook PCs”), monitors, LCD TVs, mobile phones and various components and peripherals.

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

These consolidated financial statements were authorized for issuance by the Board of Directors and issued on May 13, 2020.

(3) New standards, amendments and interpretations adopted:

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2020.

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

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

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

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

(Continued)

COMPAL ELECTRONICS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

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

<u>Issuance / Release Dates</u>	<u>Standards or Interpretations</u>	<u>Content of amendment</u>
January 23, 2022	Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.

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

(4) Summary of significant accounting policies:

(a) Statement of compliance

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

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

(Continued)

COMPAL ELECTRONICS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(b) Basis of consolidation

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

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

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

(Continued)

COMPAL ELECTRONICS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

(Continued)

COMPAL ELECTRONICS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Name of investor	Name of Subsidiary	Nature of Operation	Percentage of ownership			Description
			March 31, 2020	December 31, 2019	March 31, 2019	
Just	Compal Display Holding (HK) Limited ("CDH (HK)")	Investment	100%	100%	100%	
"	Compal Electronics International Ltd. ("CII")	"	100%	100%	100%	
"	Compal International Ltd. ("CPI")	"	100%	100%	100%	(note 2)
CDH (HK)	Compal Electronics (China) Co., Ltd. ("CPC")	Manufacturing and sales of monitors	100%	100%	100%	
"	Compal Optoelectronics (Kunshan) Co., Ltd. ("CPO")	Manufacturing and sales of LCD TVs	100%	100%	100%	
"	Compal System Trading (Kunshan) Co., Ltd. ("CST")	International trade and distribution of computers and electronic components	100%	100%	100%	
CPC	Compal Smart Device (Chongqing) Co., Ltd. ("CSD")	Research, manufacture and sales of communication devices, mobile phones, electronic computer, smart watch, and provide related technical service	100%	100%	100%	
CII	Smart International Trading Ltd. ("Smart")	Investment	100%	100%	100%	
"	Amexcom Electronics Inc. ("AEI")	Sales and maintenance of LCD TVs	100%	100%	100%	
"	Mexcom Electronics, LLC ("MEL")	Investment	100%	100%	100%	
"	Mexcom Technologies, LLC ("MTL")	"	100%	100%	100%	
MEL and MTL	CENA Electromex S.A. de C.V. ("CMX")	Manufacturing, sales, and maintenance of LCD TVs	-	-	100%	CMX was disposed in August 2019.
CIH	Compal International Holding (HK) Limited ("CIH (HK)")	Investment	100%	100%	100%	
"	Jenpal International Ltd. ("Jenpal")	"	100%	100%	100%	
"	Prospect Fortune Group Ltd. ("PFG")	"	100%	100%	100%	(note 2)
"	Fortune Way Technology Corp. ("FWT")	"	100%	100%	100%	
CIH (HK)	Compal Electronics Technology (Kunshan) Co., Ltd. ("CET")	Manufacturing of notebook PCs	100%	100%	100%	
"	Compal Information (Kunshan) Co., Ltd. ("CIC")	"	100%	100%	100%	
"	Compal Information Technology (Kunshan) Co., Ltd. ("CIT")	"	100%	100%	100%	
"	Kunshan Botai Electronics Co., Ltd. ("BT")	"	100%	100%	100%	
"	Compal Information Research and Development (Nanjing) Co., Ltd. ("CIN")	Software and hardware R&D of computers, mobile phones and electronic components	-	-	100%	The liquidation procedures had been completed in September 2019.

(Continued)

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

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

(Continued)

COMPAL ELECTRONICS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Name of investor	Name of Subsidiary	Nature of Operation	Percentage of ownership			Description
			March 31, 2020	December 31, 2019	March 31, 2019	
Arcadyan	Arcadyan Technology Limited ("Arcadyan UK")	Technical support of wireless network products	100%	100%	100%	(notes 1 and 2)
"	Arcadyan Technology Australia Pty Ltd. ("Arcadyan AU")	Sales of wireless network products	100%	100%	100%	(notes 1 and 2)
Arcadyan and Zhi-pal	Arcadyan do Brasil Ltda. ("Arcadyan Brasil")	Sales of wireless network products	100%	100%	100%	(notes 1 and 2)
Arcadyan	Zhi-pal Technology Inc. ("Zhi-pal")	Investment	100%	100%	100%	(notes 1 and 2)
"	Tatung Technology Inc. ("TTI")	R&D and sales of household digital electronic products	61%	61%	61%	
"	AcBel Telecom Inc. ("AcBel Telecom")	Investment	51%	51%	51%	(notes 1 and 2)
The Company, Arcadyan, and its subsidiaries	Compal Broadband Network Inc. ("CBN")	R&D and sales of cable modem, digital set-up box, and other communication products	64%	64%	64%	
CBN	Speedlink Tradings Limited ("Speedlink")	Import and export business	-	-	100%	The shares were recovered in November 2019. In the first quarter of 2020, the liquidation procedures had been completed.
"	Compal Broadband Networks Belgium BVBA ("CBNB")	Import and export business, technical support and consulting service of broadband networks	100%	100%	100%	
"	Compal Broadband Networks Netherlands B.V. ("CBNN")	"	100%	100%	-	CBNN was established in February 2019.
Arcadyan Holding	Sinoprime Global Inc. ("Sinoprime")	Investment	100%	100%	100%	(notes 1 and 2)
"	Arcadyan Technology (Shanghai) Corp. ("SVA Arcadyan")	R&D and sales of wireless network products	100%	100%	100%	
"	Arch Holding (BVI) Corp. ("Arch Holding")	Investment	100%	100%	100%	
Arch Holding	Compal Networking (Kunshan) Co., Ltd. ("CNC")	Manufacturing of wireless network products	100%	100%	100%	
Sinoprime	Arcadyan Technology (Vietnam) Co., Ltd. ("Arcadyan Vietnam")	Manufacturing of wireless network products	100%	100%	100%	(note 1)
AcBel Telecom	Leading Images Ltd. ("Leading Images")	Investment	100%	100%	100%	(notes 1 and 2)
Leading Images	Astoria Networks GmbH ("Astoria GmbH")	Sales of wireless network products	100%	100%	100%	Astoria GmbH applied for liquidation in December 2018. As of March 31, 2020, Astoria GmbH has yet to complete its liquidation procedures. (notes 1 and 2)
TTI	Quest International Group Co., Ltd. ("Quest")	Investment	100%	100%	100%	
"	Tatung Technology of Japan Co., Ltd. ("TTJC")	Sales of household digital electronic products	100%	100%	100%	(notes 1 and 2)
Quest	Exquisite Electronic Co., Ltd. ("Exquisite")	Investment	100%	100%	100%	

(Continued)

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

Name of investor	Name of Subsidiary	Nature of Operation	Percentage of ownership			Description
			March 31, 2020	December 31, 2019	March 31, 2019	
Exquisite	Tatung Home Appliances (Wujiang) Co., Ltd. ("THAC")	Manufacturing of household digital electronic products	100%	100%	100%	
HSI	Intelligent Universal Enterprise Ltd. ("IUE")	Investment	100%	100%	100%	
"	Goal Reach Enterprises Ltd. ("Goal")	"	100%	100%	100%	
IUE	Compal (Vietnam) Co., Ltd. ("CVC")	R&D, manufacturing, sales, and maintenance of notebook PCs, computer monitors, LCD TVs and electronic components	100%	100%	100%	
Goal	Compal Development & Management ("Vietnam") Co., Ltd. ("CDM")	Construction of and investment in infrastructure in Ba-Thien industrial district of Vietnam	100%	100%	100%	
Rayonnant Technology and CRH	Allied Power Holding Corp. ("APH")	Investment	100%	100%	100%	
APH	Primetek Enterprises Limited ("PEL")	"	100%	100%	100%	
"	Rayonnant Technology (HK) Co., Ltd. ("Rayonnant Technology (HK)")	"	100%	100%	100%	
Rayonnant Technology (HK)	Rayonnant Technology (Taicang) Co., Ltd. ("Rayonnant Technology (Taicang)")	Manufacturing and sales of aluminum alloy and magnesium alloy products	100%	100%	100%	
HengHao	HengHao Holdings A Co., Ltd. ("HHA")	Investment	100%	100%	100%	
HHA	HengHao Holdings B Co., Ltd. ("HHB")	"	100%	100%	100%	
HHB	HengHao Trading Co., Ltd.	Marketing and international trade	100%	100%	100%	
"	HengHao Optoelectronics Technology (Kunshan) Co., Ltd. ("HengHao Kunshan")	Production of touch panels and related components	100%	100%	100%	
"	Lucom Display Technology (Kunshan) Limited ("Lucom")	Manufacturing of touch panels and LCD TVs	100%	100%	100%	
BCI	Center Mind International Co., Ltd. ("CMI")	Investment	100%	100%	100%	
"	Prisco International Co., Ltd. ("PRI")	"	100%	100%	100%	
CMI	Compal Investment (Sichuan) Co., Ltd. ("CIS")	Outward investment and consulting services	100%	100%	100%	
PRI	Compal Electronics (Chongqing) Co., Ltd. ("CEQ")	R&D, manufacturing and sales of notebook PCs, related components, related maintenance and warranty services	100%	100%	100%	
CIS	Compal Electronics (Chengdu) Co., Ltd. ("CEC")	R&D and manufacturing of notebook PCs, tablet PCs, digital products, network switches, wireless AP, and automobile electronic products	100%	100%	100%	

(Continued)

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

Name of investor	Name of Subsidiary	Nature of Operation	Percentage of ownership			Description
			March 31, 2020	December 31, 2019	March 31, 2019	
CIS	Compal Management (Chengdu) Co., Ltd. ("CMC")	Corporate management consulting, training and education, business information consulting, financial and tax consulting, investment consulting, and investment management services	100%	100%	100%	
CORE	Billion Sea Holdings Limited ("BSH")	Investment	100%	100%	100%	
BSH	Mithera Capital Io LP ("Mithera")	Investment	99%	99%	-	Mithera was established in June 2019.
GLB	Rapha Bio Ltd. ("RBL")	Detector and feature	100%	100%	100%	
Unicore	Raycore Biotech Co., Ltd. ("Raycore")	Animal medication retail and wholesale	51%	51%	51%	

Note 1: The financial statements of the subsidiary as of March 31, 2020 have not been reviewed by CPA.

Note 2: The financial statements of the subsidiary as of March 31, 2019 have not been reviewed by CPA.

(c) Income taxes

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

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

For a change in tax rate that is substantively enacted in an interim period, the effect of the change should immediately be recognized in the interim period in which the change occurs.

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

(d) Employee benefits

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

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

The preparation of the consolidated financial statements in conformity with Regulations as well as IFRSs (in accordance with IAS 34 endorsed by the FSC) requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

(Continued)

COMPAL ELECTRONICS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

(6) Explanation of significant accounts:

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

(a) Cash and cash equivalents

	March 31, 2020	December 31, 2019	March 31, 2019
Cash on hand	\$ 14,653	19,217	19,705
Checking accounts and demand deposits	12,231,341	10,455,819	6,359,755
Time deposits	49,785,672	56,034,361	59,138,607
Bonds purchased under resale agreements	2,215,660	50,000	99,400
	<u>\$ 64,247,326</u>	<u>66,559,397</u>	<u>65,617,467</u>

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

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

	March 31, 2020	December 31, 2019	March 31, 2019
Mandatorily measured at fair value through profit or loss:			
Non-derivative financial assets			
Structured deposits	\$ 3,485,186	1,330,458	3,549,103
Stock listed in domestic markets	-	-	378,385
Stock unlisted in domestic markets	80,445	24,350	-
Fund in domestic or foreign markets	89,134	91,009	91,419
Derivative instruments not used for hedging			
Foreign exchange contracts	225,628	466	116,752
Swap contracts	8,981	15,455	-
Total	<u>\$ 3,889,374</u>	<u>1,461,738</u>	<u>4,135,659</u>
Current	\$ 3,719,795	1,346,379	4,044,240
Non-current	169,579	115,359	91,419
	<u>\$ 3,889,374</u>	<u>1,461,738</u>	<u>4,135,659</u>

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COMPAL ELECTRONICS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

	March 31, 2020	December 31, 2019	March 31, 2019
Financial liabilities held-for-trading:			
Derivative instruments not used for hedging			
Foreign exchange contracts	\$ 2,145	5,854	-
Swap contracts	6,233	-	989
Total	\$ 8,378	5,854	989

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

	March 31, 2020		
Contract amount (in thousand)	Currency	Maturity date	
Derivative financial assets:			
Foreign exchange contracts:			
Forward exchange sold	EUR20,000	EUR to USD	April 10~June 29, 2020
Forward exchange sold	EUR6,000	EUR to TWD	April 14~April 27, 2020
Forward exchange purchased	USD518	USD to MXN	May 28, 2020
Forward exchange purchased	USD64,000	USD to BRL	April 1~September 23, 2020
Swap contracts:			
Currency swap	USD64,000	USD to TWD	April 14~October 14, 2020
Derivative financial liabilities:			
Foreign exchange contracts:			
Forward exchange sold	EUR10,000	EUR to USD	April 29~May 28, 2020
Forward exchange purchased	USD1,643	USD to BRL	June 29, 2020
Swap contracts:			
Currency swap	USD47,000	USD to TWD	April 13~June 29, 2020

(Continued)

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

	December 31, 2019		
	<u>Contract amount (in thousand)</u>	<u>Currency</u>	<u>Maturity date</u>
Derivative financial assets:			
Foreign exchange contracts:			
Forward exchange purchased	USD84,500	USD to BRL	January 14~May 26, 2020
Swap contracts:			
Currency swap	USD55,000	USD to TWD	January 13~March 30, 2020
Derivative financial liabilities:			
Foreign exchange contracts:			
Forward exchange sold	EUR21,000	EUR to USD	January 10~March 13, 2020
Forward exchange purchased	USD1,000	USD to BRL	September 23, 2020
	March 31, 2019		
	<u>Contract amount (in thousand)</u>	<u>Currency</u>	<u>Maturity date</u>
Derivative financial assets:			
Foreign exchange contracts:			
Forward exchange sold	EUR63,500	EUR to USD	April 10~July 5, 2019
Forward exchange sold	USD2,039	USD to JPY	July 6, 2019
Forward exchange purchased	USD5,265	USD to MXN	May 14~May 30, 2019
Forward exchange purchased	USD136,500	USD to BRL	April 1~August 6, 2019
Derivative financial liabilities:			
Swap contracts:			
Currency swap	USD10,000	USD to TWD	April 12, 2019

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

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

(Continued)

COMPAL ELECTRONICS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

	<u>March 31,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>	<u>March 31,</u> <u>2019</u>
Equity investments at fair value through other comprehensive income:			
Stock listed in domestic markets	\$ 1,564,992	2,055,890	2,969,920
Stock listed in foreign markets	301,935	448,110	414,561
Stock unlisted in domestic markets	2,045,027	2,246,932	2,050,888
Stock unlisted in foreign markets	173,822	177,121	51,848
Total	<u>\$ 4,085,776</u>	<u>4,928,053</u>	<u>5,487,217</u>

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

During the first quarter of 2020, the Group did not sold any of its financial assets measured at fair value through other comprehensive income. During the period, no cumulative profits and losses had been transferred to retained earnings from other comprehensive income.

During the first quarter of 2019, the Group had sold all of its shareholdings in PrimeSensor Technology Inc., which were measured at fair value through other comprehensive income. The fair value of the shares was \$791 when disposed and the cumulative losses amounted to \$14,209, 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 Group, the increase (decrease) in other comprehensive income (pre-tax) for the three months ended March 31, 2020 and 2019, will be \$204,289 and \$274,361, respectively. These analyses are performed on the same basis for the period and assume that all other variables remain the same.

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

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

(d) Financial instruments used for hedging

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

	<u>March 31,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>	<u>March 31,</u> <u>2019</u>
Cash flow hedge:			
Financial assets used for hedging:			
Forward exchange contracts	<u>\$ 73,688</u>	<u>61</u>	<u>227</u>
Financial liabilities used for hedging:			
Forward exchange contracts	<u>\$ -</u>	<u>4,932</u>	<u>2,217</u>

(Continued)

COMPAL ELECTRONICS, INC. AND SUBSIDIARIES

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	March 31, 2019			
	Contract amount	Currency	Maturity	Average
	(in thousands)			
Derivative financial assets used for hedging				
Foreign exchange contracts:				
Forward exchange purchased	USD1,602	USD to MXN	June 28, 2019	19.53
Derivative financial liabilities used for hedging				
Foreign exchange contracts:				
Forward exchange purchased	USD15,666	USD to MXN	April 30~May 31, 2019	19.57

(iii) For the three months ended March 31, 2020 and 2019, the ineffective portion of cash flow hedge recognized in profits (losses) amounted of \$(1,080) and \$367, respectively, recorded as “other gains and losses, net” .

(iv) For the three months ended March 31, 2020 and 2019, the profits (losses) of changes in fair value of derivative financial instruments used for hedging reclassified from other equity to profit or loss is recognized as revenue in the statement of comprehensive income. Please refer to note (6)(z).

(e) Current financial assets measured at amortized costs

	March 31, 2020	December 31, 2019	March 31, 2019
Common bonds – Taiwan Star Telecom Corporation Limited (“Taiwan Star”)	\$ -	-	350,000

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

As of March 31, 2019, the Group did not provide the aforementioned financial assets as collaterals for its loans.

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COMPAL ELECTRONICS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(f) Notes and accounts receivable

	<u>March 31,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>	<u>March 31,</u> <u>2019</u>
Notes receivables from operating activities	\$ 96,549	42,418	43,264
Accounts receivables – measured at amortized cost	125,688,121	167,615,217	166,583,879
Accounts receivables – fair value through other comprehensive income	32,632,948	28,007,745	20,121,316
	<u>158,417,618</u>	<u>195,665,380</u>	<u>186,748,459</u>
Less: allowance for uncollectible accounts	<u>(3,925,071)</u>	<u>(3,928,716)</u>	<u>(3,948,645)</u>
	<u>\$ 154,492,547</u>	<u>191,736,664</u>	<u>182,799,814</u>
Notes and accounts receivable	<u>\$ 154,469,155</u>	<u>191,692,152</u>	<u>182,776,607</u>
Notes and accounts receivable – related parties	<u>\$ 23,392</u>	<u>44,512</u>	<u>23,207</u>

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

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

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

March 31, 2020				
Credit rating	Carrying amount of notes and accounts receivable	Weighted- ave rage ECL rate	Lifetime ECLs	Credit-impai red
Level A	\$ 138,453,261	0%	-	No
Level B	9,816,549	0.708%	69,489	No
Level C	3,817,340	100%	3,817,340	Yes
	<u>\$ 152,087,150</u>		<u>3,886,829</u>	
December 31, 2019				
Credit rating	Carrying amount of notes and accounts receivable	Weighted- ave rage ECL rate	Lifetime ECLs	Credit-impai red
Level A	\$ 172,692,844	0%	-	No
Level B	13,008,324	0.547%	71,101	No
Level C	3,817,340	100%	3,817,340	Yes
	<u>\$ 189,518,508</u>		<u>3,888,441</u>	

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COMPAL ELECTRONICS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

March 31, 2019

Credit rating	Carrying amount of notes and accounts receivable		Lifetime ECLs	Credit-impair red
Level A	\$ 165,644,786	0%	-	No
Level B	9,577,753	0.695%	66,569	No
Level C	3,830,424	100%	3,830,424	Yes
	<u>\$ 179,052,963</u>		<u>3,896,993</u>	

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

March 31, 2020

Credit rating	Carrying amount of notes and accounts receivable	Weighted- average ECL rate	Lifetime ECLs	Credit-impair red
Level A	\$ 2,380,312	0%	-	No
Level B	3,416,386	0.1%	3,482	No
Level C	504,050	1%	5,040	No
Level D~E	-	-	-	-
Level F	29,720	100%	29,720	Yes
	<u>\$ 6,330,468</u>		<u>38,242</u>	

December 31, 2019

Credit rating	Carrying amount of notes and accounts receivable	Weighted- average ECL rate	Lifetime ECLs	Credit-impair red
Level A	\$ 2,620,806	0%	-	No
Level B	2,713,406	0.10%	2,789	No
Level C	783,004	1.00%	7,830	No
Level D~E	-	-	-	-
Level F	29,656	100%	29,656	Yes
	<u>\$ 6,146,872</u>		<u>40,275</u>	

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March 31, 2019

Credit rating	Carrying amount of accounts receivable	Weighted-ave ECL rate	Lifetime ECLs	Credit-impairment
Level A	\$ 2,798,180	0%	-	No
Level B	3,986,200	0.11%	4,277	No
Level C	880,573	1.91%	16,832	No
Level D~E	-	-	-	-
Level F	30,543	100%	30,543	Yes
	<u>\$ 7,695,496</u>		<u>51,652</u>	

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

	March 31, 2020	December 31, 2019	March 31, 2019
Overdue 1 to 180 days	\$ 1,266,648	1,707,265	1,293,726
Overdue 181 to 365 days	-	285	8,965
Overdue 365 days and over	85	-	40,629
	<u>\$ 1,266,733</u>	<u>1,707,550</u>	<u>1,343,320</u>

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

	For the three months ended March 31,	
	2020	2019
Balance at January 1	\$ 3,928,716	4,020,603
Impairment losses recognized (reverse)	(2,922)	10,504
Amounts written off	-	(85,907)
Effect of changes in exchange rates	(723)	3,455
Balance at March 31	<u>\$ 3,925,071</u>	<u>3,948,655</u>

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

The Group entered into accounts receivable factoring agreements with banks. As of March 31, 2020, December 31 and March 31, 2019, except for the amount used under the actual sales amount in accordance with certain agreements, the factoring amount granted by the banks was USD 1,000,000 thousand and EUR 59,700 thousand, USD 1,000,000 thousand and EUR 59,700 thousand, USD 950,000 thousand and EUR 33,000 thousand, respectively. Based on the agreements, the Group is not responsible for guaranteeing the ability of the accounts receivable obligor to make payment

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COMPAL ELECTRONICS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

when it is affected by credit risk. Thus, this is a non-recourse accounts receivable factoring. The Group derecognized the above accounts receivable because it has transferred substantially all of the risks and rewards of their ownership and it does not have any continuing involvement in them. After the transfer of the accounts receivable, the Group can request partial advanced amount, while the interest calculated at an agreed rate is paid to the bank in the period during the time of receiving advance and the accounts receivable is collected. The remaining amounts with no advance are received when the accounts receivable are settled by the customers. As of December 31, 2019, account receivable factored were recovered. As of March 31, 2020 and 2019, the factored account receivable with no advance amounting \$22,579 and \$85,778, respectively, is accounted for as other receivables.

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 March 31, 2020, December 31 and March 31, 2019, accounts receivable factored were recovered and derecognized since the conditions of derecognition were met.

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

March 31, 2020							
Purchaser	Accounts receivable factored (gross)	Amount advanced		Amount recognized in other receivable	Collateral	Amount derecognized	Interest rate
		Unpaid	Paid				
Financial							
Institution	<u>\$ 3,101,700</u>	<u>-</u>	<u>3,079,121</u>	<u>22,579</u>	-	<u>3,101,700</u>	0.64%~1.23%
December 31, 2019							
Purchaser	Accounts receivable factored (gross)	Amount advanced		Amount recognized in other receivable	Collateral	Amount derecognized	Interest rate
		Unpaid	Paid				
Financial							
Institution	<u>\$ 25,672,764</u>	<u>-</u>	<u>25,672,764</u>	-	-	<u>25,672,764</u>	2.21%~2.80%
March 31, 2019							
Purchaser	Accounts receivable factored (gross)	Amount advanced		Amount recognized in other receivable	Collateral	Amount derecognized	Interest rate
		Unpaid	Paid				
Financial							
Institution	<u>\$ 16,190,360</u>	<u>-</u>	<u>16,104,582</u>	<u>85,778</u>	-	<u>16,190,360</u>	3.03%~3.50%

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

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COMPAL ELECTRONICS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(g) Inventories

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Finished goods	\$ 18,793,296	30,269,057	35,689,096
Work in progress	8,330,304	6,455,035	9,531,752
Raw materials	59,674,691	41,213,675	42,639,944
Raw materials in transit	1,211,317	495,771	4,182,890
	<u>\$ 88,009,608</u>	<u>78,433,538</u>	<u>92,043,682</u>

- (i) For the three months ended March 31, 2020 and 2019, inventory cost recognized as cost of sales amounted to \$176,101,135 and \$202,938,374, respectively.
- (ii) The write-down of inventories to net realizable value amounted to \$468,791 and \$216,762, for the three months ended March 31, 2020 and 2019, respectively.
- (iii) As of March 31, 2020, December 31 and March 31, 2019, the Group did not provide any inventories as collaterals for its loans.

(h) Investments accounted for using equity method

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

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Associates	\$ 7,281,147	7,410,134	7,618,179
Joint venture	(15,667)	(14,725)	12,370
	7,265,480	7,395,409	7,630,549
Plus: credit balance of investment in equity method (other non-current liability)	42,154	41,719	-
Less: unrealized profits or losses	(118,977)	(118,042)	(121,249)
	<u>\$ 7,188,657</u>	<u>7,319,086</u>	<u>7,509,300</u>

(i) Associates

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

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Allied Circuit Co., Ltd. ("Allied Circuit")	\$ 2,636,513	1,838,621	1,153,474
Avalue Technology Inc. ("Avalue")	899,921	1,147,839	739,905
	<u>\$ 3,536,434</u>	<u>2,986,460</u>	<u>1,893,379</u>

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COMPAL ELECTRONICS, INC. AND SUBSIDIARIES
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- 2) The Group's share of the net gain (loss) of associates was as follows:

	For the three months ended March 31,	
	2020	2019
The Group's share of the gain (loss) of associates	\$ 80,752	(59,112)

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

	March 31, 2020	December 31, 2019	March 31, 2019
	Carrying amount of individually immaterial associates	\$ 7,281,147	7,410,134

	For the three months ended March 31,	
	2020	2019
The Group's share of the net income (loss) of associates:		
Profit (loss) from continuing operations	\$ 80,752	(59,112)
Other comprehensive income	(146,256)	201,901
Total comprehensive income	\$ (65,504)	142,789

- 4) For the three months ended March 31, 2020, the Group had sold parts of its shares held in Avalue, with a consideration (net of costs of disposal) amounting to \$8,306. The transaction has been completed and the price has been fully received, wherein the Group recognized a gain of \$3,914, which was accounted for as other gain and loss.

(ii) Joint venture

In April 2010, the Group and another company established a jointly controlled entity, Compal Connector Manufacture Ltd. ("CCM"), and obtained an ownership interest of 51%. CCM's actual paid-in capital amounted to USD10,000 thousands. Moreover, in May 2014, the Group and another company established a jointly controlled entity, Zheng Ying Electronics (Chongqing) Co., Ltd., ("Zheng Ying"), and obtained an ownership interest of 51%. Zheng Ying's actual paid-in capital amounted to USD2,500 thousands.

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

	March 31, 2020	December 31, 2019	March 31, 2019
	The carrying amount of the Group's interests in all individually insignificant joint ventures	\$ (15,667)	(14,725)

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

**For the three months ended
March 31,**

2020	2019
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The Group's share of the net income (loss) of joint ventures:

Losses from continuing operations (also the total comprehensive losses)	\$	(1,581)	(2,971)
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(iii) As of March 31, 2020, December 31 and March 31, 2019, the Group did not provide any investments accounted for using equity method as collaterals for its loans.

(i) Changes in subsidiaries' equity

There were no significant transactions for the three months ended March 31, 2020 and 2019. Please refer to note (6)(i) of the consolidated financial statement for the year ended December 2019.

(j) Material non-controlling interests of subsidiaries

There were no significant transactions for the three months ended March 31, 2020 and 2019. Please refer to note (6)(k) of the consolidated financial statement for the year ended December 2019.

(k) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Group for the three months ended March 31, 2020 and 2019, were as follows:

		Land	Buildings and building improvement	Machinery	Other equipment	Under construction and prepayment for purchase of equipment	Total
Cost:							
Balance on January 1, 2020	\$	1,705,220	16,966,779	27,044,641	11,289,433	1,310,558	58,316,631
Additions		-	29,619	451,933	212,250	388,930	1,082,732
Disposals and derecognitions		-	(4,920)	(226,774)	(369,942)	-	(601,636)
Reclassifications		222,769	1,099	175,513	69,550	(468,931)	-
Effect of movements in exchange rates		1	85,989	142,769	(17,471)	34,360	245,648
Balance on March 31, 2020		\$ 1,927,990	17,078,566	27,588,082	11,183,820	1,264,917	59,043,375
Balance on January 1, 2019	\$	1,772,214	17,020,270	26,201,597	10,642,904	1,003,490	56,640,475
Additions		-	288,559	267,520	319,118	175,517	1,050,714
Disposals and derecognitions		-	(15,947)	(83,251)	(393,870)	-	(493,068)
Reclassifications		-	13,817	29,421	42,689	(85,927)	-
Effect of movements in exchange rates		316	273,116	96,534	181,763	70,475	622,204
Balance on March 31, 2019		\$ 1,772,530	17,579,815	26,511,821	10,792,604	1,163,555	57,820,325

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	Land	Buildings and building improvement	Machinery	Other equipment	Under construction and prepayment for purchase of equipment	Total
Depreciation and impairments loss:						
Balance on January 1, 2020	\$ -	10,352,434	19,850,259	8,141,591	-	38,344,284
Depreciation for the period	-	217,833	603,409	363,146	-	1,184,388
Disposals and derecognitions	-	(4,920)	(181,925)	(368,974)	-	(555,819)
Effect of movements in exchange rates	-	(6,547)	16,609	125,679	-	135,741
Balance on March 31, 2020	<u>\$ -</u>	<u>10,558,800</u>	<u>20,288,352</u>	<u>8,261,442</u>	<u>-</u>	<u>39,108,594</u>
Balance on January 1, 2019	\$ -	10,105,653	18,441,703	7,674,891	-	36,222,247
Depreciation for the period	-	194,121	667,227	347,113	-	1,208,461
Disposals and derecognitions	-	(15,947)	(80,940)	(393,259)	-	(490,146)
Effect of movements in exchange rates	-	215,160	245,655	13,513	-	474,328
Balance on March 31, 2019	<u>\$ -</u>	<u>10,498,987</u>	<u>19,273,645</u>	<u>7,642,258</u>	<u>-</u>	<u>37,414,890</u>
Carrying amounts:						
Balance on January 1, 2020	<u>\$ 1,705,220</u>	<u>6,614,345</u>	<u>7,194,382</u>	<u>3,147,842</u>	<u>1,310,558</u>	<u>19,972,347</u>
Balance on March 31, 2020	<u>\$ 1,927,990</u>	<u>6,519,766</u>	<u>7,299,730</u>	<u>2,922,378</u>	<u>1,264,917</u>	<u>19,934,781</u>
Balance on January 1, 2019	<u>\$ 1,772,214</u>	<u>6,914,617</u>	<u>7,759,894</u>	<u>2,968,013</u>	<u>1,003,490</u>	<u>20,418,228</u>
Balance on March 31, 2019	<u>\$ 1,772,530</u>	<u>7,080,828</u>	<u>7,238,176</u>	<u>3,150,346</u>	<u>1,163,555</u>	<u>20,405,435</u>

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

(l) Right-of-use assets

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

	Land	Buildings	Machinery	Vehicles and Other	Total
Cost:					
Balance on January 1, 2020	\$ 1,110,813	2,809,991	86,661	88,712	4,096,177
Additions	323,472	127,980	-	2,819	454,271
Deductions	-	(14,127)	(9,115)	(767)	(24,009)
Effect of movements in exchange rates	10,229	(25,915)	(984)	(754)	(17,424)
Balance on March 31, 2020	<u>\$ 1,444,514</u>	<u>2,897,929</u>	<u>76,562</u>	<u>90,010</u>	<u>4,509,015</u>
Balance on January 1, 2019	\$ 891,147	1,934,899	87,482	67,569	2,981,097
Additions	75,445	-	-	3,465	78,910
Effect of movements in exchange rates	3,023	(19,133)	(114)	174	(16,050)
Balance on March 31, 2019	<u>\$ 969,615</u>	<u>1,915,766</u>	<u>87,368</u>	<u>71,208</u>	<u>3,043,957</u>

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	<u>Land</u>	<u>Buildings</u>	<u>Machinery</u>	<u>Vehicles and Other</u>	<u>Total</u>
Depreciation and impairment loss:					
Balance on January 1, 2020	\$ 31,587	659,467	22,270	32,681	746,005
Depreciation for the period	22,672	205,845	3,107	9,499	241,123
Deductions	-	(6,215)	(9,803)	(73)	(16,091)
Effect of movements in exchange rates	345	(8,475)	(267)	(307)	(8,704)
Balance on March 31, 2020	<u>\$ 54,604</u>	<u>850,622</u>	<u>15,307</u>	<u>41,800</u>	<u>962,333</u>
Balance on January 1, 2019	\$ -	-	-	-	-
Depreciation for the period	10,594	172,918	3,057	8,253	194,822
Effect of movements in exchange rates	148	(8)	8	4	152
Balance on March 31, 2019	<u>\$ 10,742</u>	<u>172,910</u>	<u>3,065</u>	<u>8,257</u>	<u>194,974</u>
Carrying amount:					
Balance on January 1, 2020	<u>\$ 1,079,226</u>	<u>2,150,524</u>	<u>64,391</u>	<u>56,031</u>	<u>3,350,172</u>
Balance on March 31, 2020	<u>\$ 1,389,910</u>	<u>2,047,307</u>	<u>61,255</u>	<u>48,210</u>	<u>3,546,682</u>
Balance on January 1, 2019	<u>\$ 891,147</u>	<u>1,934,899</u>	<u>87,482</u>	<u>67,569</u>	<u>2,981,097</u>
Balance on March 31, 2019	<u>\$ 958,873</u>	<u>1,742,856</u>	<u>84,303</u>	<u>62,951</u>	<u>2,848,983</u>

(m) Short-term borrowings

The details of short-term borrowings were as follows:

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Unsecured bank loans	<u>\$ 43,900,240</u>	<u>60,951,844</u>	<u>67,763,121</u>
Unused credit line for short-term borrowings	<u>\$ 137,051,000</u>	<u>107,077,000</u>	<u>90,770,000</u>
Range of interest rates	<u>0.66%~5.00%</u>	<u>0.66%~5.05%</u>	<u>0.69%~5.11%</u>

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

(n) Long-term borrowings

The details of long-term borrowings were as follows:

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Unsecured bank loans	\$ 21,300,000	25,650,000	22,197,500
Secured bank loans	286,794	98,438	127,969
Less: current portion	(13,877,175)	(18,189,375)	(10,086,875)
Total	<u>\$ 7,709,619</u>	<u>7,559,063</u>	<u>12,238,594</u>
Unused credit line for long-term borrowings	<u>\$ 16,363,000</u>	<u>12,047,000</u>	<u>14,452,000</u>
Range of interest rates	<u>0.79%~1.67%</u>	<u>0.73%~1.67%</u>	<u>0.98%~1.67%</u>

(Continued)

COMPAL ELECTRONICS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

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

(o) Unsecured convertible corporate bonds

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

	<u>March 31,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>	<u>March 31,</u> <u>2019</u>
Total convertible corporate bonds issued	\$ 1,000,000	1,000,000	-
Unamortized discounts on corporate bonds payable	(30,095)	(33,508)	-
Balance of corporate bonds payable as of the reporting date	<u>\$ 969,905</u>	<u>966,492</u>	<u>-</u>
Conversion options included in equity component (classified as capital surplus and non-controlling interests)	<u>\$ 48,667</u>	<u>48,667</u>	<u>-</u>
		For the three months ended	
		March 31,	
		2020	2019
Interest expenses		<u>\$ 3,413</u>	<u>-</u>

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

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

(p) Lease liabilities

The details of leases liabilities were as follows:

	<u>March 31,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>	<u>March 31,</u> <u>2019</u>
Current	<u>\$ 458,232</u>	<u>717,021</u>	<u>630,120</u>
Non-current	<u>\$ 1,705,134</u>	<u>1,550,067</u>	<u>1,268,571</u>

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

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

The amounts recognized in profit or loss were as follows:

	For the three months ended March 31,	
	2020	2019
Interest on lease liabilities	<u>\$ 11,565</u>	<u>9,465</u>
Variable lease payments not included in the measurement of lease liabilities	<u>\$ 592</u>	<u>4,217</u>
Expenses relating to leases of low-value assets or short-term leases	<u>\$ 24,292</u>	<u>30,105</u>

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

	For the three months ended March 31,	
	2020	2019
Total cash outflow for leases	<u>\$ 263,046</u>	<u>235,046</u>

(i) Real estate leases

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

(ii) Other leases

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

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

(q) Provisions

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

(r) Employee benefits

(i) Defined benefit plans

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

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

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

	For the three months ended March 31,	
	2020	2019
Operating cost	\$ 247	291
Selling expenses	175	210
Administrative expenses	778	925
Research and development expenses	2,076	2,583
Total	\$ 3,276	4,009

(ii) Defined contribution plans

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

The Company and all subsidiaries in domestic recognized the pension costs under the defined contribution method amounting to \$109,345 and \$102,308 for the three months ended March 31, 2020 and 2019, respectively. Payment was made to the Bureau of Labor Insurance.

Other subsidiaries recognized the pension expenses, basic endowment insurance expenses, and social welfare expenses amounting to \$249,726 and \$304,152 for the three months ended March 31, 2020 and 2019, respectively.

(s) Income taxes

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

	For the three months ended March 31,	
	2020	2019
Current tax expense	\$ 317,358	450,099

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

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

	For the three months ended March 31,	
	2020	2019
Items that will not be reclassified subsequently to profit or loss:		
Unrealized gains (losses) on equity instruments at fair value through other comprehensive income	\$ (54,963)	15,695
Items that will be reclassified subsequently to profit or loss:		
Foreign currency translation differences of foreign operations	\$ 1,842	873

- (iii) Examination and approval

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

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

- (t) Capital and other equities

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

- (i) Capital surplus

The balances of capital surplus were as follows:

	March 31, 2020	December 31, 2019	March 31, 2019
Additional paid-in capital	\$ 5,421,061	6,302,490	7,183,919
Treasury share transactions	2,541,906	2,481,885	2,421,864
Difference between consideration and carrying amount arising from acquisition or disposal of subsidiaries	36,766	36,766	36,766
Recognition of changes in ownership interests in subsidiaries	60,089	59,115	16,222
Changes in equity of associates and joint ventures accounted for using equity method	279,177	279,003	274,243
	\$ 8,338,999	9,159,259	9,933,014

(Continued)

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

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

(ii) Retained earnings

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

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

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.

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COMPAL ELECTRONICS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

	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>

The related information of the earnings distribution for the 2019 can be accessed through the Market Observation Post System website after the related meeting.

(iii) Treasury stock

The subsidiaries of the Company did not sell the ordinary shares of the Company in the three months ended March 31, 2020 and 2019. As of March 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 17.30, 18.85 and 19.15 New Taiwan dollars per share as of March 31, 2020, December 31 and March 31, 2019, respectively.

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

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

	Exchange differences on transaction of foreign operation financial statements	Unrealized gain (loss) from financial assets at fair value through other comprehensive income	Others	Total
Balance on January 1, 2020	\$ (3,794,980)	(306,763)	(1,706)	(4,103,449)
The Group	374,528	(805,837)	23,982	(407,327)
Associates	(58,268)	(88,162)	-	(146,430)
Balance on March 31, 2020	<u>\$ (3,478,720)</u>	<u>(1,200,762)</u>	<u>22,276</u>	<u>(4,657,206)</u>
Balance on January 1, 2019	\$ (1,852,952)	(5,606,436)	-	(7,459,388)
The Group	244,695	313,829	(701)	557,823
Associates	164,782	36,668	-	201,450
Balance on March 31, 2019	<u>\$ (1,443,475)</u>	<u>(5,255,939)</u>	<u>(701)</u>	<u>(6,700,115)</u>

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COMPAL ELECTRONICS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(u) Share-based payment

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

(v) Earnings per share

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

	For the three months ended March 31,	
	<u>2020</u>	<u>2019</u>
Basic earnings per share:		
Profit attributable to ordinary shareholders of the Company	<u>\$ 605,011</u>	<u>1,350,258</u>
Weighted-average number of outstanding ordinary shares (in thousands)	<u>4,357,130</u>	<u>4,357,130</u>
Diluted earnings per share:		
Profit attributable to ordinary shareholders of the Company (after adjustment of potential diluted ordinary shares)	<u>\$ 605,011</u>	<u>1,350,258</u>
Weighted-average number of outstanding ordinary shares of potential diluted ordinary shares		
Weighted-average number of outstanding ordinary shares (in thousands)	4,357,130	4,357,130
Effect of potential diluted common stock		
Employee compensation (in thousands)	<u>45,676</u>	<u>51,564</u>
Weighted-average number of ordinary shares (after adjustment of potential diluted ordinary shares) (in thousands)	<u>4,402,806</u>	<u>4,408,694</u>

(w) Revenue from contracts with customers

(i) Disaggregation of revenue

	For the three months ended March 31, 2020		
	IT Product Segment	Strategically Integrated Product Segment	Total
Primary geographical markets:			
United states	\$ 64,305,443	1,749,643	66,055,086
China	26,552,945	68,913	26,621,858
Netherlands	21,458,489	177,074	21,635,563
United Kingdom	7,293,370	787,028	8,080,398
Germany	4,399,662	1,278,577	5,678,239
Others	50,894,122	3,081,780	53,975,902
	<u>\$ 174,904,031</u>	<u>7,143,015</u>	<u>182,047,046</u>

(Continued)

COMPAL ELECTRONICS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

	For the three months ended March 31, 2020		
	IT Product Segment	Strategically Integrated Product Segment	Total
Major products:			
5C related electronics products	\$ 174,330,542	7,053,623	181,384,165
Others	573,489	89,392	662,881
	\$ 174,904,031	7,143,015	182,047,046
	For the three months ended March 31, 2019		
	IT Product Segment	Strategically Integrated Product Segment	Total
Primary geographical markets:			
United states	\$ 72,390,379	307,196	72,697,575
Netherlands	25,245,836	168,498	25,414,334
China	23,163,002	119,877	23,282,879
United Kingdom	10,671,978	882,247	11,554,225
Germany	7,209,760	3,209,906	10,419,666
Others	62,911,745	4,320,129	67,231,874
	\$ 201,592,700	9,007,853	210,600,553
Major products:			
5C related electronics products	\$ 200,933,661	8,913,313	209,846,974
Others	659,039	94,540	753,579
	\$ 201,592,700	9,007,853	210,600,553
(ii) Contract balances			
	March 31, 2020	December 31, 2019	March 31, 2019
Notes and accounts receivable (including related parties)	\$ 158,417,618	195,665,380	186,748,459
Less: allowance for impairment	(3,925,071)	(3,928,716)	(3,948,645)
Total	\$ 154,492,547	191,736,664	182,799,814
Contract liabilities	\$ 705,049	956,455	1,463,635

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

(Continued)

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

The amount of revenue recognized for the three months ended March 31, 2020 and 2019 that were included in the balance of contract liability at the beginning of the period was \$365,605 and \$328,210, 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.

(x) 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 \$70,890 and \$140,047, and directors' compensation of \$3,787 and \$7,406 for the three months ended March 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 Company accrued and recognized its employee compensation of \$731,322 and \$930,857, and directors' compensation of \$38,672 and \$49,223 for the years ended December 31, 2019 and 2018, respectively. There is no differences between the amount approved in the Board of Directors' meeting and those recognized in the financial statements, the related information can be accessed through the Market Observation Post System website.

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

(y) Non-operating income and expenses

(i) Other income

The other income for the three months ended March 31, 2020 and 2019, were as follows:

	For the three months ended March 31,	
	2020	2019
Interest income		
Financial assets at amortized cost	\$ -	1,726
Bank deposits	479,243	376,310
Others	-	1,714
Other revenue	68,041	48,814
	\$ 547,284	428,564

(ii) Other gains and losses

The other gains and losses for the three months ended March 31, 2020 and 2019, were as follows:

	For the three months ended March 31,	
	2020	2019
Gains on disposal of investments	\$ 4,899	-
Gains (losses) on financial assets and liabilities at fair value through profit or loss, net	477,009	174,891
Foreign currency exchange losses, net	(536,969)	(114,040)
Gains (losses) on disposal of property, plant, and equipment, net	1,088	969
	\$ (53,973)	61,820

(z) Reclassification of the components of other comprehensive income

The details of reclassification of the components of other comprehensive income for the three months ended March 31, 2020 and 2019, were as follows:

	For the three months ended March 31,	
	2020	2019
Cash flow hedge:		
Gains (losses) from current period	\$ 102,544	(9,857)
Less: reclassification of gains and losses included in profit or loss	23,985	(7,867)
Profit (loss) recognized in other comprehensive income	\$ 78,559	(1,990)

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COMPAL ELECTRONICS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(aa) Financial instruments

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

(i) Credit risk

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

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

The movements in the allowance for the three months ended March 31, 2020 and 2019 were as follows:

	Other receivables
Balance on January 1, 2020	\$ 1,012
Impairment losses recognized	1,198
Balance on March 31, 2020	\$ 2,210
Balance on January 1, 2019	\$ 3,577
Impairment losses reversed	(1,165)
Balance on March 31, 2019	\$ 2,412

(ii) Liquidity risk

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

	Carrying Amount	Contractual cash flows	Within 1 year	1 ~ 2 years	Over 2 years
March 31, 2020					
Non-derivative financial liabilities					
Secured borrowings	\$ 286,794	(286,794)	(77,175)	(77,175)	(132,444)
Unsecured borrowings	65,200,240	(65,200,240)	(57,700,240)	(2,100,000)	(5,400,000)
Lease liabilities—current and non-current	2,163,366	(2,267,193)	(492,067)	(420,928)	(1,354,198)
Notes and accounts payable	142,195,045	(142,195,045)	(142,195,045)	-	-
Other payables and dividends payable	19,011,583	(19,011,583)	(19,011,583)	-	-
Bonds payable	969,905	(1,000,000)	-	-	(1,000,000)

(Continued)

COMPAL ELECTRONICS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

	<u>Carrying Amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1 ~ 2 years</u>	<u>Over 2 years</u>
Derivative financial liabilities					
Forward exchange contracts:	\$ 2,145				
Outflow		(385,672)	(385,672)	-	-
Inflow		380,576	380,576	-	-
Forward exchange contracts used for hedging:	6,233				
Outflow		(1,419,635)	(1,419,635)	-	-
Inflow		1,410,764	1,410,764	-	-
	<u>\$ 229,835,311</u>	<u>(229,974,822)</u>	<u>(219,490,077)</u>	<u>(2,598,103)</u>	<u>(7,886,642)</u>
December 31, 2019					
Non-derivative financial liabilities					
Secured borrowings	\$ 98,438	(98,438)	(39,375)	(39,375)	(19,688)
Unsecured borrowings	86,601,844	(86,601,844)	(79,101,844)	(1,925,000)	(5,575,000)
Lease liabilities – current and non-current	2,267,088	(2,369,246)	(754,412)	(416,167)	(1,198,667)
Notes and accounts payable	144,445,777	(144,445,777)	(144,445,777)	-	-
Other payables and dividends payable	15,414,717	(15,414,717)	(15,414,717)	-	-
Bonds payable	966,492	(1,000,000)	-	-	(1,000,000)
Derivative financial liabilities					
Forward exchange contracts:	5,854				
Outflow		(736,484)	(736,484)	-	-
Inflow		732,377	732,377	-	-
Currency swap contracts:	4,932				
Outflow		(1,423,089)	(1,423,089)	-	-
Inflow		1,433,921	1,433,921	-	-
	<u>\$ 249,805,142</u>	<u>(249,923,297)</u>	<u>(239,749,400)</u>	<u>(2,380,542)</u>	<u>(7,793,355)</u>
March 31, 2019					
Non-derivative financial liabilities					
Secured borrowings	\$ 127,969	(127,969)	(39,375)	(39,375)	(49,219)
Unsecured borrowings	89,960,621	(89,960,621)	(77,810,621)	(7,050,000)	(5,100,000)
Lease liabilities – current and non-current	1,898,691	(2,025,659)	(669,432)	(604,880)	(751,347)
Notes and accounts payable	153,299,683	(153,299,683)	(153,299,683)	-	-
Other payables	14,279,422	(14,279,422)	(14,279,422)	-	-
Derivative financial liabilities					
Forward exchange contracts:	989				
Outflow		(308,200)	(308,200)	-	-
Inflow		307,070	307,070	-	-
Forward exchange for hedging:	2,217				
Outflow		(487,848)	(487,848)	-	-
Inflow		482,838	482,838	-	-
	<u>\$ 259,569,592</u>	<u>(259,699,494)</u>	<u>(246,104,673)</u>	<u>(7,694,255)</u>	<u>(5,900,566)</u>

(Continued)

COMPAL ELECTRONICS, INC. AND SUBSIDIARIES
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The Group is not expecting that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

(iii) Currency risk

1) Exposure to foreign currency risk

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

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

	March 31, 2020			December 31, 2019			March 31, 2019		
	Foreign currency	Exchange rate	TWD	Foreign Currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
Financial assets									
Monetary items									
USD to TWD	\$ 8,281,252	30.225	250,300,842	7,070,270	29.98	211,966,695	5,963,757	30.82	183,802,991
USD to CNY	7,188	7.0937	217,257	10,525	6.9667	315,540	2,397	6.7221	73,876
EUR to TWD	71,048	33.24	2,361,636	88,303	33.59	2,966,098	122,251	34.61	4,231,107
CNY to USD	2,498,135	0.1410	10,646,364	2,577,002	0.1435	11,086,598	2,725,492	0.1488	12,499,150
Non-monetary items									
THB to TWD	325,712	0.9270	301,935	446,859	1.0028	448,110	427,471	0.9698	414,561
Financial liabilities									
Monetary items									
USD to TWD	7,915,990	30.225	239,260,798	6,441,501	29.98	193,116,200	6,425,655	30.82	198,038,687
USD to CNY	3,165	7.0937	95,662	5,424	6.9667	162,612	6,334	6.7221	195,214
USD to BRL	103,836	5.1987	3,138,443	142,432	3.8322	4,270,111	140,332	3.8967	4,325,032
EUR to TWD	17,974	33.24	597,456	42,554	33.59	1,429,389	37,489	34.61	1,297,494
CNY to USD	2,550,125	0.1410	10,867,931	3,182,008	0.1435	13,689,412	2,759,261	0.1488	12,654,015

2) Sensitivity analysis

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

	<u>March 31, 2020</u>	<u>March 31, 2019</u>
USD (against the TWD)		
Strengthening 5%	\$ 552,007	(711,785)
Weakening 5%	(552,007)	711,785
USD (against the CNY)		
Strengthening 5%	6,080	(6,067)
Weakening 5%	(6,080)	6,067
USD (against the BRL)		
Strengthening 5%	(156,922)	(216,252)
Weakening 5%	156,922	216,252

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	<u>March 31, 2020</u>	<u>March 31, 2019</u>
EUR (against the TWD)		
Strengthening 5%	88,209	146,681
Weakening 5%	(88,209)	(146,681)
CNY (against the USD)		
Strengthening 5%	(11,078)	(7,743)
Weakening 5%	11,078	7,743

3) Exchange gains and losses of monetary items

As the Group deals with diverse foreign currencies, gains or losses on foreign exchange were summarized as a single amount. For the three months ended March 31, 2020 and 2019, the foreign exchange losses, including both realized and unrealized, amounted to \$536,969 and \$114,040, respectively.

(iv) Interest rate analysis

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

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

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

	For the three months ended	
	March 31	
	<u>2020</u>	<u>2019</u>
Interest increased by 0.25%	\$ (5,427)	(5,997)
Interest decreased by 0.25%	5,427	5,997

(Continued)

COMPAL ELECTRONICS, INC. AND SUBSIDIARIES
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(v) Fair value information

1) The categories and fair value of financial instruments

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

	March 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					
Derivative financial assets for non-hedging	\$ 234,609	-	234,609	-	234,609
Non-derivative financial assets mandatorily measured at fair value through profit or loss	<u>3,654,765</u>	-	3,485,186	169,579	3,654,765
Subtotal	<u>3,889,374</u>				
Derivative financial assets for hedging	<u>73,688</u>	-	73,688	-	73,688
Financial assets at fair value through other comprehensive income					
Stocks listed on domestic markets	1,564,992	1,564,992	-	-	1,564,992
Stocks listed on foreign markets	301,935	301,935	-	-	301,935
Stocks unlisted on domestic markets	2,045,027	-	-	2,045,027	2,045,027
Stocks unlisted on foreign markets	173,822	-	-	173,822	173,822
Accounts receivable	<u>32,632,948</u>	-	32,632,948	-	32,632,948
Subtotal	<u>36,718,724</u>				
Financial assets measured at amortized cost					
Cash and cash equivalents	64,247,326	-	-	-	-
Notes and accounts receivable, net	121,836,207	-	-	-	-
Notes and accounts receivable due from related parties, net	23,392	-	-	-	-
Other receivables	1,846,080	-	-	-	-
Refundable deposits	<u>317,269</u>	-	-	-	-
Subtotal	<u>188,270,274</u>				
Total	<u>\$ 228,952,060</u>				

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COMPAL ELECTRONICS, INC. AND SUBSIDIARIES
Notes to Consolidated 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	66,559,397	-	-	-	-
Notes and accounts receivable, net	163,684,407	-	-	-	-
Notes and accounts receivable due from related parties, net	44,512	-	-	-	-
Other receivables	2,006,113	-	-	-	-
Refundable deposits	<u>335,897</u>	-	-	-	-
Subtotal	<u>232,630,326</u>				
Total	<u>\$ 267,027,923</u>				
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities for non-hedging	<u>\$ 5,854</u>	-	5,854	-	5,854
Financial liabilities used for hedging	<u>4,932</u>	-	4,932	-	4,932
Financial liabilities measured at amortized cost					
Short-term borrowings	60,951,844	-	-	-	-
Notes and accounts payable	142,940,869	-	-	-	-
Notes and accounts payable to related parties	1,504,908	-	-	-	-
Other payables	15,414,717	-	-	-	-
Bonds payable	966,492	-	-	-	-
Lease liabilities – current and non-current	2,267,088	-	-	-	-
Long-term borrowings current portion	18,189,375	-	-	-	-
Long-term borrowings	7,559,063	-	-	-	-
Deposits received	<u>188,815</u>	-	-	-	-
Subtotal	<u>249,983,171</u>				
Total	<u>\$ 249,993,957</u>				
March 31, 2019					
	Book value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss—current and non-current					
Derivative financial assets for non-hedging	\$ 116,752	-	116,752	-	116,752
Non-derivative financial assets mandatorily measured at fair value through profit or loss	<u>4,018,907</u>	378,385	3,549,103	91,419	4,018,907
Subtotal	<u>4,135,659</u>				

(Continued)

COMPAL ELECTRONICS, INC. AND SUBSIDIARIES
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	March 31, 2019				
	Book value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets for hedging	227	-	227	-	227
Financial assets at fair value through other comprehensive income					
Stocks listed on domestic markets	2,969,920	2,969,920	-	-	2,969,920
Stocks listed on foreign markets	414,561	414,561	-	-	414,561
Stocks unlisted on domestic markets	2,050,888	-	-	2,050,888	2,050,888
Stocks unlisted on foreign markets	51,848	-	-	51,848	51,848
Accounts receivable	<u>20,121,316</u>	-	-	-	-
Subtotal	<u>25,608,533</u>				
Financial assets measured at amortized cost					
Cash and cash equivalents	65,617,467	-	-	-	-
Corporate bonds — current	350,000	-	-	-	-
Notes and accounts receivable, net	162,655,291	-	-	-	-
Notes and accounts receivable due from related parties, net	23,207	-	-	-	-
Other receivables	2,684,835	-	-	-	-
Refundable deposits	<u>394,686</u>	-	-	-	-
Subtotal	<u>231,725,486</u>				
Total	<u>\$ 261,469,905</u>				
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities for non-hedging	<u>\$ 989</u>	-	989	-	989
Financial liabilities for hedging	<u>2,217</u>	-	2,217	-	2,217
Financial liabilities measured at amortized cost					
Short-term borrowings	67,763,121	-	-	-	-
Notes and accounts payable	151,741,350	-	-	-	-
Notes and accounts payable to related parties	1,558,333	-	-	-	-
Other payables	14,279,422	-	-	-	-
Lease liabilities — current and non-current	1,898,691	-	-	-	-
Long-term borrowings current portion	10,086,875	-	-	-	-
Long-term borrowings	<u>12,238,594</u>	-	-	-	-
Subtotal	<u>259,566,386</u>				
Total	<u>\$ 259,569,592</u>				

(Continued)

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

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

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

- a) Financial liabilities measured at amortized cost

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

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

- a) Non-derivative financial instruments

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

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

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

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

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

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COMPAL ELECTRONICS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

b) Derivative financial instruments

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

4) Transfer from one level to another

There was no transfer from one level to another in the three months ended March 31, 2020 and 2019.

5) Changes in level 3

The change in level 3 at fair value in the three months ended March 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	\$ 115,359	2,424,053	2,539,412
Total gains and losses recognized:			
In profit or loss	(5,780)	-	(5,780)
In other comprehensive income	-	(223,742)	(223,742)
Purchased	60,000	17,434	77,434
Effect of changes in exchange rates	-	1,104	1,104
Balance on March 31, 2020	<u>\$ 169,579</u>	<u>2,218,849</u>	<u>2,388,428</u>
Balance on January 1, 2019	\$ 69,390	2,041,463	2,110,853
Total gains and losses recognized:			
In profit or loss	(2,971)	-	(2,971)
In other comprehensive income	-	61,540	61,540
Purchased	25,000	524	25,524
Disposal	-	(791)	(791)
Balance on March 31, 2019	<u>\$ 91,419</u>	<u>2,102,736</u>	<u>2,194,155</u>

For the three months ended March 31, 2020 and 2019, total gains and losses that were included in “other gains and losses, net” and “other comprehensive income, before tax, equity instruments at fair value through other comprehensive income” were as follows:

	Three months ended March 31,	
	2020	2019
Total gains and losses recognized:		
In profit or loss before tax (as “other gains and losses”)	<u>\$ (5,780)</u>	<u>(2,971)</u>
In other comprehensive income (as “other comprehensive income, before tax, equity instruments at fair value through other comprehensive income”)	<u>\$ (223,742)</u>	<u>61,540</u>

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COMPAL ELECTRONICS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

The Group's financial instruments that use level 3 input to measure fair values include financial assets at fair value through other comprehensive income—equity instruments, financial assets at fair value through profit or loss—equity securities investment.

Most of fair value measurements of the Group 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 (1.18~5.98, 1.4~5.64 and 1.13~5.91 respectively, on March 31, 2020, December 31 and March 31, 2019)	The higher the multiple is, the higher the fair value will be.
		Multiples of earnings (2.86~16.85, 3.12~16.6 and 2.34~15.31 respectively, on March 31, 2020, December 31 and March 31, 2019)	The higher the multiple is, the higher the fair value will be.
		Lack-of-Marketability discount rate (35%~85%, 35%~82% and 40%~85% respectively, on March 31, 2020, December 31 and March 31, 2019)	The higher the Lack-of-Marketability discount rate is, the lower the fair value will be.
Financial assets at fair value through other comprehensive income	Net asset value method	Net asset value	Inapplicable

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<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 profit or loss – investment in private equity fund	Net asset value method	Net asset value	Inapplicable

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

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

	<u>Input</u>	<u>Move up or down</u>	<u>Other comprehensive income</u>	
			<u>Favorable change</u>	<u>Unfavorable change</u>
March 31, 2020				
Financial assets at fair value through other comprehensive income	Price-Book ratio multiples	5%	\$ <u>22,234</u>	<u>22,337</u>
	Multiples of earnings	5%	\$ <u>17,536</u>	<u>18,492</u>
	Lack-of-Marketability discount rate	5%	\$ <u>13,992</u>	<u>14,065</u>
December 31, 2019				
Financial assets at fair value through other comprehensive income	Price-Book ratio multiples	5%	\$ <u>28,209</u>	<u>27,261</u>
	Multiples of earnings	5%	\$ <u>21,481</u>	<u>19,524</u>
	Lack-of-Marketability discount rate	5%	\$ <u>12,886</u>	<u>12,938</u>
March 31, 2019				
Financial assets at fair value through other comprehensive income	Price-Book ratio multiples	5%	\$ <u>27,000</u>	<u>26,975</u>
	Multiples of earnings	5%	\$ <u>27,857</u>	<u>28,888</u>
	Lack-of-Marketability discount rate	5%	\$ <u>919</u>	<u>939</u>

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COMPAL ELECTRONICS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

8) Offsetting financial assets and financial liabilities

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

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

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

March 31, 2020						
Financial assets that are offset which have an exercisable master netting arrangement or similar agreement						
	Gross amounts of recognized financial assets (a)	Gross amounts of financial liabilities offset in the balance sheet (b)	Net amount of financial assets presented in the balance sheet (c)=(a)-(b)	Amounts not offset in the balance sheet (d)		Net amount (e)=(c)-(d)
				Financial instruments	Cash collateral received	
Other current assets	\$ 160,776,629	160,776,629	-	-	-	-
	(USD 5,319,326)	(USD 5,319,326)				
March 31, 2020						
Financial liabilities that are offset which have an exercisable master netting arrangement or similar agreement						
	Gross amounts of recognized financial liabilities (a)	Gross amounts of financial assets offset in the balance sheet (b)	Net amount of financial liabilities presented in the balance sheet (c)=(a)-(b)	Amounts not offset in the balance sheet (d)		Net amount (e)=(c)-(d)
				Financial instruments	Cash collateral received	
Short-term borrowings	\$ 160,776,629	160,776,629	-	-	-	-
	(USD 5,319,326)	(USD 5,319,326)				
December 31, 2019						
Financial assets that are offset which have an exercisable master netting arrangement or similar agreement						
	Gross amounts of recognized financial assets (a)	Gross amounts of financial liabilities offset in the balance sheet (b)	Net amount of financial assets presented in the balance sheet (c)=(a)-(b)	Amounts not offset in the balance sheet (d)		Net amount (e)=(c)-(d)
				Financial instruments	Cash collateral received	
Other current assets	\$ 104,757,401	104,757,401	-	-	-	-
	(USD 3,494,243)	(USD 3,494,243)				

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December 31, 2019					
Financial liabilities that are offset which have an exercisable master netting arrangement or similar agreement					
Gross amounts of recognized financial liabilities (a)	Gross amounts of financial assets offset in the balance sheet (c)=(a)-(b)	Net amount of financial liabilities presented in the balance sheet (c)=(a)-(b)	Amounts not offset in the balance sheet (d)		Net amount (e)=(c)-(d)
			Financial instruments	Cash collateral received	
Short-term borrowings	\$ 104,757,401	104,757,401	-	-	-
	(USD 3,494,243)	(USD 3,494,243)			

March 31, 2019					
Financial assets that are offset which have an exercisable master netting arrangement or similar agreement					
Gross amounts of recognized financial assets (a)	Gross amounts of financial liabilities offset in the balance sheet (b)	Net amount of financial assets presented in the balance sheet (c)=(a)-(b)	Amounts not offset in the balance sheet (d)		Net amount (e)=(c)-(d)
			Financial instruments	Cash collateral received	
Other current assets	\$ 26,192,562	26,192,562	-	-	-
	(USD 849,856)	(USD 849,856)			

March 31, 2019					
Financial liabilities that are offset which have an exercisable master netting arrangement or similar agreement					
Gross amounts of recognized financial liabilities (a)	Gross amounts of financial assets offset in the balance sheet (c)=(a)-(b)	Net amount of financial liabilities presented in the balance sheet (c)=(a)-(b)	Amounts not offset in the balance sheet (d)		Net amount (e)=(c)-(d)
			Financial instruments	Cash collateral received	
Short-term borrowings	\$ 26,192,562	26,192,562	-	-	-
	(USD 849,856)	(USD 849,856)			

(ab) Financial risk management

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

(ac) Capital management

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

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

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

Reconciliation of liabilities arising from financing activities were as follows:

	January 1, 2020	Cash flow	Other non-cash changes	March 31, 2020
Short-term borrowings	\$ 60,951,844	(17,051,604)	-	43,900,240
Proceeds from issuance of convertible bonds	966,492	-	3,413	969,905
Long-term borrowings	25,748,438	(4,161,644)	-	21,586,794
Lease liabilities	2,267,088	(226,597)	122,875	2,163,366
Guarantee deposits and others	246,038	(30,262)	434	216,210
Total liabilities from financing activities	<u>\$ 90,179,900</u>	<u>(21,470,107)</u>	<u>126,722</u>	<u>68,836,515</u>
	January 1, 2019	Cash flow	March 31, 2019	
Short-term borrowings	\$ 72,350,197	(4,587,076)	67,763,121	
Long-term borrowings	28,534,063	(6,208,594)	22,325,469	
Lease liabilities	2,089,950	(191,259)	1,898,691	
Guarantee deposits and others	238,324	(43,851)	194,473	
Total liabilities from financing activities	<u>\$ 103,212,534</u>	<u>(11,030,780)</u>	<u>92,181,754</u>	

(7) Related-party transactions:

(a) Name and relationship with related parties

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

Name of related party	Relationship with the Group
Compal Precision Module (Jiangsu) Co., Ltd. ("CPM")	An associate
Changbao Electronic Technology (Chongqing) Co., Ltd. ("Changbao")	An associate
Avalue Technology Inc. ("Avalue")	An associate
Crownpo Technology Inc. ("Crownpo")	An associate
Allied Circuit Co., Ltd. ("Allied Circuit")	An associate
Kinpo Group Management Consultant Company ("Kinpo Group Management")	An associate

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COMPAL ELECTRONICS, INC. AND SUBSIDIARIES

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<u>Name of related party</u>	<u>Relationship with the Group</u>
LIZ Electronics (Kunshan) Co., Ltd.	An associate
Compal Connector Manufacture Ltd. (“CCM”)	A joint venture company
AcBel Polytech Inc. (“AcBel”) and its subsidiaries	The same Chairman of the Board with the Company

(b) Transactions with key management personnel

Key management personnel remunerations comprised:

	Three months ended March 31,	
	2020	2019
Short-term employee benefits	\$ 135,052	148,371
Post-employment benefits	2,106	2,066
Share-based payments	7,569	7,569
	<u>\$ 144,727</u>	<u>158,006</u>

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

(c) Significant related-party transactions

(i) Sale of goods to related parties

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

	Three months ended March 31,	
	2020	2019
Associates	\$ 50,831	44,589
Other related parties	19	-
	<u>\$ 50,850</u>	<u>44,589</u>

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

(Continued)

COMPAL ELECTRONICS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(ii) Purchase of goods from related parties

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

	Three months ended March 31,	
	2020	2019
Associates	\$ 762,802	768,068
Other related parties	423,233	282,344
Joint venture	-	17,839
	<u>\$ 1,186,035</u>	<u>1,068,251</u>

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

(iii) Receivables due from relate parties

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

Account	Related party categories	March 31, 2020	December 31, 2019	March 31, 2019
Notes and accounts receivable	Associates	\$ 23,392	44,493	23,057
Notes and accounts receivable	Other related parties	-	19	150
Other receivables	Other related parties	62	62	-
Other receivables	Joint venture	-	-	300
		<u>\$ 23,454</u>	<u>44,574</u>	<u>23,507</u>

(iv) Payables to related parties

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

Account	Related party categories	March 31, 2020	December 31, 2019	March 31, 2019
Notes and accounts payable	Associates	\$ 917,189	764,129	982,016
Notes and accounts payable	Other related parties	724,071	740,742	554,355
Notes and accounts payable	Joint venture	-	37	21,962
Other payables	Associates	-	-	895
		<u>\$ 1,641,260</u>	<u>1,504,908</u>	<u>1,559,228</u>

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

(8) Pledged assets:

The carrying values of pledged assets were as follows:

Pledged Assets	Subject	March 31, 2020	December 31, 2019	March 31, 2019
Other current assets	Bail for court mandatory execution	\$ 41,090	41,090	41,090
Property, plant and equipment	Long-term borrowings (including current portion) (note)	501,505	249,445	710,848
Other non-current assets	Guarantee of post-release duty payment to the customs and guarantee of the customs	500	500	500
		<u>\$ 543,095</u>	<u>291,035</u>	<u>752,438</u>

Note: Part of long-term borrowings had been settled in 2015, and the assets on property—land were no longer pledged as collaterals in 2019.

(9) Commitments and contingencies:

The details of commitments and contingencies were as follows:

- (a) In August 2019, Inventec Corporation filed a lawsuit to the Taiwan Taipei District Prosecutors Office against the Group concerning its former employees who joined the Group. This is deemed as an act of violation according to the Trade Secret Law and Copyright Law. The Group engaged lawyers to defend its right on this matter. Currently, the case is still in progress; therefore, the Group cannot make any reasonable estimation regarding the possible impact on its business operation.
- (b) The Group entered into various patent license agreements with third parties, and was required to make royalty payments of a predetermined amount periodically.
- (c) As of March 31, 2020, December 31 and March 31, 2019, the Group's signed commitments to purchase property, plant and equipment amounted to \$322,301, \$548,202 and \$180,904, respectively.

(10) Losses due to major disasters: None**(11) Subsequent events: None**

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

(12) Other:

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

By function By item	Three months ended March 31, 2020			Three months ended March 31, 2019		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salary	3,617,095	2,865,141	6,482,236	4,295,590	2,824,292	7,119,882
Labor and health insurance	210,013	213,433	423,446	204,196	204,448	408,644
Pension	235,044	127,303	362,347	282,885	127,584	410,469
Others	687,225	161,365	848,590	631,899	148,907	780,806
Depreciation	1,176,248	249,263	1,425,511	1,161,111	242,172	1,403,283
Amortization	9,741	96,613	106,354	9,265	86,591	95,856

- (b) Seasonality of operations

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

(13) Other disclosures:

- (a) Information on significant transactions

The following were the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Group for the three month ended March 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 March 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: None
- (vi) Disposals of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: Please refer to Table 5

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COMPAL ELECTRONICS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

- (viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: Please refer to Table 6
- (ix) Trading in derivative instruments: Please refer to notes (6)(b) and (6)(d)
- (x) Business relationships and significant intercompany transactions: Please refer to Table 7
- (b) Information on investees: Please refer to Table 8
- (c) Information on investment in mainland China: Please refer to Table 9
- (d) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
Silchester International Investors International Value Equity Trust		23,168,000	5.26%

(14) Segment information:

	Three months ended March 31, 2020		
	Information technology product segment	Strategically integrated product segment	Total
Revenue			
Revenue from external customers	\$ 174,904,031	7,143,015	182,047,046
Revenue from segments	-	-	-
Total revenue	\$ 174,904,031	7,143,015	182,047,046
Reportable segment profit	\$ 632,501	456,159	1,088,660
	Three months ended March 31, 2019		
	Information technology product segment	Strategically integrated product segment	Total
Revenue			
Revenue from external customers	\$ 201,592,700	9,007,853	210,600,553
Revenue from segments	-	-	-
Total revenue	\$ 201,592,700	9,007,853	210,600,553
Reportable segment profit	\$ 1,552,013	557,787	2,109,800