

Stock Ticker : 2324

Compal Electronics, Inc.

2020 Annual General Shareholders' Meeting Meeting Handbook

(June 19, 2020)



No. 581, Ruiguang Rd., Neihu District,
Taipei City 11492, Taiwan (R.O.C.)

This translated document is prepared in accordance with the Chinese version and is for reference only. In the event of any inconsistency between the English version and the Chinese version, the Chinese version shall prevail.

Table of Contents

I . Meeting Procedures	1
II . Meeting Agenda	3
1. Report Items	5
2. Ratification Items	11
3. Discussion Item	15
4. Special Motion.....	18
III. Attachments	
1. Business Report for the Year 2019	
2. Independent Auditors' Report	
3. Audit Committee's Review Report	
4. Financial Statements for the year 2019	
IV. Appendices	
1. Rules and Procedures of Shareholders Meeting	
2. Articles of Incorporation	
3. Shareholding of Directors	
4. The Impact of Non-compensated Distribution of Shares on the Company's Business Performance, Earnings Per Share, and Shareholder Return Rate	
5. Others	

Meeting Procedures

Compal Electronics, Inc.

2020 Annual General Shareholders' Meeting Procedures

1. Call Meeting to Order
2. Chairman's Address
3. Report Items
4. Ratification Items
5. Discussion Item
6. Special Motion(s)
7. Meeting Adjourned

Meeting Agenda

Compal Electronics, Inc.

2020 Annual General Shareholders' Meeting Agenda

Time : 9:00 am, June 19, 2020 (Friday)

Place : No. 581, Ruiguang Rd., Neihu District, Taipei City 11492, Taiwan
(R.O.C.)

I. Report Items

1. Report on Business for the year 2019
2. Audit Committee's Review Report for the year 2019
3. Report of the distribution of compensation to employees and directors for the year 2019
4. Report of distribution of the cash dividends from Earnings for the year 2019
5. Report of status of the cash distribution from Capital Surplus

II. Ratification Items

1. To ratify the Business Report and Financial Statements for the year 2019
2. To ratify the Distribution of Earnings for the year 2019

III. Discussion Item

1. To approve the release of non-competition restrictions for Directors

IV. Special Motion(s)

V. Meeting Adjourned

Report Items

Item 1

Proposed by the Board of Directors

Proposal:

Report on Business for the year 2019

Explanatory Note:

The Business Report for the year 2019 is attached hereto as Attachment 1.

Item 2

Proposed by the Board of Directors

Proposal:

Audit Committee's Review Report for the year 2019

Explanatory Notes:

1. The year 2019 financial statements have been audited by the Independent Auditors and the Independent Auditors' Report was issued. In addition, the Business Report and Distribution of Earnings for the Year 2019 have been reviewed and examined by the Audit Committee; the Review Report was issued accordingly.
2. Independent Auditors' Report is attached hereto as Attachment 2.
3. Audit Committee's Review Report is attached hereto as Attachment 3.

Item 3

Proposed by the Board of Directors

Proposal:

Report of the distribution of compensation to employees and directors for the year 2019

Explanatory Note:

1. In accordance with the Articles of Incorporation of the Company, if there is any profit in a fiscal year, the Company's pre-tax profits in such fiscal year, prior to deduction of compensation to employees and directors, shall be distributed to employees as compensation in an amount of not less than two percent (2%) thereof and to directors as compensation in an amount of not more than two percent (2%) of such profits. Notwithstanding the foregoing, in the event that the Company has accumulated losses, the Company shall first reserve an amount to offset such accumulated losses.
2. The distribution of compensation to employees and directors for the year 2019, as approved by the Remuneration Committee and the Board of Directors, are NT\$731,321,511 and NT\$38,671,525, respectively. The compensations shall be distributed in the form of cash.

Item 4

Proposed by the Board of Directors

Proposal:

Report of distribution of the cash dividends from Earnings for the year 2019

Explanatory Note:

1. The proposal has been approved by the Board of Directors in accordance with authorization by the Company's Articles of Incorporation, and the amount of earnings for the year 2019 available for distribution to shareholders as dividend and bonus is NT\$4,407,146,625. Such amount is distributed in the form of cash dividend. Each shareholder will be entitled to receive a cash dividend of NT\$1 per share. Cash dividend shall be distributed and paid to each shareholder, rounded to the nearest NT dollar (truncate the numbers after decimal place). Fractional amounts will be aggregately recognized as other revenue in the accounting book of the Company.
2. As of March 30, 2020, the number of shares issued by the Company that is eligible to receive dividends is 4,407,146,625 shares. However, if the number of outstanding shares is changed; that, the distribution ratio for the cash dividend must be adjusted accordingly, Chairman was granted full authority by the Board of Directors to deal with this matter.

Item 5

Proposed by the Board of Directors

Proposal:

Report of status of the cash distribution from Capital Surplus

Explanatory Note:

1. The proposal has been approved by the Board of Directors in accordance with authorization by the Company's Articles of Incorporation, the Company proposed a cash distribution of NT\$881,429,325 from capital surplus derived from the amount of the subscription price in excess of par value of common shares issued by the Company. The cash is to be distributed to the registered shareholders on the record date, and the cash distribution per share will be NT\$0.2. Cash distribution from capital surplus shall be paid to each shareholder, rounded to the nearest NT dollar (truncate the numbers after decimal place). Fractional amounts will be aggregately recognized as other revenue in the accounting book of the Company.
2. As of March 30, 2020, the number of shares issued by the Company which is eligible to receive cash distribution is 4,407,146,625 shares. However, if the number of outstanding shares is changed; that, the distribution ratio for the cash distribution from capital surplus must be adjusted accordingly, Chairman was granted full authority by the Board of Directors to deal with this matter.

Ratification Items

Item 1

Proposed by the Board of Directors

Proposal:

To ratify the Business Report and Financial Statements for the year 2019

Explanatory Notes:

1. The Company's 2019 financial statements have been audited by Szu-Chuan Chien and Yiu-Kwan Au, certified public accountants from KPMG, who have issued an Audit Report. In addition, the Business Report has been reviewed and examined by the Audit Committee and the Audit Committee has issued a Review Report accordingly.
2. The "Business Report for the Year 2019" and "Financial Statements for the Year 2019" are attached hereto as Attachments 1 and 4.

Resolved That:

Item 2

Proposed by the Board of Directors

Proposal:

To ratify the Distribution of Earnings for the year 2019

Explanatory Notes:

1. In accordance with the Articles of Incorporation of the Company and the R.O.C. Company Act, Earnings Distribution Proposal for the year 2019 was resolved by the Board of Directors and examined by the Audit Committee. The Audit Committee has issued a Review Report accordingly.
2. The “Distribution of Earnings for the year 2019” is attached. Please see page 14.

Resolved That:

Compal Electronics, Inc.

Earnings Distribution Proposal for the Year 2019

Unit: NT\$

Item	Amount
Unappropriated retained earnings in the beginning of the year	28,466,252,453
Add:	
Net income of 2019	6,955,899,081
Reversal of special reserve resulting from other equity interest	3,366,088,486
Subtract:	
10% Legal reserve	(695,589,908)
Remeasurement of defined benefit plans	(30,419,471)
Changes in equity of associates and joint ventures accounted for using equity method	(27,198,821)
Disposal of investments in equity instruments measured at fair value through other comprehensive income	(4,824,910,758)
Retained earnings available for distribution as of December 31, 2019	33,210,121,062
Distribution item:	
Subtract:	
Dividends to common shares holders <Note>	(4,407,146,625)
Unappropriated retained earnings as of December 31, 2019	28,802,974,437

Note: Cash dividends of NT\$1 per common share

Discussion Item

Item 1

Proposed by the Board of Directors

Proposal:

To approve the release of non-competition restrictions for Directors

Explanatory Notes:

1. As certain Directors of the Company may invest in or operate a business which is identical or similar to the business scope of the Company, without prejudice to any interest of the Company, it is proposed to approve the release of non-competition restrictions for these Directors in accordance with Article 209 of the Company Act.
2. Information of the Directors who concurrently serve in a position of other companies is shown in the tables below (see page 17). The approval of the release of non-competition restrictions for Directors is proposed.

Resolved That :

Information of the Directors of Compal, concurrently serves in a position of other companies, is listed as follows:

Title	Name	Serves in positions of other companies
Vice Chairman	Jui-Tsung Chen	Chairman: Arce Therapeutics, Inc., Aco Smartcare Co., Ltd.
Director	Kinpo Electronics, Inc.	Director: Cal-Comp Asset Management, Inc.
Director	Shyh-Yong Shen (Note)	Director: Cal-Comp Asset Management, Inc., Cal-Comp Brazil Holding Co., Ltd., Cal-Comp Precision Holding Co., Ltd., NKG Advanced Intelligence and Technology Development (Yue Yang) Co., Ltd.
Director	Chang-Chyi Ko	Director: All For Health Biotech Co., Ltd.
Director	Yen-Chia Chou	Chairman: Mega Plastic Industry Co., Ltd.
Director	Chung-Pin Wong	Chairman: HippoScreen Neurotech Corp. Director: Aco Smartcare Co., Ltd.
Director	Sheng-Hua Peng	Supervisor: General Life Biotechnology Co., Ltd.

Note: Representative of the Corporate Director of Compal, Kinpo Electronics, Inc.

Special Motion(s)

Special Motion(s)

Attachments

Attachment 1

Business Report for the Year 2019

2019 has been a year of many challenges. With the gloomy economy, global GDP experienced slow growth. Although the growth of Taiwan's GDP maintained stable, the US-China trade dispute has significantly disrupted the global supply chain system, posing a sense of uncertainty among industry. In the face of challenges in our industry, the business of Compal has remained steady and we have delivered a number of decent results, continuing to build a strong foundation for future development. We would like to present the following summary of our financial and operational results for last year and the business outlook for this year:

2019 Financial Performance

Compal's 2019 consolidated revenue came to NT\$980,442 million, up NT\$12,736 million or 1% from the previous year. The total overall shipping volume of 5C related electronic products reached 92 million units, an increase of 9 million units with an annual growth of 11%. Thanks to the collaborative efforts from all Compal employees to continue to improve product service value and focus on profitability, the 2019 consolidated operating profit totaled NT\$10,586 million which translates to an increase of 14%. With non-operating income and income tax accounted for, the net profit attributed to the parent company came to NT\$6,956 million, with the EPS at NT\$1.60.

Core Business and Technology Development

In terms of business development, Compal's Notebook PC business has continued to rank as the world's number 1 in the industry, accounting for 25% of global market share. Under the successful cultivation of technology as well as customers, diversified products including servers, wearables and auto electronic parts have more than doubled in 2019. With the stronger demand, Compal's AIOT business, in which we have been a leader in its long-term planning, has also shown the decent growth momentum. We believe that, with the integration of AI and 5G technologies in the future, our AIOT business will keep accelerating, gaining even more development opportunities. Furthermore, since 2015, we have continued to invest in and planned the layout of our new field "Smart Medical and Healthcare". Up to now, we have invested in more than ten medical technology new ventures and have accumulated a large amount of knowledge through various collaborations of external resources. The non-Notebook PC business has contributed 34% to the Company's revenue in 2019, up 2% compared to the previous year. We aim to achieve our goals at a steady but firm pace.

Production Diversification and Smart Manufacturing

From the US-China trade disputes starting in 2018 to the recent novel coronavirus (COVID-19) outbreak in the beginning of this year, the demand for production diversification and smart manufacturing seems to have come to a new inflection point. Although the global supply chain may appear chaotic, it also poses as a beginning of a new era. To fulfill

customers' demand, we have conducted strategic capacity relocation in 2019 for various customers simultaneously, including investing in Taiwan and reestablishing and expanding production sites in Vietnam. We will also continue to invest in smart manufacturing and automation equipment. Meanwhile, we have pro-actively recruited talents and teams from the industry, combined with supply chain logistic planning, to cope with this new era.

Corporate Governance and Sustainability

The business philosophy of “sustainability” allows Compal to be widely recognized by the world in terms of environment, society and corporate governance. In 2019, Compal was once again honored to receive "Taiwan Corporate Sustainability Awards" from Taiwan Institute for Sustainable Energy and has maintained its ranking in the top 6%-20% among Taiwanese listed companies during the latest "Corporate Governance Evaluation" on the Taiwan Stock Exchange (TWSE). We have also been selected as an index constituent of FTSE4Good Index for a number of years. In the “2019 Happy Enterprise Award” poll organized by a top job bank, Compal have gained the honor of being voted as one of the top 20 in Taiwan's technology industry, indicating how much we value our talents and how essential they are to the growth of our sustainability and smart transformation.

2020 Business Outlook

Looking ahead, changes in the global economy and industry still pose many uncertainties to lead year 2020 to be another challenging year. We believe volatilities may become a new normality for enterprises. With the decent results of last year, other than staying on top of the industry, we must accelerate the diversification on our product portfolio, production and supply chain. In the meantime, we believe that only by establishing a solid foundation of technology, operation and finance, can we face future uncertainties with flexibility. Therefore, in respect to technology, AI, 5G and Cloud will be the key focus, so that Compal is able to expand the business not only with the quantity increase but also with the quality enhancement, creating more value for customers. For operation, we will continue to enforce digitalization and automation, aiming to be a leading manufacturer in smart manufacturing. With regards to finance, based on our solid financial structure fundamental, we will keep the balance between the business growth as well as the long-term shareholders' returns, so that our company can readily face and manage the risks brought by the industry fluctuations.

Once again, we sincerely appreciate shareholders' long-term support and advice for Compal and wish you a peaceful and prosperous year ahead.

Sincerely,

Chairman of the Board: Sheng-Hsiung Hsu

President and Chief Executive Officer: Chung-Pin Wong

Accounting Officer: Cheng- Chiang Wang

Independent Auditors' Report

To Compal Electronics, Inc.:

Opinion

We have audited the financial statements of COMPAL ELECTRONICS, INC. (the "Company"), which comprise the balance sheets as of December 31, 2019 and 2018, the statement of comprehensive income, changes in equity and cash flows for the years ended December 31, 2019 and 2018, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended December 31, 2019 and 2018, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audit of the financial statements as of and for the year ended December 31, 2019 in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants, Rule No. 1090360805 issued by the Financial Supervisory Commission, and the auditing standards generally accepted in the Republic of China. Furthermore, we conducted our audit of the financial statements as of and for the year ended December 31, 2018 in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants, and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of Financial Statements section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

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

1. Account receivable valuation

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

Description of key audit matters:

The Company devotes to develop new product lines and customers in emerging countries, and the credit risks of these customers are higher than other world leading enterprises. Therefore, valuation of accounts receivable has been identified as a key audit matter.

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

In order to evaluate the reasonableness of the Company's estimations for bad debts, our key audit procedures included reviewing if the measurement of impairment loss of accounts receivable is

accordance with accounting policy, examining the historical recovery records, analyzing the aging of accounts receivable, and the current credit status of customers, as well as inspecting the amount collected in the subsequent period.

2. Inventory valuation

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

Description of key audit matters:

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of

internal control.

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

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

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

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

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

KPMG

Taipei, Taiwan (Republic of China)

March 30, 2020

Notes to Readers

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

Independent Auditors' Report

To Compal Electronics, Inc.:

Opinion

We have audited the consolidated financial statements of COMPAL ELECTRONICS, INC. and its subsidiaries (the "Group"), which comprise the consolidated balance sheets as of December 31, 2019 and 2018, and the consolidated statement of comprehensive income, changes in equity and cash flows for the years ended December 31, 2019 and 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended December 31, 2019 and 2018, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), Accounting Standards ("IASs"), Interpretations developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC") endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audit of the consolidated financial statements as of and for the year ended December 31, 2019 in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants, Rule No. 1090360805 issued by the Financial Supervisory Commission, and the auditing standards generally accepted in the Republic of China. Furthermore, we conducted our audit of the consolidated financial statements as of and for the year ended December 31, 2018 in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants, and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

1. Account receivable valuation

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

Description of key audit matters:

The Group devotes to develop new product lines and customers in emerging countries, and the credit risks of these customers are higher than other world leading enterprises. Therefore, valuation of accounts receivable has been identified as a key audit matter.

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

In order to evaluate the reasonableness of the Group's estimations for bad debts, our key audit procedures included reviewing if the measurement of impairment loss of accounts receivable is accordance with

accounting policy, examining the historical recovery records, analyzing the aging of accounts receivable, and the current credit status of customers, as well as inspecting the amount collected in the subsequent period.

2. Inventory valuation

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

Description of key audit matters:

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

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

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

Other Matter

Compal Electronics Inc, has prepared its parent-company-only financial statements as of and for the years ended December 31, 2019 and 2018, on which we have issued an unqualified opinion.

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

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

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

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

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

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement

resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

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

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

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

KPMG

Taipei, Taiwan (Republic of China)
March 30, 2020

Notes to Readers

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

Attachment 3

Audit Committee's Review Report

The Company's 2019 financial statements have been approved by the Audit Committee and by the Board of Directors. Szu-Chuan Chien and Yiu Kwan Au, the certified public accountants of KPMG, have completed the audit of the financial statements and issued an audit report relating thereto. In addition, the Board of Directors has prepared and submitted to us the Company's 2019 business report and proposal for distribution of earnings. We, the Audit Committee members, have duly examined and determined such business report and proposal for distribution of earnings to be in line with the requirements under the Company Act and relevant laws and regulations. According to Article 14-4 of the Securities and Exchange Act and Article 219 of Company Act, we hereby submit this report.

Compal Electronics, Inc.

Chairman of the Audit Committee:



March 30, 2020

Attachment 4

(English Translation of Financial Report Originally Issued in Chinese)

COMPAL ELECTRONICS, INC.

Balance Sheets

December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	December 31, 2019		December 31, 2018			December 31, 2019		December 31, 2018	
	Amount	%	Amount	%		Amount	%	Amount	%
Assets						Liabilities and Equity			
Current assets:						Current liabilities:			
1100 Cash and cash equivalents	\$ 13,459,969	4.0	20,446,378	5.7	2100 Short-term borrowings	\$ 39,363,800	11.7	51,305,682	14.4
1110 Current financial assets at fair value through profit or loss	149,888	-	284,768	0.1	2130 Current contract liabilities	877,822	0.3	1,405,452	0.4
1136 Current financial assets at amortized cost	-	-	350,000	0.1	2170 Notes and accounts payable	74,138,921	21.9	77,050,816	21.7
1170 Notes and accounts receivable, net	176,967,731	52.4	189,496,594	53.3	2180 Notes and accounts payable to related parties	74,925,238	22.2	78,376,843	22.0
1180 Notes and accounts receivable due from related parties, net	1,052,131	0.3	1,318,230	0.4	2200 Other payables	9,390,399	2.8	8,392,511	2.4
1200 Other receivables, net	3,110,607	0.9	1,418,750	0.4	2230 Current tax liabilities	2,107,283	0.6	1,787,434	0.5
1310 Inventories	50,048,069	14.9	51,517,159	14.5	2280 Current lease liabilities	387,499	0.1	-	-
1470 Other current assets	<u>734,434</u>	<u>0.2</u>	<u>541,027</u>	<u>0.1</u>	2300 Other current liabilities	348,480	0.1	587,308	0.2
	<u>245,522,829</u>	<u>72.7</u>	<u>265,372,906</u>	<u>74.6</u>	2365 Current refund liabilities	1,182,501	0.4	1,480,446	0.4
Non-current assets:					2322 Long-term borrowings, current portion	<u>18,150,000</u>	<u>5.3</u>	<u>17,496,250</u>	<u>4.9</u>
1550 Investments accounted for using equity method	83,430,169	24.7	83,299,238	23.5		<u>220,871,943</u>	<u>65.4</u>	<u>237,882,742</u>	<u>66.9</u>
1510 Non-current financial assets at fair value through profit or loss	71,097	-	23,745	-		Non-Current liabilities:			
1517 Non-current financial assets at fair value through other comprehensive income	3,019,393	0.9	3,731,918	1.0	2540 Long-term borrowings	7,500,000	2.2	10,900,000	3.0
1600 Property, plant and equipment	2,620,638	0.8	2,128,181	0.6	2570 Deferred tax liabilities	893,232	0.3	386,555	0.1
1755 Right-of-use assets	1,387,615	0.4	-	-	2580 Non-current lease liabilities	1,010,933	0.3	-	-
1780 Intangible assets	438,334	0.1	378,745	0.1	2640 Non-current net defined benefit liability	643,253	0.2	621,581	0.2
1840 Deferred tax assets	1,166,808	0.4	760,580	0.2	2670 Non-current liabilities, others	891,494	0.2	298,289	0.1
1990 Other non-current assets	<u>126,605</u>	<u>-</u>	<u>117,500</u>	<u>-</u>		<u>10,938,912</u>	<u>3.2</u>	<u>12,206,425</u>	<u>3.4</u>
	<u>92,260,659</u>	<u>27.3</u>	<u>90,439,907</u>	<u>25.4</u>		<u>231,810,855</u>	<u>68.6</u>	<u>250,089,167</u>	<u>70.3</u>
						Total liabilities			
						Equity:			
					3110 Ordinary share	44,071,466	13.1	44,071,466	12.4
					3200 Capital surplus	9,159,259	2.7	9,932,434	2.8
					3300 Retained earnings	57,726,604	17.1	60,060,381	16.9
					3400 Other equity interest	(4,103,449)	(1.2)	(7,459,388)	(2.1)
					3500 Treasury shares	(881,247)	(0.3)	(881,247)	(0.3)
						<u>105,972,633</u>	<u>31.4</u>	<u>105,723,646</u>	<u>29.7</u>
						Total equity			
						<u>105,972,633</u>	<u>31.4</u>	<u>105,723,646</u>	<u>29.7</u>
Total assets	<u>\$ 337,783,488</u>	<u>100.0</u>	<u>355,812,813</u>	<u>100.0</u>		Total liabilities and equity			
						<u>\$ 337,783,488</u>	<u>100.0</u>	<u>355,812,813</u>	<u>100.0</u>

(English Translation of Financial Statements and Report Originally Issued in Chinese)

COMPAL ELECTRONICS, INC.

Statements of Comprehensive Income

For the years ended December 31, 2019 and 2018

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

	2019		2018	
	Amount	%	Amount	%
4000 Net sales revenue	\$ 916,280,028	100.0	911,050,122	100.0
5000 Cost of sales	891,431,772	97.3	889,171,625	97.6
Gross profit	24,848,256	2.7	21,878,497	2.4
5910 Less: Unrealized profit (loss) from sales	(893)	-	(2,344)	-
Gross profit	24,849,149	2.7	21,880,841	2.4
Operating expenses:				
6100 Selling expenses	3,532,483	0.4	3,157,897	0.3
6200 Administrative expenses	2,318,452	0.3	2,389,356	0.3
6300 Research and development expenses	10,461,262	1.1	9,396,882	1.0
	16,312,197	1.8	14,944,135	1.6
Net operating income	8,536,952	0.9	6,936,706	0.8
Non-operating income and expenses:				
7020 Other gains and losses, net	(420,923)	-	(126,030)	-
7050 Finance costs	(1,969,101)	(0.2)	(1,938,044)	(0.2)
7190 Other income	653,839	0.1	887,354	0.1
7370 Share of profit of associates and joint ventures accounted for using equity method	1,022,912	0.1	4,198,330	0.4
Total non-operating income and expenses	(713,273)	-	3,021,610	0.3
7900 Profit from continuing operations before tax	7,823,679	0.9	9,958,316	1.1
7950 Less: Income tax expenses	867,780	0.1	1,044,951	0.1
Profit	6,955,899	0.8	8,913,365	1.0
8300 Other comprehensive income:				
8310 Components of other comprehensive income (loss) that will not be reclassified to profit or loss				
8311 Gains (losses) on remeasurements of defined benefit plans	(32,645)	-	(20,189)	-
8316 Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	120,897	-	(1,096,846)	(0.1)
8330 Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	359,147	-	(212,493)	-
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	3,056	-	(69,926)	-
Components of other comprehensive income that will not be reclassified to profit or loss	444,343	-	(1,259,602)	(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	(1,620,812)	(0.2)	1,853,763	0.1
8380 Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	(322,922)	-	(229,339)	-
8399 Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
Components of other comprehensive income that will be reclassified to profit or loss	(1,943,734)	(0.2)	1,624,424	0.1
8300 Other comprehensive income	(1,499,391)	(0.2)	364,822	-
8500 Total comprehensive income	\$ 5,456,508	0.6	9,278,187	1.0
Earnings per share				
9750 Basic earnings per share	\$	1.60		2.05
9850 Diluted earnings per share	\$	1.58		2.02

(English Translation of Financial Statements and Report Originally Issued in Chinese)

COMPAL ELECTRONICS, INC.
Statements of Changes in Equity
For the years ended December 31, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars)

	Retained earnings						Total other equity interest					Total equity
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Unearned employee benefit and others	Total other equity interest	Treasury shares	
Balance at January 1, 2018	\$ 44,191,916	10,938,773	18,252,861	4,339,549	34,458,787	57,051,197	(3,477,376)	(5,847,823)	(79,856)	(9,405,055)	(881,247)	101,895,584
Profit for the year ended December 31, 2018	-	-	-	-	8,913,365	8,913,365	-	-	-	-	-	8,913,365
Other comprehensive income	-	-	-	-	14,094	14,094	1,624,424	(1,273,696)	-	350,728	-	364,822
Total comprehensive income	-	-	-	-	8,927,459	8,927,459	1,624,424	(1,273,696)	-	350,728	-	9,278,187
Appropriation and distribution of retained earnings:												
Legal reserve appropriated	-	-	574,953	-	(574,953)	-	-	-	-	-	-	-
Special reserve appropriated	-	-	-	4,491,599	(4,491,599)	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(4,407,147)	(4,407,147)	-	-	-	-	-	(4,407,147)
Cash dividends from capital surplus	-	(881,429)	-	-	-	-	-	-	-	-	-	(881,429)
Changes in ownership interests in subsidiaries	-	(32,706)	-	-	(521,643)	(521,643)	-	489,483	-	489,483	-	(64,866)
Changes in equity of associates and joint ventures accounted for using equity method	-	(459)	-	-	(1,156)	(1,156)	-	1,130	-	1,130	-	(485)
Share-based payments transaction	(120,450)	(151,766)	-	-	36,141	36,141	-	-	79,856	79,856	-	(156,219)
Adjustments of capital surplus for company's cash dividends received by subsidiaries	-	60,021	-	-	-	-	-	-	-	-	-	60,021
Disposal of investments in equity instruments measured at fair value through other comprehensive income	-	-	-	-	(1,024,470)	(1,024,470)	-	1,024,470	-	1,024,470	-	-
Balance at December 31, 2018	44,071,466	9,932,434	18,827,814	8,831,148	32,401,419	60,060,381	(1,852,952)	(5,606,436)	-	(7,459,388)	(881,247)	105,723,646
Profit for the year ended December 31, 2019	-	-	-	-	6,955,899	6,955,899	-	-	-	-	-	6,955,899
Other comprehensive income	-	-	-	-	(30,420)	(30,420)	(1,942,028)	474,763	(1,706)	(1,468,971)	-	(1,499,391)
Total comprehensive income	-	-	-	-	6,925,479	6,925,479	(1,942,028)	474,763	(1,706)	(1,468,971)	-	5,456,508
Appropriation and distribution of retained earnings:												
Legal reserve appropriated	-	-	891,336	-	(891,336)	-	-	-	-	-	-	-
Special reserve appropriated	-	-	-	(1,363,317)	1,363,317	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(4,407,147)	(4,407,147)	-	-	-	-	-	(4,407,147)
Cash dividends from capital surplus	-	(881,429)	-	-	-	-	-	-	-	-	-	(881,429)
Changes in ownership interests in subsidiaries	-	43,473	-	-	-	-	-	-	-	-	-	43,473
Changes in equity of associates and joint ventures accounted for using equity method	-	4,760	-	-	(27,199)	(27,199)	-	-	-	-	-	(22,439)
Adjustments of capital surplus for company's cash dividends received by subsidiaries	-	60,021	-	-	-	-	-	-	-	-	-	60,021
Disposal of investments in equity instruments measured at fair value through other comprehensive income	-	-	-	-	(4,824,910)	(4,824,910)	-	4,824,910	-	4,824,910	-	-
Balance at December 31, 2019	\$ 44,071,466	9,159,259	19,719,150	7,467,831	30,539,623	57,726,604	(3,794,980)	(306,763)	(1,706)	(4,103,449)	(881,247)	105,972,633

(English Translation of Financial Statements and Report Originally Issued in Chinese)

COMPAL ELECTRONICS, INC.

Statements of Cash Flows

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	2019	2018
Cash flows from (used in) operating activities:		
Profit before tax	\$ 7,823,679	9,958,316
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation and amortization	1,017,058	456,117
Increase in expected credit loss	1,537	1,065
Net gain on financial assets or liabilities at fair value through profit or loss	(14,195)	(95,526)
Finance cost	1,969,101	1,938,044
Interest income	(184,607)	(332,905)
Dividend income	(71,778)	(212,129)
Compensation cost of share-based payments	-	(156,219)
Share of profit of subsidiaries, associates and joint ventures accounted for using equity method	(1,022,912)	(4,198,330)
Loss on disposal of investments	(8,990)	-
Others	(48)	-
Total adjustments to reconcile profit (loss)	<u>1,685,166</u>	<u>(2,599,883)</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
Decrease (increase) in financial assets at fair value through profit or loss	(149,888)	-
Decrease (increase) in notes and accounts receivable	12,793,425	(23,179,534)
Decrease (increase) in other receivables	(316,517)	(629,912)
Decrease (increase) in inventories	1,469,090	(8,531,796)
Decrease (increase) in other current assets	(193,407)	63,537
Total changes in operating assets	<u>13,602,703</u>	<u>(32,277,705)</u>
Changes in operating liabilities:		
Increase (decrease) in notes and accounts payable	(6,363,500)	11,759,347
Increase (decrease) in other payables	1,176,316	1,172,349
Increase (decrease) in refund liabilities	(297,945)	40,154
Increase (decrease) in contract liabilities	(527,630)	(212,174)
Increase (decrease) in other current liabilities	(238,828)	(77,610)
Others	(11,365)	(12,315)
Total changes in operating liabilities	<u>(6,262,952)</u>	<u>12,669,751</u>
Total changes in operating assets and liabilities	<u>7,339,751</u>	<u>(19,607,954)</u>
Total adjustments	<u>9,024,917</u>	<u>(22,207,837)</u>
Cash inflow (outflow) generated from operations	16,848,596	(12,249,521)
Interest received	231,795	314,650
Dividends received	536,175	592,252
Interest paid	(2,147,529)	(1,769,911)
Income taxes paid	(450,537)	(684,300)
Net cash flows from (used in) operating activities	<u>15,018,500</u>	<u>(13,796,830)</u>
Cash flows from (used in) investing activities:		
Redemption from financial assets at amortized cost	350,000	350,000
Acquisition of financial assets at fair value through profit or loss and through other comprehensive income	(74,992)	(131,622)
Proceeds from disposal of financial assets at fair value through profit or loss and through other comprehensive income	1,152,409	865,964
Acquisition of investments accounted for using equity method	(341,107)	(29,558)
Proceeds from disposal of investments accounted for using equity method	18,034	-
Proceeds from capital reduction of investments	22,426	8,054
Acquisition of property, plant and equipment	(761,929)	(203,186)
Increase in other receivables due from related parties	(1,587,080)	(321,840)
Acquisition of intangible assets	(384,816)	(521,722)
Others	(6,244)	(10,572)
Net cash flows from (used in) investing activities	<u>(1,613,299)</u>	<u>5,518</u>
Cash flows from (used in) financing activities:		
Increase (decrease) in short-term borrowings	(11,941,882)	9,919,682
Proceeds from long-term borrowings	66,503,625	34,258,000
Repayments of long-term borrowings	(69,249,875)	(32,994,950)
Payment of lease liabilities	(414,856)	-
Cash dividends paid	(5,288,576)	(5,288,576)
Others	(46)	-
Net cash flows from (used in) financing activities	<u>(20,391,610)</u>	<u>5,894,156</u>
Net increase (decrease) in cash and cash equivalents	<u>(6,986,409)</u>	<u>(7,897,156)</u>
Cash and cash equivalents at beginning of period	<u>20,446,378</u>	<u>28,343,534</u>
Cash and cash equivalents at end of period	<u>\$ 13,459,969</u>	<u>20,446,378</u>

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

COMPAL ELECTRONICS, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

Assets	December 31, 2019		December 31, 2018			Liabilities and Equity	December 31, 2019		December 31, 2018	
	Amount	%	Amount	%			Amount	%	Amount	%
Current assets:						Current liabilities:				
1100 Cash and cash equivalents	\$ 66,559,397	17.4	70,296,545	17.6	2100 Short-term borrowings	\$ 60,951,844	15.9	72,350,197	18.1	
1110 Current financial assets at fair value through profit or loss	1,346,379	0.4	4,611,134	1.1	2120 Current financial liabilities at fair value through profit or loss	5,854	-	26,913	-	
1135 Current derivative financial assets for hedging	61	-	-	-	2125 Current derivative financial liabilities for hedging	4,932	-	-	-	
1136 Current financial assets at amortized cost	-	-	350,000	0.1	2130 Current contract liabilities	956,455	0.2	1,476,304	0.4	
1170 Notes and accounts receivable, net	191,692,152	50.1	203,715,965	51.0	2170 Notes and accounts payable	142,940,869	37.4	152,300,093	38.1	
1180 Notes and accounts receivable due from related parties, net	44,512	-	58,106	-	2180 Notes and accounts payable to related parties	1,504,908	0.4	1,976,620	0.5	
1200 Other receivables, net	2,006,113	0.5	1,665,249	0.4	2200 Other payables	21,916,685	5.7	19,558,007	4.9	
1310 Inventories	78,433,538	20.5	79,148,922	19.8	2230 Current tax liabilities	4,428,716	1.2	3,722,191	0.9	
1470 Other current assets	3,072,661	0.8	2,899,329	0.7	2250 Current provisions	830,757	0.2	426,981	0.1	
	<u>343,154,813</u>	<u>89.7</u>	<u>362,745,250</u>	<u>90.7</u>	2280 Current lease liabilities	717,021	0.1	-	-	
Non-current assets:					2300 Other current liabilities	1,990,243	0.5	3,255,135	0.8	
1550 Investments accounted for using equity method	7,319,086	1.9	7,364,485	1.9	2365 Current refund liabilities	1,382,374	0.4	1,579,832	0.4	
1510 Non-current financial assets at fair value through profit or loss	115,359	-	69,390	-	2322 Long-term borrowings, current portion	18,189,375	4.8	17,535,625	4.4	
1517 Non-current financial assets at fair value through other comprehensive income	4,928,053	1.3	5,172,295	1.3		<u>255,820,033</u>	<u>66.8</u>	<u>274,207,898</u>	<u>68.6</u>	
1600 Property, plant and equipment	19,972,347	5.2	20,418,228	5.1	Non-Current liabilities:					
1755 Right-of-use assets	3,350,172	0.9	-	-	2530 Bonds payable	966,492	0.3	-	-	
1780 Intangible assets	1,553,342	0.4	1,516,253	0.4	2540 Long-term borrowings	7,559,063	2.0	10,998,438	2.7	
1840 Deferred tax assets	1,637,626	0.4	1,023,948	0.3	2570 Deferred tax liabilities	1,009,218	0.3	478,169	0.1	
1985 Long-term prepaid rents	-	-	891,147	0.2	2580 Non-current lease liabilities	1,550,067	0.4	-	-	
1990 Other non-current assets	617,621	0.2	593,827	0.1	2640 Non-current net defined benefit liability	738,164	0.2	710,146	0.2	
	<u>39,493,606</u>	<u>10.3</u>	<u>37,049,573</u>	<u>9.3</u>	2670 Non-current liabilities, others	246,038	-	238,324	0.1	
						<u>12,069,042</u>	<u>3.2</u>	<u>12,425,077</u>	<u>3.1</u>	
						<u>267,889,075</u>	<u>70.0</u>	<u>286,632,975</u>	<u>71.7</u>	
						Total liabilities				
						Equity:				
						Equity attributable to owners of parent :				
					3110 Ordinary share	44,071,466	11.5	44,071,466	11.0	
					3200 Capital surplus	9,159,259	2.4	9,932,434	2.5	
					3300 Retained earnings	57,726,604	15.1	60,060,381	15.0	
					3400 Other equity interest	(4,103,449)	(1.1)	(7,459,388)	(1.8)	
					3500 Treasury shares	(881,247)	(0.2)	(881,247)	(0.2)	
						<u>105,972,633</u>	<u>27.7</u>	<u>105,723,646</u>	<u>26.5</u>	
					36XX Non-controlling interests	8,786,711	2.3	7,438,202	1.8	
					Total equity	<u>114,759,344</u>	<u>30.0</u>	<u>113,161,848</u>	<u>28.3</u>	
Total assets	<u>\$ 382,648,419</u>	<u>100.0</u>	<u>399,794,823</u>	<u>100.0</u>	Total liabilities and equity	<u>\$ 382,648,419</u>	<u>100.0</u>	<u>399,794,823</u>	<u>100.0</u>	

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

COMPAL ELECTRONICS, INC. AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income
For the years ended December 31, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Share)

	2019		2018	
	Amount	%	Amount	%
4000 Net sales revenue	\$ 980,442,346	100.0	967,706,411	100.0
5000 Cost of sales	946,533,518	96.5	937,139,320	96.8
Gross profit	33,908,828	3.5	30,567,091	3.2
Operating expenses:				
6100 Selling expenses	4,961,131	0.5	4,319,991	0.4
6200 Administrative expenses	4,204,536	0.4	4,204,419	0.4
6300 Research and development expenses	14,156,793	1.5	12,780,935	1.4
	23,322,460	2.4	21,305,345	2.2
Net operating income	10,586,368	1.1	9,261,746	1.0
Non-operating income and expenses:				
7020 Other gains and losses, net	(166,133)	-	2,256,958	0.2
7050 Finance costs	(2,725,564)	(0.3)	(2,636,443)	(0.3)
7190 Other income	2,151,357	0.2	2,132,864	0.2
7590 Miscellaneous disbursements	(35,160)	-	(22,908)	-
7770 Share of profit (loss) of associates and joint ventures accounted for using equity method	197,008	-	797,368	0.1
Total non-operating income and expenses	(578,492)	(0.1)	2,527,839	0.2
7900 Profit from continuing operations before tax	10,007,876	1.0	11,789,585	1.2
7950 Less: Income tax expenses	2,112,157	0.2	2,200,284	0.2
Profit	7,895,719	0.8	9,589,301	1.0
8300 Other comprehensive income:				
8310 Components of other comprehensive income that will not be reclassified to profit or loss				
8311 Gains (losses) on remeasurements of defined benefit plans	(40,786)	-	(16,260)	-
8316 Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	407,276	-	(1,188,635)	(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	109,246	-	(124,949)	-
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	35,847	-	(75,832)	-
Components of other comprehensive income that will not be reclassified to profit or loss	439,889	-	(1,254,012)	(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	(1,711,990)	(0.2)	1,807,381	0.1
8368 Gains (losses) on hedging instrument	(4,871)	-	-	-
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	(268,686)	-	(162,189)	-
8399 Income tax related to components of other comprehensive income that will be reclassified to profit or loss	(10,678)	-	3,293	-
Components of other comprehensive income that will be reclassified to profit or loss	(1,974,869)	(0.2)	1,641,899	0.1
8300 Other comprehensive income	(1,534,980)	(0.2)	387,887	-
8500 Total comprehensive income	\$ 6,360,739	0.6	9,977,188	1.0
Profit, attributable to:				
8610 Profit, attributable to owners of parent	\$ 6,955,899	0.7	8,913,365	0.9
8620 Profit, attributable to non-controlling interests	939,820	0.1	675,936	0.1
	\$ 7,895,719	0.8	9,589,301	1.0
Comprehensive income attributable to:				
8710 Comprehensive income (loss), attributable to owners of parent	\$ 5,456,508	0.5	9,278,187	0.9
8720 Comprehensive income (loss), attributable to non-controlling interests	904,231	0.1	699,001	0.1
	\$ 6,360,739	0.6	9,977,188	1.0
Earnings per share				
9750 Basic earnings per share	\$ 1.60		2.05	
9850 Diluted earnings per share	\$ 1.58		2.02	

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

COMPAL ELECTRONICS, INC. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent														
	Retained earnings						Total other equity interest						Total equity attributable to owners of parent	Non-controlling interests	Total equity
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Unearned employee benefit and others	Total other equity interest	Treasury shares				
Balance at January 1, 2018	\$ 44,191,916	10,938,773	18,252,861	4,339,549	34,458,787	57,051,197	(3,477,376)	(5,847,823)	(79,856)	(9,405,055)	(881,247)	101,895,584	6,752,388	108,647,972	
Profit for the year ended December 31, 2018	-	-	-	-	8,913,365	8,913,365	-	-	-	-	-	8,913,365	675,936	9,589,301	
Other comprehensive income	-	-	-	-	14,094	14,094	1,624,424	(1,273,696)	-	350,728	-	364,822	23,065	387,887	
Total comprehensive income	-	-	-	-	8,927,459	8,927,459	1,624,424	(1,273,696)	-	350,728	-	9,278,187	699,001	9,977,188	
Appropriation and distribution of retained earnings:															
Legal reserve appropriated	-	-	574,953	-	(574,953)	-	-	-	-	-	-	-	-	-	
Special reserve appropriated	-	-	-	4,491,599	(4,491,599)	-	-	-	-	-	-	-	-	-	
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	-	(32,706)	-	-	(521,643)	(521,643)	-	489,483	-	489,483	-	(64,866)	-	(64,866)	
Changes in equity of associates and joint ventures accounted for using equity method	-	(459)	-	-	(1,156)	(1,156)	-	1,130	-	1,130	-	(485)	-	(485)	
Share-based payments transaction	(120,450)	(151,766)	-	-	36,141	36,141	-	-	79,856	79,856	-	(156,219)	-	(156,219)	
Adjustments of capital surplus for company's cash dividends received by subsidiaries	-	60,021	-	-	-	-	-	-	-	-	-	60,021	-	60,021	
Disposal of investments in equity instruments measured at fair value through other comprehensive income	-	-	-	-	(1,024,470)	(1,024,470)	-	1,024,470	-	1,024,470	-	-	-	-	
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(13,187)	(13,187)	
Balance at December 31, 2018	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 year ended December 31, 2019	-	-	-	-	6,955,899	6,955,899	-	-	-	-	-	6,955,899	939,820	7,895,719	
Other comprehensive income	-	-	-	-	(30,420)	(30,420)	(1,942,028)	474,763	(1,706)	(1,468,971)	-	(1,499,391)	(35,589)	(1,534,980)	
Total comprehensive income	-	-	-	-	6,925,479	6,925,479	(1,942,028)	474,763	(1,706)	(1,468,971)	-	5,456,508	904,231	6,360,739	
Appropriation and distribution of retained earnings:															
Legal reserve appropriated	-	-	891,336	-	(891,336)	-	-	-	-	-	-	-	-	-	
Special reserve appropriated	-	-	-	(1,363,317)	1,363,317	-	-	-	-	-	-	-	-	-	
Cash dividends of ordinary share	-	-	-	-	(4,407,147)	(4,407,147)	-	-	-	-	-	(4,407,147)	-	(4,407,147)	
Cash dividends from capital surplus	-	(881,429)	-	-	-	-	-	-	-	-	-	(881,429)	-	(881,429)	
Changes in ownership interests in subsidiaries	-	43,473	-	-	-	-	-	-	-	-	-	43,473	-	43,473	
Changes in equity of associates and joint ventures accounted for using equity method	-	4,760	-	-	(27,199)	(27,199)	-	-	-	-	-	(22,439)	-	(22,439)	
Adjustments of capital surplus for company's cash dividends received by subsidiaries	-	60,021	-	-	-	-	-	-	-	-	-	60,021	-	60,021	
Disposal of investments in equity instruments measured at fair value through other comprehensive income	-	-	-	-	(4,824,910)	(4,824,910)	-	4,824,910	-	4,824,910	-	-	-	-	
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	444,278	444,278	
Balance at December 31, 2019	\$ 44,071,466	9,159,259	19,719,150	7,467,831	30,539,623	57,726,604	(3,794,980)	(3,067,633)	(1,706)	(4,103,449)	(881,247)	105,972,633	8,786,711	114,759,344	

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

COMPAL ELECTRONICS, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	2019	2018
Cash flows from (used in) operating activities:		
Profit before tax	\$ 10,007,876	11,789,585
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation and amortization	6,419,421	4,940,672
Increase (decrease) in expected credit loss	(10,355)	(17,449)
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	(24,217)	(117,677)
Finance cost	2,725,564	2,636,443
Interest income	(1,664,803)	(1,463,658)
Dividend income	(127,349)	(279,044)
Compensation cost of share-based payments	125,281	(121,765)
Share of loss (profit) of associates and joint ventures accounted for using equity method	(197,008)	(797,368)
Loss (gain) on disposal of property, plant and equipment	(40,245)	23,228
Gain on disposal of investments	(66,837)	(2,513,207)
Long-term prepaid rents	-	13,302
Others	16,668	-
Total adjustments to reconcile profit (loss)	7,156,120	2,303,477
Changes in operating assets and liabilities:		
Changes in operating assets:		
Decrease (increase) in financial assets at fair value through profit or loss	2,630,896	(3,936,569)
Decrease (increase) in notes and accounts receivable	12,043,387	(26,227,099)
Decrease (increase) in other receivable	(571,592)	(680,718)
Decrease (increase) in inventories	715,384	(9,691,835)
Decrease (increase) in other current assets	(174,770)	551,607
Decrease (increase) in other non-current assets	(66,117)	(101,686)
Total changes in operating assets	14,577,188	(40,086,300)
Changes in operating liabilities:		
Increase (decrease) in financial liabilities at fair value through profit or loss	(21,059)	2,450
Increase (decrease) in notes and accounts payable	(9,831,480)	12,258,889
Increase (decrease) in other payable	2,735,002	1,434,494
Increase (decrease) in refund liabilities	(197,458)	60,526
Increase (decrease) in provisions	403,776	39,834
Increase (decrease) in contract liabilities	(519,849)	(189,017)
Increase (decrease) in other current liabilities	(991,160)	231,592
Others	6,789	50,649
Total changes in operating liabilities	(8,415,439)	13,889,417
Total changes in operating assets and liabilities	6,161,749	(26,196,883)
Total adjustments	13,317,869	(23,893,406)
Cash inflow (outflow) generated from operations	23,325,745	(12,103,821)
Interest received	1,898,096	1,403,559
Dividends received	266,110	414,120
Interest paid	(3,112,013)	(2,399,912)
Income taxes paid	(1,456,869)	(2,576,795)
Net cash flows from (used in) operating activities	20,921,069	(15,262,849)
Cash flows from (used in) investing activities:		
Redemption from financial assets at amortized cost	350,000	350,000
Acquisition of financial assets at fair value through profit or loss and through other comprehensive income	(264,261)	(155,814)
Proceeds from disposal of financial assets at fair value through profit or loss and through other comprehensive income	1,511,226	1,003,163
Acquisition of investments accounted for using equity method	(43,200)	-
Proceeds from disposal of investments accounted for using equity method	18,033	7,386,224
Net cash flow from disposal of subsidiaries	143,495	-
Proceeds from capital reduction of investments	10,120	15,082
Acquisition of property, plant and equipment	(5,850,532)	(5,154,447)
Proceeds from disposal of property, plant and equipment	168,226	48,354
Acquisition of intangible assets	(498,402)	(575,232)
Acquisition of right-of-use assets	(281,637)	-
Increase in long-term prepaid rents	-	(315,395)
Others	110,944	(163,176)
Net cash flows from (used in) investing activities	(4,625,988)	2,438,759
Cash flows from (used in) financing activities:		
Increase (decrease) in short-term borrowings	(11,398,353)	15,834,672
Proceeds from issuing bonds	1,007,240	-
Proceeds from long-term borrowings	66,462,300	34,267,200
Repayments of long-term borrowings	(69,247,925)	(33,186,025)
Payment of lease liabilities	(832,815)	-
Cash dividends paid	(5,228,555)	(5,228,555)
Acquisition of non-controlling interests	-	(1,801)
Change in non-controlling interests	258,360	(110,954)
Others	(34,005)	58,117
Net cash flows from (used in) financing activities	(19,013,753)	11,632,654
Effect of exchange rate changes on cash and cash equivalents	(1,018,476)	1,425,268
Net increase (decrease) in cash and cash equivalents	(3,737,148)	233,832
Cash and cash equivalents at beginning of period	70,296,545	70,062,713
Cash and cash equivalents at end of period	\$ 66,559,397	70,296,545

Appendices

Appendix 1

Rules and Procedures of Shareholders Meeting of Compal Electronics, Inc.

Passed by the General Shareholders Meeting on April 8, 1998

1. The shareholders meeting of Compal Electronics, Inc. (the "Company") shall be conducted in accordance with these Rules and Procedures unless the law provides otherwise.
2. The Company shall prepare an attendance book for shareholders to sign in, or the shareholder present may hand in an attendance card in lieu of signing on the attendance book.
The number of shares representing shareholders present in the meeting shall be calculated in accordance with those indicated on the attendance book or the attendance cards.
3. The presence of shareholders in a shareholders meeting and their voting thereof shall be calculated in accordance with the number of shares. Resolutions shall be adopted at the shareholders meeting in accordance with the Company Act and Articles of Incorporation of the Company.
4. The place for convening a shareholders meeting for the Company shall be held inside the premises of the Company, or any other place convenient for presence of shareholders, and suitable for holding of the said meeting. The time for commencing the said meeting shall not be earlier than 9am or later than 3pm.
5. If a shareholders meeting is called by the Board of Directors, the Chairman of the Board shall preside at the said shareholders meeting. In case the Chairman is on leave of absence, or cannot exercise his/her powers and authority, the Vice Chairman shall act in lieu of him/her. If there is no Vice Chairman, or the Vice Chairman is also on leave of absence, or cannot exercise his/her powers and authority, the Chairman shall designate a Managing Director to act in lieu of him/her; if there is no Managing Director, the Chairman shall designate a Director to act in lieu of him/her. If the Chairman does not designate a Director, the Managing Directors or Directors shall elect one from among themselves to act in lieu of the Chairman.
If a shareholders meeting is called by a person other than the Board of Directors, who has the right to call the meeting, said person shall preside at that meeting.
6. The Company may designate its lawyer, certified public accountant or other relevant persons to attend the shareholders meeting.
Persons handling affairs of meeting shall wear identification cards or arm badges.
7. The proceeding of the meeting shall be audio recorded or videotaped in its entirety and these tapes shall be kept for at least one year.
8. The chairman of the meeting shall call the meeting to order at the time scheduled for the meeting, provided, however, that if the shareholders present do not

represent a majority of the total amount of issued shares, the chairman of the meeting may postpone the meeting, provided, however, that the postponement of the said meeting shall be limited to two times, and the total time postponed shall not exceed one hour. If the meeting has been postponed for two times, but the shareholders present still do not represent a majority of the total amount of issued shares, a tentative resolution may be adopted in accordance with Paragraph 1 of Article 175 of the Company Act by shareholders representing one-third of the total amount of issued shares.

Before the close of the said meeting, if the shareholders present represent a majority of the total amount of issued shares, the chairman of the meeting may present the tentative resolution so adopted to the meeting for resolution in accordance with the provisions of Article 174 of the Company Act.

9. If a shareholders meeting is called by the Board of Directors, the meeting agenda shall be set by the Board of Directors, and the meeting shall be conducted in accordance with the said agenda. The agenda shall not be changed without a resolution made by the shareholders meeting.

If a shareholders meeting shall be called by a person, other than the Board of Directors, entitled to convene such meeting, the preceding provisions shall apply *mutatis mutandis* to the said meeting.

The chairman of the meeting shall not adjourn a meeting without resolution adopted by shareholders if the items (including extraordinary motions) listed in the agenda so arranged in the above two Paragraphs are not completed.

After close of the said meeting, shareholders shall not elect another person to serve as chairman and continue the meeting at the same place or at any other place.

10. When a shareholder present at the meeting wishes to speak, he/she shall first fill out a slip, specifying therein the major points of his/her speech, his/her serial number as a shareholder (or number of attendance) and his/her name, and the chairman of the meeting shall determine his/her order of giving a speech.

A shareholder who submits his/her slip for a speech but does not actually speak shall be considered as not having given a speech. If the contents of his/her speech shall be different from those specified on the slip, the contents of his/her speech shall prevail.

When a shareholder is giving a speech, the other shareholders shall not interrupt unless they have obtained the prior consent from the chairman of the meeting as well as the said shareholder, and the chairman of the meeting may stop such interruption.

11. Unless otherwise permitted by the chairman of the meeting, any shareholder shall not, for each discussion item, speak more than two times and each time shall not exceed 3 minutes. However, after obtaining consent of the chairman, the length of such speech may be extended for an additional 3 minutes.

If the speech of any shareholder violates the above provisions or his/her speech exceeds the scope of the discussion item, the chairman of the meeting may stop

the speech of such shareholder.

12. Any legal entity designated as proxy by a shareholder(s) to be present at the shareholders meeting may appoint only one representative to attend such meeting.

If a corporate shareholder who designates two or more representatives to represent it at the shareholders meeting, only one of the representatives so designated may speak on any one discussion item.

13. After the speech of a shareholder, the chairman of the meeting may respond himself/herself or appoint an appropriate person to respond.
14. The chairman of the meeting may announce to end the discussion of any discussion item and go into voting if the chairman considers that the discussion for a motion has reached the extent for making a resolution.
15. The persons for supervising the casting of votes and the counting thereof for resolutions shall be designated by the chairman of the meeting, provided, however, that the person supervising the casting of votes shall be a shareholder. The results of resolution(s) shall be announced in the meeting, and recorded in the meeting minutes.
16. During the meeting, the chairman of the meeting may, at his/her discretion, set time for intermission.
17. Unless otherwise specifically provided for in the Company Act or the Articles of Incorporation of the Company, resolutions shall be adopted by a majority of votes represented by the shareholders present at a meeting.
The resolution shall be deemed adopted and shall have the same effect as if it was voted by casting ballots if no objection is raised after solicitation by the chairman of the meeting.
18. If there is amendment to or substitute for one discussion item, the chairman of the meeting may combine such amendment or substitute into the original discussion item, and determine their orders for resolution. If any one of the above has been adopted, the others shall be considered as rejected, upon which no further resolution shall be required.
19. The chairman of the meeting may direct disciplinary personnel (or security personnel) to keep the order of the meeting. Such disciplinary personnel (or security personnel) shall wear badges bearing the words of "disciplinary personnel".
In order to keep the order of the meeting, shareholders shall obey directions made by the chairman of the meeting, disciplinary personnel (or security personnel). In case any person interrupts the meeting and, after being stopped by the chairman of the meeting three times, refuses to desist his/her interruption, the chairman of the meeting may ask the disciplinary personnel (or security personnel) to escort such shareholder to leave the meeting place.
20. These Rules and Procedures shall be effective from the date they are approved by the shareholders meeting. The same applies in case of amendments.

Appendix 2

Articles of Incorporation of Compal Electronics, Inc.

CHAPTER I GENERAL PROVISIONS

Article 1

The Company is organized under the Company Law and shall be named “仁寶電腦工業股份有限公司” and the English name shall be “Compal Electronics, Inc.”.

Article 2

The business scope of the Company shall be as follows:

1. To engage in CC01110 manufacturing business of computers and their peripheral equipments;
2. To engage in CC01080 manufacturing business of electronic parts and components;
3. To engage in CC01060 manufacturing business of wired communication machinery implements;
4. To engage in CC01070 manufacturing business of radio communication machinery implements;
5. To engage in CC01101 manufacturing business of telecom controlled radio frequency instruments;
6. To engage in F401021 import business of telecom controlled radio frequency instruments;
7. To engage in CB01010 manufacturing business of machinery equipments;
8. To engage in CB01020 manufacturing business of office machinery;
9. To engage in CE01990 manufacturing business of other optical & precision apparatus;
10. To engage in G801010 terminal business;
11. To engage in I501010 products design business;
12. To engage in I301010 information software services business;
13. To engage in F401010 international trade business;
14. To engage in F108031 Wholesale of Drugs, Medical Goods
15. To engage in F208031 Retail sale of Medical Equipments
16. To engage in CF01011 Medical Materials and Equipment Manufacturing
17. ZZ99999 All businesses that are not prohibited or restricted by laws, except those that are subject to special approval.

Article 3

The Company may provide guarantee to other companies to meet its business needs.

Article 4

The head office of the Company shall be in Taipei. When deemed necessary, the Company may set up branch offices or factories within or outside the Republic of China by resolutions of the Board of Directors.

Article 5 (Deleted)

Article 6

The re-investment amount of the Company may exceed 40% of its paid-in capital.

CHAPTER 2 SHARES

Article 7

The total capital of the Company shall be NT\$60,000,000,000 consisting of 6,000,000,000 shares with a par value of NT\$10 each (including 100,000,000 shares for employees' subscription to shares according to certificates of subscription or company bonds attaching the right of subscription to shares) which may be issued in several issues, and the shares that are not issued may be issued by the board of directors according to business requirement.

Article 7-1

When the Company issues employee share subscription warrants, employee share subscription rights and restricted stock for new shares or buy-back shares in accordance with the laws, the employees so granted or transferred may include the employees of the Company's subordinate companies who meet certain requirements.

Article 8

The share certificates of the Company shall be in registered form and shall be affixed with the signatures or seals of the director representing the Company, and shall be duly authenticated by the bank which is qualified to authenticate shares under the laws.

The Company may be exempted from printing any share certificate for the shares issued and shall appoint a centralized securities custody enterprise/ institution to make recordation of the issue of such shares.

Article 9

The shareholders shall fill out seal impression cards when opening accounts. The style of signature or seal impression card shall be kept by the Company or the Company's stock agency for recordation, and the same shall apply to alteration.

Article 10

Unless otherwise provided in laws and regulations and securities rules, the shareholders shall deal with stock affairs or exercise other relevant rights in

accordance with the “Guidelines Governing the Processing of Stock Affairs by Public Company”.

Article 11

No entry for transfer of shares shall be permitted within sixty (60) days prior to a regular shareholders' meeting; thirty (30) days prior to a special shareholders' meeting; and five (5) days prior to a record date set for distributing dividends and bonuses or other benefits.

CHAPTER 3 SHAREHOLDERS' MEETING

Article 12

Shareholders' meeting shall be of two types, regular shareholders' meeting and special shareholders' meeting. The regular shareholders' meeting shall be called by the board of directors once a year within six (6) months of the close of each fiscal year. The special shareholders' meeting may be called pursuant to law when deemed necessary.

Article 13

A shareholder who is unable to attend a shareholders' meeting may authorize a proxy to attend the meeting by a power of attorney printed by the Company duly signed or sealed and setting forth the vested power in accordance with the [Regulations Governing the Use of Proxy for Attending Shareholders' Meetings of Public Companies] prescribed by the competent authority.

Article 14

The Chairman of the Board of Directors shall preside at the shareholders' meetings. If the Chairman is unable to attend the meeting or to exercise his power and authority, the Vice Chairman of the Board of Directors shall act on his behalf. In case there is no Vice Chairman or the Vice Chairman is also absent or unable to exercise his power and authority, the Chairman shall designate a Managing Director to act on his behalf, or where there is no Managing Director, one of the Directors to act on his behalf. In the absence of such a designation, the Managing Directors or the Directors shall elect one from among themselves an acting chairman of the Board of Directors.

Article 15

Each shareholder of the Company shall have one (1) vote for each share held, unless otherwise provided in Article 179 of Company Act.

Article 16

Except as otherwise provided in the Company Act, a resolution shall be adopted at a shareholders' meeting attended by shareholders holding and representing a majority of the total issued and outstanding shares and at which meeting a majority of the votes held by the shareholders present shall be cast in favor of such resolution.

Article 17

Minutes of proceedings shall be prepared for all resolutions adopted at a shareholders' meeting, stating the date and place of the meeting, the abstract and results of proceedings, name of the chairman and the means by which a resolution is adopted, number of shareholders present and number of shares represented. A copy of the minutes of proceedings duly signed and sealed by the chairman shall be forwarded to each shareholder within twenty (20) days after the meeting.

The distribution process of meeting minutes is made in accordance with applicable laws and regulations.

CHAPTER 4 DIRECTORS AND COMMITTEES

Article 18

The Company shall have ten (10) to nineteen (19) Directors. Directors shall be elected by adopting candidate nomination system and being elected. There shall be at least three (3) Independent Directors among the Company's Directors, and the Independent Directors shall represent at least one-fifth of the total number of Directors.

The Directors' liability insurance may be bought by the Company for the liability of compensation they may bear according to law in their business scope during their term of office.

The professional qualifications, restrictions on shareholdings and concurrent positions held, assessment of independence, method of nomination, and other matters for compliance with respect to independent directors shall be in compliance with applicable laws and regulations.

Article 19

The Directors shall hold office for a term of three years and shall be eligible for re-election.

Re-election of Independent Directors shall be governed by applicable laws and regulations.

Article 20

When one-third (1/3) of the Directors have vacated their offices or all of the Independent Directors are discharged, the special shareholders' meeting shall be called by the Board of Directors within sixty (60) days for election of Directors and Independent Directors to fill the vacancies until the original term expires.

Article 21

The Directors shall form a Board of Directors. The Chairman and Vice Chairman of the Board of Directors shall be elected by and from among the Directors with the concurrence of a majority of the Directors present at a Board of Directors' meeting

attended by more than two-thirds (2/3) of the Directors. The Board chairman shall conduct all the business of the Company pursuant to the laws and regulations, Article of incorporation, and resolutions adopted at shareholders' meetings and Board of Directors' meetings.

Article 22

The business policies and other important matters of the Company shall be performed in accordance with the resolutions of the Board of Directors' meetings. Except as otherwise provided in the provisions of the relevant laws, the Board of Directors meeting shall be called and presided by the chairman of the Company. In the event the Board Chairman is absent or unable to perform his right or authority, he may designate Vice Chairman to act on his behalf. In case there is no Vice Chairman or the Vice Chairman is absent or unable to perform his power or authority, the Chairman may designate one Managing Director to act on his behalf, or where there is no Managing Director, one of the Directors to act on his behalf. In the absence of the designation, the Managing Directors or Directors shall elect one from among themselves.

Article 23

Except as otherwise provided in the Company Act, a Board of Directors' meeting at which a resolution is adopted shall be attended by a majority of the Directors and at which meeting a majority of those present shall vote in favor of such a resolution. If any Director is unable to attend a Board of Directors' meeting, he/she may appoint another Director to attend the meeting by proxy by executing a power of attorney in favor of the proxy specifying any limits on authority or powers in respect to the business to be transacted at the meeting; provided that the proxy shall accept the appointment of one Director only. Minutes of proceedings shall be prepared for the resolutions adopted at a Board of Directors' meeting and the provisions of Article 17 herein shall apply mutatis mutandis.

Article 24

Enhancing supervision functions and strengthening management mechanisms, the Board of Directors of the Company may set up committees. The organizational rules for each committee shall be promulgated respectively in accordance with relevant laws and regulations as well as the regulations and rules of the Company.

An Audit Committee is established according to Article 14-4 of the Securities and Exchange Act which consists of all Independent Directors. The Audit Committee shall have such powers and duties as the supervisors under the Company Act, the Securities and Exchange Act and other laws and regulations.

Article 25

In conducting the business of the Company, the Directors shall be paid remuneration, regardless of whether the Company makes a profit or sustains a loss. The

remuneration of Directors shall be submitted by the remuneration committee to the Board of Directors and decided by the Board of Directors in accordance with personal partake-in and contribution to the Company's operation and benchmarks in the same industry.

Article 26

Functions of the Board of Directors shall be as follows:

1. Appoint and remove managerial personnel;
2. Decide and amend business policies;
3. Examine budget and final account;
4. Propose for distribution of profits and covering of losses;
5. Approve for re-investment, extending loan to other companies, and pledge of assets;
6. Approve for endorsement, guarantee, acceptance to affiliates in excess of the total specified amounts (to be decided by the Board of Directors);
7. Approve for borrowing and financing in excess of total specified amounts (to be decided by the Board of Directors);
8. Establish and/or withdraw any main divisions of the Company and/or its domestic or overseas branches, and to prescribe and amend Articles of Incorporation and important rules by laws;
9. Approve for important contracts;
10. Approve for other important business; and
11. Appoint, discharge, and make payment to CPA.
12. To exercise other duties and powers granted in accordance with the laws and regulations, Articles of Incorporation, and by the shareholders' meetings.

Article 27

A Board of Directors' meeting shall be called with a seven days prior written notice setting forth the cause(s) of such meeting to all Directors, except there is an urgent need. In case of emergency, a Board of Directors' meeting may be called at any time. The meeting notice as referred to in the foregoing Paragraph shall set forth the cause(s) and be given via mail, e-mail or facsimile.

CHAPTER 5 OFFICERS

Article 28

The Company shall employ managers, their appointment and discharge shall be handled in accordance with Article 29 of the Company Act.

CHAPTER 6 FINANCIAL ACCOUNTS AND DISTRIBUTION OF PROFITS

Article 29

At the close of each fiscal year of the Company, the Board of Directors shall prepare the following statements/documents and present to the shareholders' meeting for ratification in accordance with the legal procedure:

1. business report;
2. financial statement;
3. proposal for distribution of profits or covering of losses.

The aforementioned proposal for distribution of profits, the distribution of dividends and bonuses to shareholders in cash which are under the resolution and have been adopted by the meeting of the board of directors which are authorized in accordance with the Company's Articles of Incorporation, will not need to be ratified by the shareholders' meeting when reported during the shareholders' meeting.

Article 30

If there is any profit in a fiscal year, the Company's pre-tax profits in such fiscal year, prior to deduction of compensation to employees and directors, shall be distributed to employees as compensation in an amount of not less than two percent (2%) thereof and to directors as compensation 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 compensation 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 who meet certain requirements.

Article 30-1

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 (10%) 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 in accordance with Second Paragraph of this Article or Article 29.

The Company authorizes the board of director to distribute all or part of the dividends and bonuses, capital surplus or legal reserve in cash to shareholders after a resolution has been adopted by a majority vote at a meeting of the board of directors attended by at least two-thirds of the total number of directors; and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting. The lifecycle of the industry of the Company is in the growing stage. To meet the future capital needs and in consideration of capital budget, long-term financial planning and onshore and offshore competition condition, as well as the need of

shareholders for cash flow, if there is any profit after close of books, the dividend and bonds to be distributed to shareholders should not be less than thirty percent (30%) of the after-tax profit of such year and the cash dividend allocated by the Company each year shall not be lower than ten percent (10%) of the total dividend (including cash and share dividend) for such year.

Article 31

Once the total legal reserve equals the total capital, the Company may stop setting aside the legal reserve by shareholders' resolution.

CHAPTER 7 SUPPLEMENTAL PROVISIONS

Article 32

Matters not provided herein shall be governed by the Company Act.

Article 33

The organizational rules and handling procedures of the Company shall be separately prescribed by resolution of the Board of Directors.

Article 34 (Deleted)

Article 35

These Articles of Incorporation were prescribed by the promoters on April 16, 1984.

The 1st amendment was made on May 16, 1984;

The 2nd amendment was made on December 27, 1984;

The 3rd amendment was made on April 6, 1986;

The 4th amendment was made on July 18, 1986;

The 5th amendment was made on May 10, 1987;

The 6th amendment was made on June 13, 1987;

The 7th amendment was made on June 18, 1988;

The 8th amendment was made on May 27, 1989;

The 9th amendment was made on May 4, 1990;

The 10th amendment was made on June 23, 1990;

The 11th amendment was made on March 20, 1991;

The 12th amendment was made on April 30, 1992;

The 13th amendment was made on April 13, 1993;

The 14th amendment was made on April 23, 1994;

The 15th amendment was made on March 31, 1995;

The 16th amendment was made on March 27, 1996;

The 17th amendment was made on May 29, 1997;

The 18th amendment was made on April 8, 1998;

The 19th amendment was made on April 8, 1999;

The 20th amendment was made on March 30, 2000;

The 21st amendment was made on April 3, 2001;
The 22nd amendment was made on May 24, 2002;
The 23rd amendment was made on June 10, 2003;
The 24th amendment was made on June 10, 2005;
The 25th amendment was made on June 9, 2006;
The 26th amendment was made on June 15, 2007;
The 27th amendment was made on June 13, 2008;
The 28th amendment was made on June 19, 2009;
The 29th amendment was made on June 18, 2010;
The 30th amendment was made on June 24, 2011;
The 31st amendment was made on June 22, 2012.
The 32nd amendment was made on June 21, 2013.
The 33rd amendment was made on June 20, 2014.
The 34th amendment was made on June 26, 2015.
The 35th amendment was made on June 24, 2016.
The 36th amendment was made on June 21, 2019.

Appendix 3

Compal Electronics, Inc. Shareholding of Directors

Book closure date: April 21, 2020

Position	Name	Shares
Chairman	Sheng-Hsiun Hsu	8,975,401
Vice Chairman	Jui-Tsung Chen	35,352,587
Director	Binpal Investment Co., Ltd.	5,000,000
Director	Kinpo Electronics, Inc.	151,628,692
Director	Charng-Chyi Ko	7,896,867
Director	Sheng-Chieh Hsu	8,714,297
Director	Yen-Chia Chou	8,022,874
Director	Chung-Pin Wong	6,618,618
Director	Chiung-Chi Hsu	2,117,731
Director	Ming-Chih Chang	1,919,489
Director	Anthony Peter Bonadero	0
Director	Sheng-Hua Peng	835,000
Independent Director	Min Chih Hsuan	0
Independent Director	Duei Tsai	0
Independent Director	Duh Kung Tsai	0
Total		237,081,556

Note :

1. The above-mentioned shares include the shares under trust with discretion reserved.
2. In accordance with the "Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies", where the paid-in capital of the company is more than NT\$10 billion but NT\$50 billion or less, the aggregate number of registered shares owned by all Directors shall not be less than three percent of the total issued shares; the aggregate number of registered shares owned by all Supervisors shall not be less than 0.3 percent of the total issued shares. The aggregate numbers of registered shares held by all Directors and Supervisors of Compal are listed below:
 - The aggregate number of the registered shares held by all Directors shall not less than 105,771,519 shares;
 - The Company has established an Audit Committee; therefore, the Supervisors' shareholdings requirement is not applicable.

Appendix 4

The Impact of Non-compensated Distribution of Shares on the Company's Business Performance, Earnings Per Share, and Shareholder Return Rate:

This is not applicable as the Company did not publicly announce its financial forecast for 2020 in accordance with the regulations and Non-compensated Distribution of Shares is not proposed.

Appendix 5

Other

Acceptance of proposals submitted by shareholders and receiving nomination of candidate of the Director at this Annual General Shareholders Meeting

1. In accordance with Article 172-1 of the Company Act, shareholder(s) holding one percent (1%) or more of the total number of outstanding shares of a company may propose to the company a proposal for discussion at a general shareholders' meeting, provided that only one matter shall be allowed in each single proposal. The number of words of a proposal to be submitted by a shareholder shall be limited to not more than three hundred (300) words (including proposal, explanatory notes and punctuation marks), and any proposal containing more than 300 words shall not be included in the agenda of the shareholders' meeting. The shareholder who has submitted a proposal shall attend, in person or by a proxy, the general shareholders' meeting where at his proposal is to be discussed and shall take part in the discussion of such proposal.
2. The proposal and accepting period of 2020 Annual General Shareholders Meeting is from April 6, 2020 to April 16, 2020.
3. No proposals are raised by shareholders during the said accepting period.