

Stock code 2313

COMPEQ MANUFACTURING CO., LTD.

2020 Annual Shareholders' Meeting Handbook

THIS IS A TRANSLATION OF THE HANDBOOK FOR THE 2019 ANNUAL SHAREHOLDERS' MEETING (THE "HANDBOOK") OF COMPEQ MANUFACTURING CO., LTD. (THE "COMPANY"). THIS TRANSLATION IS INTENDED FOR REFERENCE ONLY AND NOTHING ELSE, THE COMPANY HEREBY DISCLAIMS ANY AND ALL LIABILITIES WHATSOEVER FOR THE TRANSLATION. THE CHINESE TEXT OF THE HANDBOOK SHALL GOVERN ANY AND ALL MATTERS RELATED TO THE INTERPRETATION OF THE SUBJECT MATTER STATED HEREIN.

June 18, 2020

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COMPEQ MANUFACTURING CO., LTD.

2020 Annual Shareholders' Meeting Procedure

Time : 9:00 a.m., June 18, 2020 (Thursday)

Place : No. 91, Ln. 814, Daxin Rd., Shin-juang Vil. Luzhu Dist., Taoyuan City, Taiwan.

1. Report the total number of shares represented at this Annual Shareholders' Meeting
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3. Report Items
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Report Items

1. 2019 Business Report

Explanation: Please refer to the attachment. (page 7-8)

2. Audit Committee's review report

Explanation: Please refer to the attachment. (page 9)

3. Report on the 2019 Employee Compensation Distributions

Explanation:

1. According to the Articles of Incorporation adopted by the Board, 2% of the company profit (if any) is to be set aside for employee remuneration. The employee remuneration totaled NTD 98,789,159 in 2019 is distributed in cash.
2. No compensation to directors in 2019.

4. Report on the distribution of 2019 earnings

Explanation:

1. According to the Articles 29 of the Articles of Incorporation, the Company authorize the distributable dividends and bonuses in whole or in part may be paid in cash after a resolution has been adopted by a majority vote at a meeting of the Board of Directors attended by two-thirds of the total number of directors; and in addition thereto a report of such distribution shall be submitted to the Shareholders' Meeting.
2. As for the distribution of earnings, the retained earnings for 2019 is distributed first. The cash dividends for common stocks are NT\$ 1.2 per share. In the event that the total number of outstanding shares is impacted because the Company's treasury stock is repurchased or the employee stock option is exercised, the Company shall authorize the Chairman to distribute the common stock's sum of surplus based on the resolution of the shareholders' meeting, as well as adjusting distribution percentage based on the actual number of outstanding shares on the base date of the dividend.
3. The Chairman of Board of Directors is authorized to determine the ex-dividend date for the cash dividend distribution and other related matters.

4. The distribution of cash dividends is based on the following principles: If the cash dividends are distributed to the nearest dollar (rounded down), the amount below one dollar should be added up. The sum of the cash dividends shall be adjusted from the decimal point in a descending order, until it reaches the right amount of the total cash dividend distribution.

5. The Status of Endorsement and Guarantee

Explanation:

1. Up until December 31st, 2019, the balance for the Company's external endorsement/guarantee was US\$ 609,000,000. The entities and amounts are US\$3,500,000 for HUATON HOLDINGS LIMITED, US\$ 175,000,000 for PELICAN COVE INVESTMENT LTD., US\$68,000 for COMPEQ MANUFACTURING (HUIZHOU) CO., LTD., US\$5,000,000 for COMPEQ MANUFACTURING (SUZHOU) CO., LTD., US\$207,500,000 for COMPEQ TECHNOLOGY (HUIZHOU) CO., LTD., and US\$ 150,000,000 for COMPEQ MANUFACTURING (CHONGQING) CO., LTD. All the above mentioned cases are financing guarantees.
2. Article 4 of the Company's endorsement and guarantee procedures states that the sum of the Company and its subsidiaries' guarantees shall "not exceed 1.5 times of the Company's net value as found in the most recent financial statement." Where the sum has exceeded 50% of the Company's net value, the necessity and rationality are described again below in accordance with the provisions of Article 12, Paragraph 1, Subparagraph 3 of the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies:
 - 2-1. Necessity : The Company's subsidiaries are mostly enterprises based in China. Since raising local funds is difficult, the subsidiaries are required to raise funds from banks in Taiwan. However, bank financing often requires endorsement from the parent company in Taiwan. Therefore, it is necessary for the Company and its subsidiaries to make endorsements and guarantees exceeding 50% of the Company's value.
 - 2-2. Rationality: Due to the fact that the Company's subsidiaries own 100% of the direct or indirect voting rights, they all belong to the Group. Therefore, it follows the principle of rationality for the Company and its subsidiaries to make endorsements and guarantees exceeding 50% of the Company's value.

Proposals

1. Adoption of 2019 Business Report and Financial Statements

(Proposed by the Board of Directors)

Explanation:

Please refer to the attachment. (page 7-8, page 10-35)

Resolution :

2. Adoption of the proposal for distribution of 2019 earnings

(Proposed by the Board of Directors)

Explanation:

1. The distribution of 2019 earnings was approved by the board of directors and reviewed by to the Audit Committee. Please refer to the attachment. (pages 36)

Resolution :

Elections

1. The 16th Election of Directors

(Proposed by the Board of Directors)

Explanation:

1. The three-year term of directors of the 15th Board will be end on June 15, 2020. Accordingly, the company proposes to duly elect new Board members at this year's Annual Shareholders Meeting.
2. According to the Articles17, Paragraph 1of the Articles of Incorporation, the Company has seven to eleven directors. The number of directors shall be authorized by the Board of Directors. Three independent directors are included in the abovementioned number of directors, all of whom are elected at the Shareholders' Meeting. The term of service is three years with the possibility of being re-elected.
3. The shareholders' meeting shall elect 6 directors and 3 independent directors. Their three-year term will start from June 18, 2020 and conclude on June 17, 2023.
4. The Candidate List for the Board of Director, please refer to the attachment. (pages 37).

Resolution :

Supplementary Items

1. To release the prohibition on directors from participation in competitive business

(Proposed by the Board of Directors)

Explanation:

1. According to the Article 209 of Company Act, a director who acts for himself /herself or on behalf of another person that is within the scope of the company's business shall secure approval for such at the Annual Shareholders' Meeting.
2. Pursuant to Article 209 of Company Act, it is proposed to release non-competition restrictions on the directors, who may participate in investment or operation of another company that engages in the same or similar business scope, under the premise that no harm to the Company's interest.
3. List of releasing the prohibition on the directors and its representatives from participation in competitive business

Category	Name	Business scope/ Current positions
Director	Charles C.Wu	Investment Business Chairman of Chang-Zhi Investment Co., Ltd.
Director	P.Y. Wu	Investment Business Director of Chang Zhi holdings Co., Ltd. Chairman of Positive Bo Investment Co., Ltd.
Director	P.H. Wu	Investment Business Supervisor of Chang Zhi holdings Co., Ltd. Chairman of Xue Dayton Investment Co., Ltd.
Independent Director	Tzu-Kuan Chiu	Investment Business Independent Director of Founder Fubon Fund Management Co.,Ltd

Resolution :

Other Business and Motions

Meeting Adjourned

2019 Business Report

Due to the China-US trade war, the dwindling demand from the market in Mainland China, the global economy experienced a downturn from 2019 to 2020. According to the IMF statistics, the global GDP growth rate in 2019 was 2.9%.

According to the Prismark statistics, the overall PCB industry decline 1.7% from 2018. The Company's operating revenue for 2019 was NT\$56.17 billion, growth 10.5% from the NT\$50.83 billion in 2018. The net profit for 2019 was NT\$3.82 billion, growth NT\$1.42 billion from the net profit of NT\$2.4 billion in 2018. In response to the 5G high-frequency and high-speed product applications, the customer's product specifications will be higher in the future. The Company aims to establish a competitive management model based on a sound structure with great product quality and infrastructure.

In 2020, in response to the outbreak of COVID-19, Brexit, and U.S. protectionism, the global economic climate is uncertain. The company takes the prevention of epidemics as the first priority to ensure the health of employees and the resumption of work with local governments. Attitudes to respond to market changes in 2020 and maintain conservative and steady investment.

In the future, the Company will continue to engage in environmental protection in order to achieve the goal of exceeding the requirements of government regulations. The Company will also implement corporate social responsibility and value labor interests in order to achieve the expectations of shareholders, customers and the government, as well as moving towards sustainable development.

2019 Operating Report

A.Consolidated Statements of Comprehensive Income

Compare to 2018, our 2019 profit reached NT\$ 3.8 billion; Our 2019 EPS was NT\$ 3.21 about NT\$ 1.2 more. (See in Table 1).

Table 1. 2019 Comprehensive income summary

Description (Hundred million of NTD)	2019	2018	Variation Rate
Operating Revenues	561.7	508.3	10.5%
Profit from continuing operations before tax	55.7	39.2	16.5
Profit	38.2	24.0	14.2
Earnings per share	3.21	2.01	1.2

B.The Implementation Statements of Budget

Our major products are PCB and SMT assembly service. We have PCB manufacturing sites on Taiwan (Luchu、Tayuan) and China (Huizhou, including FPC、Chongqing). Total PCB capacity was 32.0 million square feet annually, actual sales was 25.5 million square feet. The SMT manufacturing sites are located on China (Suzhou and Huizhou), actual sales was 180 million units.

C. Technology Development

Our long-term development is to be the leading high-end PCB and Rigid-flex PCB manufacturer. Our major enhance the ability and quality of research and development, and strengthen the industry and suppliers of information collection. We will continue to devote on new process development technologies, such as Micro hole design · automation applications · 5G high-frequency high-speed materials · smart factory · production environment safety improvement, automation improvement, waste reduction and emissions improvement...etc. For SMT technology, we will continue on development of portable power management, automotive electronics, Connector module and related modular operations...etc.

The Outlines for 2020 Business Plan

(1)Operating Guidelines

- A.To coordinate with the local government's epidemic prevention as the first priority, to ensure the health of employees, and to resume work with the local government, in the future, we will adopt a conservative and cautious attitude to respond to market changes in 2020 and maintain a conservative and stable investment.
- B.Manufacturing management will be perfected with excellent product quality that is based on a sound structure while focusing on the equipment. The Company requires increased quality awareness from the entire staff, aligning plan with real actions to implement infrastructure in order for product quality to satisfy customer needs and achieving a competitive yield level.
- C.Establish a manufacturing-guided order fulfills procedure. To have each factory fully loaded with stable operation, we are first to setting up a capable factory, enabling the competitiveness on quality, delivery and cost. Then the orders are arranged on selected product market according to the capacity and capability of each factory.
- D.Continuous improves on effective management and to achieve a competitive operating system.
- E.Continue to accomplish our social responsibility and commitments to government, customers, share holders, and employee. Keep on environmental protection, respect human rights, and improve our employee's quality of life to become an everlasting green enterprise

(2)Sale Volume Projection

Our core business and major products are print circuit boards. Among all of the production sites, the anticipated sales volume is 26 million square feet. On SMT operation, we expect to output 180 million units.

(3)Important Production and Marketing Policy

The terminal products are focused on improving the profit through the upgrade of quality and product structure. The SMT factories in Suzhou and Huizhou will focus on designated products and to expand customer base in the future for stable full load production.

Audit Committee's Review Report

The Board of Directors has prepared the Company's 2019 Business Report, Financial Statements, and proposal for allocation of earnings. The CPA firm of Baker Tilly Clock & Co was retained to audit COMPEQ Financial Statements and has issued an audit report relating to the Financial Statements. The Business Report, Financial Statements, and earnings allocation proposal have been reviewed and determined to be correct and accurate by the Audit Committee members of COMPEQ MANUFACTURING CO., LTD. According to relevant requirements of the Securities and Exchange Act and the Company Law, we hereby submit this report.

Teng Ling Liu

Chairman of the Audit Committee

COMPEQ MANUFACTURING CO., LTD.

On the date of March 12, 2020

INDEPENDENT AUDITORS' REPORT

NO.00151080EA

To the Board of Directors of Compeq Manufacturing Co., Ltd.

Opinion

We have audited the accompanying parent company only financial statements of Compeq Manufacturing Co., Ltd. (collectively referred to as “the Company”), which comprise the parent company only balance sheets as of December 31, 2019 and 2018, the parent company only statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2019 and 2018, and the notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Company as of December 31, 2019 and 2018, and its parent company only financial performance and its parent company only cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (“IFRSs”), International Accounting Standards (“IASs”), interpretations as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Parent Company only 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 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 parent company only financial statements for the year ended December 31, 2019. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Company's parent company only financial statements for the year ended December 31, 2019 are explained as follows:

Revenue recognition from shipping warehouses

Description of the key audit matter

Refer to note 4(14), 5(4) and 6(16) of the parent company only financial statements for the information relating to revenue recognition.

The Company's sales come in two types of direct shipping from factories and shipping from warehouses, in which the revenue from shipping warehouses is recognized when the customer picks up the goods (the risk of the ownership of the goods sold is transferred and the profit is earned). The Company mainly recognizes its revenue in accordance with the statements or other information provided by the custodians of shipping warehouses and reconciliation with any change in recorded inventory. Given that the shipping warehouses spread many regions and the sales terms for each major customer also vary, such revenue recognition process often involves a lot of labor in operation, which is likely to result in inappropriate timing to recognize the revenue or inconsistency between physical quantity and recorded quantity of the inventory in custody. On the other hand, it requires both parties' labor judgment to determine if a shipment meets the terms for customer's acquisition of goods control right and such risk is the major measurement index adopted by the report users. As such, the deadline of the recognition of the revenue of the goods sold from shipping warehouses is listed as one of the key audit matter.

How the matter was addressed in our audit

We performed the following audit procedures in respect of the above key audit matter:

1. Understand and assess the propriety of the accounting policy for revenue recognition, and evaluate and test the internal control in relation to the timing of revenue recognition.

2. Implement the deadline test for the revenue from shipping warehouses in the periods before or after the balance sheet date, and check if customer account statement data, change in recorded inventory, revenue and cost carry-over were recorded at appropriate times.
3. Execute document enquiry or field stock-taking observation for the quantity of inventory in shipping warehouses, and check as well as reconcile the warehouse inventory quantity with the recorded inventory quantity. In case of any inconsistency with the recorded inventory quantity found from the enquiry response or stock-taking observation, the reasons for the inconsistency will be investigated and the test for the reconciliation items shall be executed, so as to confirm if material differences are properly adjusted and recorded.

Evaluation of allowance for loss on reduction of inventory to market

Description of the key audit matter

Refer to note 4(7), 5(2) and 6(3) of the parent company only financial statements for the information relating to inventory valuation.

The Company mainly engages in manufacture and sales of PCB(Printed Circuit Boards). Due to their short life cycle and severe competition in the industry, electronic products are susceptible to the volatility of market prices, so they have higher risk in losses on reduction of inventory to market and inventory obsolescence. The net realizable value adopted by The Company for invalid and obsolescent inventory often involves subjective judgment, so it is in a high degree of uncertainty. Given that The Company's inventory and its allowance for loss on reduction of inventory to market have a vital impact on its financial statements, the valuation of the allowance for loss on reduction of inventory to market is listed as one of the key audit matters.

How the matter was addressed in our audit

We performed the following audit procedures in respect of the above key audit matter:

1. Evaluate if the policy and procedure for setting aside the allowance for loss on reduction of inventory to market are appropriately and consistently adopted.

2. Understand the inventory warehouse management process, inspect the annual stock-taking plan and participate in the annual observation of stock-taking, so as to confirm the inventory management and status.
3. Acquire the statement to identify inventory obsolescence and invalidation and verify inventory aging propriety and rationality, so as to confirm the possibility for the loss of the inventory exceeding a certain inventory age and coverage of the invalid and obsolescent inventory items in the statement, and ensure the consistence of the statement information with the policy.
4. Inspect a variety of data adopted by the management for calculation of the inventory net realizable value, and give random check and calculation to evaluate the rationality of the inventory net realizable value and judge if relevant disclosures are adequate.

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

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs, IASs, interpretations as well as related guidance endorsed 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 parent company only financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company only 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.

Auditors' Responsibilities for the Audit of the Parent company only Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 parent company only 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 parent company only 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 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 auditors' report to the related disclosures in the parent company only 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 auditors' 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 parent company only financial statements, including the disclosures, and whether the parent company only 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 Company to express an opinion on the parent company only 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 parent company only financial statements for the year ended December 31, 2019 and are therefore the key audit matters. We describe these matters in our auditors' 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.

Baker Tilly Clock & Co

Hung-Hsun Ting , CPA

Hsien-Hsiu Cheng, CPA

March 12, 2020

Notes to Readers

The accompanying parent company only financial statements are intended only to present the parent company only 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 (or review) such parent company only financial statements are those generally accepted and applied in the Republic of China.

The auditors' report and the accompanying parent company only financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language auditors' report and parent company only financial statements, the Chinese version shall prevail.

COMPEQ MANUFACTURING CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
December 31, 2019 and 2018
(Expressed in thousands of New Taiwan Dollars)

ASSETS	NOTES	December 31,2019		December 31,2018	
		Amount	%	Amount	%
CURRENT ASSETS					
Cash and cash equivalents	6(1)	\$ 4,222,158	9.19	\$ 2,756,182	6.45
Notes receivable	6(2)	178	—	7	—
Accounts receivable	6(2)	8,136,084	17.72	8,745,247	20.47
Receivables from related parties	6(2)	610,414	1.33	105,244	0.25
Other receivables		443,288	0.97	423,700	1.00
Inventories	6(3)	1,934,774	4.21	1,683,778	3.94
Prepayments		69,099	0.15	54,179	0.13
Other current financial assets	6(4)	839,440	1.83	546,876	1.28
Other current assets		17,456	0.04	16,988	0.04
Total current assets		16,272,891	35.44	14,332,201	33.56
NONCURRENT ASSETS					
Investments accounted for using equity method	6(5)	20,423,401	44.48	18,809,032	44.05
Property, plant and equipment	6(6),8	8,442,313	18.39	8,933,780	20.92
Right-of-use assets	6(7)	85,324	0.18	—	—
Intangible assets	6(8)	39,564	0.09	48,255	0.11
Deferred tax assets	6(21)	638,511	1.39	570,697	1.34
Refundable deposits		3,800	0.01	3,748	0.01
Other non-current assets		8,088	0.02	3,889	0.01
Total noncurrent assets		29,641,001	64.56	28,369,401	66.44
TOTAL		\$ 45,913,892	100.00	\$ 42,701,602	100.00

The accompanying notes are an integral part of the parent company only financial statements.

COMPEQ MANUFACTURING CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS

December 31, 2019 and 2018

(Expressed in thousands of New Taiwan Dollars)

LIABILITIES AND EQUITY	NOTES	December 31,2019		December 31,2018	
		Amount	%	Amount	%
CURRENT LIABILITIES					
Accounts payable	6(9)	\$ 2,191,587	4.77	\$ 1,964,660	4.60
Payable to related parties	6(9)	4,711,287	10.26	4,671,209	10.94
Other payables	6(10)	2,235,561	4.87	2,008,136	4.70
Current tax liabilities	6(21)	417,213	0.91	520,429	1.22
Provisions-current	6(11)	168,950	0.37	161,198	0.38
Receipts in advance		57	—	57	—
Current portion of long-term borrowings	6(12),8	90,588	0.20	1,114,434	2.61
Other current liabilities		519,965	1.13	463,222	1.09
Total current liabilities		10,335,208	22.51	10,903,345	25.54
NONCURRENT LIABILITIES					
Long-term borrowings	6(12),8	6,532,941	14.23	5,413,530	12.67
Deferred tax liabilities	6(21)	2,530,913	5.51	2,125,172	4.98
Lease liabilities-noncurrent	6(7)	34,657	0.08	—	—
Net defined pension liabilities	6(13)	725,242	1.58	767,263	1.80
Total noncurrent liabilities		9,823,753	21.40	8,305,965	19.45
Total liabilities		20,158,961	43.91	19,209,310	44.99
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY					
Capital stock	6(14)	11,918,206	25.96	11,918,206	27.91
Capital surplus	6(14)	1,016,898	2.21	1,016,898	2.38
Retained earnings	6(14)	13,240,799	28.84	10,414,078	24.39
Legal reserve		1,897,670	4.13	1,657,697	3.88
Unappropriated earnings		11,343,129	24.71	8,756,381	20.51
Other equity	6(14)	(420,972)	(0.92)		
Exchange differences on translation of foreign operations		(421,011)	(0.92)	143,110	0.33
Unrealized gain (loss) on financial assets at fair value through other comprehensive income		39	—	—	—
Total equity		25,754,931	56.09	23,492,292	55.01
TOTAL		\$ 45,913,892	100.00	\$ 42,701,602	100.00

The accompanying notes are an integral part of the parent company only financial statements.

COMPEQ MANUFACTURING CO., LTD.

PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED ON DECEMBER 31, 2019 AND 2018

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

DESCRIPTION	NOTE	2019		2018	
		Amount	%	Amount	%
OPERATING REVENUES	6(16)	\$ 39,161,553	100.00	\$ 34,972,503	100.00
OPERATING COSTS	6(4)	(35,846,485)	(91.53)	(32,540,183)	(93.05)
GROSS PROFIT BEFORE UNREALIZED GROSS		3,315,068	8.47	2,432,320	6.95
UNREALIZED PROFIT FROM SALES		(46,722)	(0.12)	(20,168)	(0.06)
REALIZED PROFIT ON FROM SALES		20,168	0.05	31,037	0.09
GROSS PROFIT		3,288,514	8.40	2,443,189	6.98
OPERATING EXPENSES					
Selling and marketing expenses		(370,216)	(0.95)	(396,406)	(1.13)
General and administrative expenses		(345,317)	(0.88)	(374,973)	(1.07)
Research and development expenses		(804,428)	(2.05)	(604,243)	(1.73)
Expected credit impairment income	6(3)	38,559	0.10	73,338	0.21
Total operating expenses		(1,481,402)	(3.78)	(1,302,284)	(3.72)
INCOME FROM OPERATIONS		1,807,112	4.62	1,140,905	3.26
NON-OPERATING INCOME AND EXPENSES					
Other income	6(17)	615,866	1.57	681,708	1.95
Other gains and losses	6(18)	(482,144)	(1.23)	(103,982)	(0.30)
Finance costs	6(19)	(136,837)	(0.35)	(144,046)	(0.41)
Share of profit of subsidiaries and associates	6(20)	3,036,674	7.75	1,903,514	5.44
Total non-operating income and expenses		3,033,559	7.74	2,337,194	6.68
INCOME BEFORE INCOME TAX		4,840,671	12.36	3,478,099	9.94
INCOME TAX EXPENSE	6(21)	(1,018,253)	(2.60)	(1,078,368)	(3.08)
NET INCOME		\$ 3,822,418	9.76	\$ 2,399,731	6.86
OTHER COMPREHENSIVE INCOME (LOSS)					
Items that will not be reclassified subsequently to profit or loss					
Remeasurement of defined benefit obligation	6(13)	(52,801)	(0.14)	(39,901)	(0.11)
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income		49	—	—	—
Income tax benefit (expense) related to items that will not be reclassified subsequently	6(21)	10,550	0.03	15,875	0.05
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translation of foreign operations	6(14)	(705,152)	(1.80)	(366,613)	(1.05)
Income tax relating to the components of other comprehensive income(loss)	6(21)	141,031	0.36	56,957	0.16
Other comprehensive (loss) income, net of income tax		(606,323)	(1.55)	(333,682)	(0.95)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		\$ 3,216,095	8.21	\$ 2,066,049	5.91
EARNING PER SHARE					
Basic	6(15)	\$ 3.21		\$ 2.01	
Diluted	6(15)	\$ 3.19		\$ 2.00	

The accompanying notes are an integral part of the parent company only financial statements.

COMPEQ MANUFACTURING CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan Dollars)

DESCRIPTION	Equity attributable to the owners of the Company						Total equity
	Capital Stock	Capital surplus	Retained earnings		Other equity		
			Legal reserve	Unappropriated earnings	Exchange differences on translation of foreign operations	Unrealized gain (loss) on financial assets at fair value through other comprehensive income	
BALANCE, JANUARY 1, 2018	\$ 11,918,206	\$ 1,016,898	\$ 1,299,992	\$ 8,168,566	\$ 452,766	\$ —	\$ 22,856,428
Appropriations of prior year's earnings							
Legal reserve	—	—	357,705	(357,705)	—	—	—
Cash dividends	—	—	—	(1,430,185)	—	—	(1,430,185)
Net income in 2018	—	—	—	2,399,731	—	—	2,399,731
Other comprehensive income in 2018, net of income tax	—	—	—	(24,026)	(309,656)	—	(333,682)
Total comprehensive income in 2018	—	—	—	2,375,705	(309,656)	—	2,066,049
BALANCE, JANUARY 1, 2019	11,918,206	1,016,898	1,657,697	8,756,381	143,110	—	23,492,292
Appropriations of prior year's earnings							
Legal reserve	—	—	239,973	(239,973)	—	—	—
Cash dividends	—	—	—	(953,456)	—	—	(953,456)
Net income in 2019	—	—	—	3,822,418	—	—	3,822,418
Other comprehensive income in 2019, net of income tax	—	—	—	(42,241)	(564,121)	39	(606,323)
Total comprehensive income in 2019	—	—	—	3,780,177	(564,121)	39	3,216,095
BALANCE, DECEMBER 31, 2019	\$ 11,918,206	\$ 1,016,898	\$ 1,897,670	\$ 11,343,129	\$ (421,011)	\$ 39	\$ 25,754,931

The accompanying notes are an integral part of the parent company only financial statements.

COMPEQ MANUFACTURING CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED ON DECEMBER 31, 2019 AND 2018

(Expressed in thousands of New Taiwan Dollars)

DESCRIPTION	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 4,840,671	\$ 3,478,099
Adjustments for:		
Income and expense (loss) items		
Depreciation expense	1,318,636	1,252,178
Amortization expense	16,742	17,274
Expected credit impairment loss (income)	(38,559)	(73,338)
Net (gain) loss on financial assets and liabilities at fair value through profit or loss	—	386
Interest expense	136,837	144,046
Interest income	(63,371)	(52,135)
Share of profit of subsidiaries and associates	(3,036,674)	(1,903,514)
Loss on disposal of property, plant and equipment	35,037	27,252
Unrealized profit from sales	43,859	20,737
Realized profit on from sales	(20,736)	(22,719)
Changes in operating assets and liabilities		
Notes receivable	(171)	70
Accounts receivable	647,722	(1,466,951)
Receivables from related parties	(505,170)	79,866
Other receivables	(20,074)	131,902
Inventories	(250,996)	310,144
Prepayments	(19,170)	19,921
Other current assets	(621)	585
Other current financial assets	(292,564)	(546,876)
Accounts payable	226,927	(29,939)
Payables to related parties	40,078	846,321
Other payables	289,780	(482,750)
Provisions	7,752	2,000
Other current liabilities	13,401	363,760
Accrued pension liabilities	(94,822)	(91,864)
Cash generated from operations	3,274,514	2,024,455
Interest received	63,857	51,032
Interest paid	(135,780)	(142,909)
Income taxes paid	(631,951)	(623,345)
Net cash generated by operating activities	\$ 2,570,640	\$ 1,309,233

(Continued)

COMPEQ MANUFACTURING CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED ON DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan Dollars)

DESCRIPTION	2019	2018
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of investments accounted for under the equity method	\$ —	\$ (922,200)
Payments for property, plant and equipment	(914,237)	(1,489,719)
Proceeds from disposal of property, plant and equipment	27,954	80,476
Increase in Refundable Deposits	(24,159)	(26,294)
Decrease in Refundable Deposits	24,260	26,697
Purchase of Intangible Assets	(6,523)	(22,315)
Increase in deferred charges	(1,477)	—
Dividends received from investment accounted for using equity method	692,478	919,701
Net cash generated by (used in) investing activities	(201,704)	(1,433,654)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	842,677	2,403,130
Decrease in short-term borrowings	(842,677)	(2,403,130)
Increase in long-term borrowings	7,200,000	5,810,000
Decrease in long-term borrowings	(7,104,435)	(5,854,434)
Increase in guarantee deposits received	750	2,010
Decrease in guarantee deposits received	(500)	(2,790)
Repayment of the principal portion of lease liabilities	(45,319)	—
Cash dividends	(953,456)	(1,430,185)
Net cash generated by (used in) financing activities	(902,960)	(1,475,399)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,465,976	(1,599,820)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	2,756,182	4,356,002
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	\$ 4,222,158	\$ 2,756,182

The accompanying notes are an integral part of the parent company only financial statements.

INDEPENDENT AUDITORS' REPORT

NO.00151080ECA

To the Board of Directors of Compeq Manufacturing Co., Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Compeq Manufacturing Co., Ltd. and its subsidiaries (collectively referred to as “the Company”), which comprise the consolidated balance sheets as of December 31, 2019 and 2018, the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2019 and 2018, and the 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 Company as of December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (“IFRSs”), International Accounting Standards (“IASs”), interpretations as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Consolidated 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 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 for the year ended December 31, 2019. 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.

Key audit matters for the Company's consolidated financial statements for the year ended December 31, 2019 are explained as follows:

Revenue recognition from shipping warehouses

Description of the key audit matter

Refer to note 4(15), 5(4) and 6(18) of the consolidated financial statements for the information relating to revenue recognition.

The Company's sales come in two types of direct shipping from factories and shipping from warehouses, in which the revenue from shipping warehouses is recognized when the customer picks up the goods (the risk of the ownership of the goods sold is transferred and the profit is earned). The Company mainly recognizes its revenue in accordance with the statements or other information provided by the custodians of shipping warehouses and reconciliation with any change in recorded inventory. Given that the shipping warehouses spread many regions and the sales terms for each major customer also vary, such revenue recognition process often involves a lot of labor in operation, which is likely to result in inappropriate timing to recognize the revenue or inconsistency between physical quantity and recorded quantity of the inventory in custody. On the other hand, it requires both parties' labor judgment to determine if a shipment meets the terms for customer's acquisition of goods control right and such risk is the major measurement index adopted by the report users. As such, the deadline of the recognition of the revenue of the goods sold from shipping warehouses is listed as one of the key audit matter.

How the matter was addressed in our audit

We performed the following audit procedures in respect of the above key audit matter:

1. Understand and assess the propriety of the accounting policy for revenue recognition, and evaluate and test the internal control in relation to the timing of revenue recognition.

2. Implement the deadline test for the revenue from shipping warehouses in the periods before or after the balance sheet date, and check if customer account statement data, change in recorded inventory, revenue and cost carry-over were recorded at appropriate times.
3. Execute document enquiry or field stock-taking observation for the quantity of inventory in shipping warehouses, and check as well as reconcile the warehouse inventory quantity with the recorded inventory quantity. In case of any inconsistency with the recorded inventory quantity found from the enquiry response or stock-taking observation, the reasons for the inconsistency will be investigated and the test for the reconciliation items shall be executed, so as to confirm if material differences are properly adjusted and recorded.

Evaluation of allowance for loss on reduction of inventory to market

Description of the key audit matter

Refer to note 4(8), 5(2) and 6(4) of the consolidated financial statements for the information relating to inventory valuation.

The Company mainly engages in manufacture and sales of PCB(Printed Circuit Boards). Due to their short life cycle and severe competition in the industry, electronic products are susceptible to the volatility of market prices, so they have higher risk in losses on reduction of inventory to market and inventory obsolescence. The net realizable value adopted by The Company for invalid and obsolescent inventory often involves subjective judgment, so it is in a high degree of uncertainty. Given that The Company's inventory and its allowance for loss on reduction of inventory to market have a vital impact on its financial statements, the valuation of the allowance for loss on reduction of inventory to market is listed as one of the key audit matters.

How the matter was addressed in our audit

We performed the following audit procedures in respect of the above key audit matter:

1. Evaluate if the policy and procedure for setting aside the allowance for loss on reduction of inventory to market are appropriately and consistently adopted.

2. Understand the inventory warehouse management process, inspect the annual stock-taking plan and participate in the annual observation of stock-taking, so as to confirm the inventory management and status.
3. Acquire the statement to identify inventory obsolescence and invalidation and verify inventory aging propriety and rationality, so as to confirm the possibility for the loss of the inventory exceeding a certain inventory age and coverage of the invalid and obsolescent inventory items in the statement, and ensure the consistence of the statement information with the policy.
4. Inspect a variety of data adopted by the management for calculation of the inventory net realizable value, and give random check and calculation to evaluate the rationality of the inventory net realizable value and judge if relevant disclosures are adequate.

Other Matter

We have also audited the parent company only financial statements of Compeq Manufacturing Co., Ltd as of and for the years ended December 31, 2019 and 2018 on which we have issued an unmodified 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 the IFRSs, IASs, interpretations as well as related guidance endorsed 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 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.

Auditors' 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 auditors' 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 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 auditors' 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 auditors' 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 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 Company 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 for the year ended December 31, 2019 and are therefore the key audit matters. We describe these matters in our auditors' 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.

Baker Tilly Clock & Co

Hung-Hsun Ting , CPA

Hsien-Hsiu Cheng, CPA

March 12, 2020

Notes to Readers

The accompanying consolidated financial statements are intended only to present the consolidated 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 (or review) such consolidated financial statements are those generally accepted and applied in the Republic of China.

The auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language auditors' report and consolidated financial statements, the Chinese version shall prevail.

COMPEQ MANUFACTURING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

December 31, 2019 and 2018

(Expressed in thousands of New Taiwan Dollars)

ASSETS	NOTES	December 31,2019		December 31,2018	
		Amount	%	Amount	%
CURRENT ASSETS					
Cash and cash equivalents	6(1)	\$ 8,892,590	14.52	\$ 6,743,559	11.69
Financial assets at fair value through profit or loss-current	6(2)	93,100	0.15	78,532	0.14
Notes receivable	6(3)	53,824	0.09	86,333	0.15
Accounts receivable	6(3)	14,722,070	24.03	13,344,770	23.14
Other receivables		254,221	0.41	217,908	0.38
Inventories	6(4)	7,520,716	12.28	6,942,268	12.04
Prepayments		549,898	0.90	440,162	0.76
Other current financial assets	6(5)	1,518,487	2.48	1,597,368	2.77
Other current assets		61,239	0.10	81,984	0.14
Total current assets		33,666,145	54.96	29,532,884	51.21
NONCURRENT ASSETS					
Financial assets at fair value through profit or loss-noncurrent	6(2)	33,752	0.06	—	—
Financial assets at fair value through other comprehensive income-noncurrent	6(6)	31,179	0.05	—	—
Property, plant and equipment	6(7),8	25,955,350	42.38	26,947,965	46.73
Right-of-use assets	6(8)	413,145	0.67	—	—
Intangible assets	6(9)	105,560	0.17	87,979	0.15
Deferred tax assets	6(21)	916,006	1.50	821,067	1.42
Prepayments for equipment		114,936	0.19	39,436	0.07
Refundable deposits		6,673	0.01	4,357	0.01
Long-term prepayments for lease	6(10)	—	—	229,685	0.40
Other non-current assets		8,721	0.01	4,558	0.01
Total noncurrent assets		27,585,322	45.04	28,135,047	48.79
TOTAL		\$ 61,251,467	100.00	\$ 57,667,931	100.00

The accompanying notes are an integral part of the consolidated financial statements.

COMPEQ MANUFACTURING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

December 31, 2019 and 2018

(Expressed in thousands of New Taiwan Dollars)

LIABILITIES AND EQUITY	NOTES	December 31,2019		December 31,2018	
		Amount	%	Amount	%
CURRENT LIABILITIES					
Short-term borrowings	6(9)				
Notes payable	6(11)	\$ 1,052,068	1.72	\$ 811,166	1.41
Accounts payable	6(11)	9,194,293	15.01	8,540,102	14.81
Other payables	6(12)	5,666,242	9.25	5,928,969	10.28
Current tax liabilities	6(22)	777,298	1.27	662,777	1.15
Provisions-current	6(13)	253,107	0.42	244,848	0.42
Receipts in advance		1,592	—	2,469	—
Current portion of long-term borrowings	6(14),8	430,693	0.70	1,346,637	2.34
Other current liabilities		601,519	0.98	513,592	0.89
Total current liabilities		17,976,812	29.35	18,050,560	31.30
NONCURRENT LIABILITIES					
Long-term borrowings	6(14),8	14,336,264	23.41	13,458,225	23.34
Deferred tax liabilities	6(22)	2,338,907	3.82	1,871,822	3.24
Lease liabilities-noncurrent	6(8)	73,656	0.12	—	—
Net defined pension liabilities	6(15)	725,242	1.18	767,263	1.33
Other non-current liabilities, others		45,655	0.07	27,769	0.05
Total noncurrent liabilities		17,519,724	28.60	16,125,079	27.96
Total liabilities		35,496,536	57.95	34,175,639	59.26
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY					
Capital stock	6(16)	11,918,206	19.46	11,918,206	20.67
Capital surplus	6(16)	1,016,898	1.66	1,016,898	1.76
Retained earnings	6(16)	13,240,799	21.62	10,414,078	18.06
Legal reserve		1,897,670	3.10	1,657,697	2.87
Unappropriated earnings		11,343,129	18.52	8,756,381	15.19
Other equity	6(16)	(420,972)	(0.69)	143,110	0.25
Exchange differences on translation of foreign operations		(421,011)	(0.69)	143,110	0.25
Unrealized gain (loss) on financial assets at fair value through other comprehensive income		39	—	—	—
Total equity attributable to owners of the Company		25,754,931	42.05	23,492,292	40.74
NON-CONTROLLING INTERESTS					
Total equity		—	—	—	—
		25,754,931	42.05	23,492,292	40.74
TOTAL		\$ 61,251,467	100.00	\$ 57,667,931	100.00

The accompanying notes are an integral part of the consolidated financial statements.

COMPEQ MANUFACTURING CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED ON DECEMBER 31, 2019 AND 2018

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

DESCRIPTION	NOTE	2019		2018	
		Amount	%	Amount	%
OPERATING REVENUES	6(18)	\$ 56,174,889	100.00	\$ 50,828,101	100.00
OPERATING COSTS	6(4)	(46,176,617)	(82.20)	(43,602,667)	(85.79)
GROSS PROFIT		9,998,272	17.80	7,225,434	14.21
OPERATING EXPENSES					
Selling and marketing expenses		(888,984)	(1.58)	(864,878)	(1.70)
General and administrative expenses		(971,367)	(1.73)	(946,267)	(1.86)
Research and development expenses		(2,026,007)	(3.61)	(860,613)	(1.69)
Expected credit impairment income	6(3)	31,977	0.06	67,384	0.13
Total operating expenses		(3,854,381)	(6.86)	(2,604,374)	(5.12)
INCOME FROM OPERATIONS		6,143,891	10.94	4,621,060	9.09
NON-OPERATING INCOME AND EXPENSES					
Other income	6(19)	544,667	0.97	628,706	1.24
Other gains and losses	6(20)	(652,274)	(1.16)	(856,667)	(1.69)
Finance costs	6(21)	(469,477)	(0.84)	(474,459)	(0.93)
Total non-operating income and expenses		(577,084)	(1.03)	(702,420)	(1.38)
INCOME BEFORE INCOME TAX		5,566,807	9.91	3,918,640	7.71
INCOME TAX EXPENSE	6(22)	(1,744,389)	(3.11)	(1,518,909)	(2.99)
NET INCOME		\$ 3,822,418	6.80	\$ 2,399,731	4.72
OTHER COMPREHENSIVE INCOME (LOSS)					
Items that will not be reclassified subsequently to profit or loss					
Remeasurement of defined benefit obligation	6(15)	(52,801)	(0.09)	(39,901)	(0.08)
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income		49	—	—	—
Income tax benefit (expense) related to items that will not be reclassified subsequently	6(22)	10,550	0.02	15,875	0.03
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translation of foreign operations	6(16)	(705,152)	(1.26)	(366,613)	(0.72)
Income tax relating to the components of other comprehensive income(loss)	6(22)	141,031	0.25	56,957	0.11
Other comprehensive (loss) income, net of income tax		(606,323)	(1.08)	(333,682)	(0.66)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		\$ 3,216,095	5.72	\$ 2,066,049	4.06
NET INCOME ATTRIBUTABLE TO :					
Shareholders of the parent		\$ 3,822,418	6.80	\$ 2,399,731	4.72
Non-controlling interests		—	—	—	—
		\$ 3,822,418	6.80	\$ 2,399,731	4.72
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO :					
Shareholders of the parent		\$ 3,216,095	5.72	\$ 2,066,049	4.06
Non-controlling interests		—	—	—	—
		\$ 3,216,095	5.72	\$ 2,066,049	4.06
EARNING PER SHARE					
Basic	6(17)	\$ 3.21		\$ 2.01	
Diluted	6(17)	\$ 3.19		\$ 2.00	

The accompanying notes are an integral part of the consolidated financial statements.

COMPEQ MANUFACTURING CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan Dollars)

DESCRIPTION	Equity attributable to the owners of the Company						Subtotal	Non-controlling interests	Total equity
	Capital Stock	Capital surplus	Retained earnings		Other equity				
			Legal reserve	Unappropriated earnings	Exchange differences on translation of foreign operations	Unrealized gain (loss) on financial assets at fair value through other comprehensive income			
BALANCE, JANUARY 1, 2018	\$ 11,918,206	\$ 1,016,898	\$ 1,299,992	\$ 8,168,566	\$ 452,766	\$ —	\$ 22,856,428	\$ —	\$ 22,856,428
Appropriations of prior year's earnings									
Legal reserve	—	—	357,705	(357,705)	—	—	—	—	—
Cash dividends	—	—	—	(1,430,185)	—	—	(1,430,185)	—	(1,430,185)
Net income in 2018	—	—	—	2,399,731	—	—	2,399,731	—	2,399,731
Other comprehensive income in 2018, net of income tax	—	—	—	(24,026)	(309,656)	—	(333,682)	—	(333,682)
Total comprehensive income in 2018	—	—	—	2,375,705	(309,656)	—	2,066,049	—	2,066,049
BALANCE, JANUARY 1, 2019	11,918,206	1,016,898	1,657,697	8,756,381	143,110	—	23,492,292	—	23,492,292
Appropriations of prior year's earnings									
Legal reserve	—	—	239,973	(239,973)	—	—	—	—	—
Cash dividends	—	—	—	(953,456)	—	—	(953,456)	—	(953,456)
Net income in 2019	—	—	—	3,822,418	—	—	3,822,418	—	3,822,418
Other comprehensive income in 2019, net of income tax	—	—	—	(42,241)	(564,121)	39	(606,323)	—	(606,323)
Total comprehensive income in 2019	—	—	—	3,780,177	(564,121)	39	3,216,095	—	3,216,095
BALANCE, DECEMBER 31, 2019	\$ 11,918,206	\$ 1,016,898	\$ 1,897,670	\$ 11,343,129	\$ (421,011)	\$ 39	\$ 25,754,931	\$ —	\$ 25,754,931

The accompanying notes are an integral part of the consolidated financial statements.

COMPEQ MANUFACTURING CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED ON DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan Dollars)

DESCRIPTION	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 5,566,807	\$ 3,918,640
Adjustments for:		
Income and expense (loss) items		
Depreciation expense	3,845,578	3,532,436
Amortization expense	36,337	41,042
Expected credit impairment loss (income)	(31,977)	(67,384)
Net (gain) loss on financial assets and liabilities at fair value through profit or loss	—	386
Interest expense	469,477	474,459
Interest income	(172,817)	(134,122)
Loss on disposal of property, plant and equipment	153,525	157,674
Exchange loss (gain) on long-term debts	27,527	(79,539)
Other Item	4,481	—
Changes in operating assets and liabilities		
Financial assets mandatorily at fair value through profit or loss	(15,520)	49,304
Notes receivable	31,282	186,818
Accounts receivable	(1,535,832)	4,129
Other receivables	(62,733)	441,674
Inventories	(808,089)	(1,024,326)
Prepayments	(128,312)	584,310
Other current assets	10,493	(18,933)
Other current financial assets	82,649	(1,594,477)
Notes payable	286,847	183,035
Accounts payable	904,317	(303,756)
Other payables	531,166	42,836
Provisions	14,655	31,402
Receipts in advance	(1,110)	(111,979)
Other current liabilities	(2,671)	397,675
Accrued pension liabilities	(94,822)	(91,864)
Cash generated from operations	9,111,358	6,619,440
Interest received	172,512	135,613
Interest paid	(467,430)	(468,650)
Income taxes paid	(1,108,795)	(1,161,060)
Net cash generated by operating activities	\$ 7,707,645	\$ 5,125,343

(Continued)

COMPEQ MANUFACTURING CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED ON DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan Dollars)

DESCRIPTION	2019	2018
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at fair value through other comprehensive income	\$ (31,130)	\$ —
Acquisition of financial instruments at fair value through profit or loss	(32,800)	—
Payments for property, plant and equipment	(4,243,692)	(5,443,476)
Proceeds from disposal of property, plant and equipment	12,471	7,686
Increase in Refundable Deposits	(30,003)	(37,365)
Decrease in Refundable Deposits	37,146	42,588
Purchase of Intangible Assets	(54,649)	(43,672)
Acquisition of right-of-use assets	(19,937)	—
Increase in prepayments for equipment	(76,932)	—
Decrease in Prepayments for equipment	—	134,618
Increase in other Noncurrent Assets	(1,478)	—
Net cash generated by (used in) investing activities	(4,441,004)	(5,339,621)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	2,275,347	4,512,912
Decrease in short-term borrowings	(2,275,347)	(4,699,923)
Increase in long-term borrowings	9,985,243	11,436,702
Decrease in long-term borrowings	(9,729,618)	(10,689,001)
Increase in guarantee deposits received	7,617	6,782
Decrease in guarantee deposits received	(5,820)	(5,613)
Repayment of the principal portion of lease liabilities	(102,575)	—
Increase in other non-current liabilities	19,104	27,743
Cash dividends	(953,456)	(1,430,185)
Net cash generated by (used in) financing activities	(779,505)	(840,583)
EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES	(338,105)	(122,335)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,149,031	(1,177,196)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	6,743,559	7,920,755
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	\$ 8,892,590	\$ 6,743,559

The accompanying notes are an integral part of the consolidated financial statements.

COMPEQ MANUFACTURING CO., LTD.
2019 PROFITS DISTRIBUTION TABLE

Unit: NTD \$

Items	Amount	Remarks
Undistributed surplus at the beginning of the period	7,562,951,704	
Add: 2019 net profit	3,822,417,711	
Less: Actuarial gain on the defined benefit plan	(42,240,421)	
Less: 10% Legal Reserve Appropriated	(382,241,771)	
Less: Special reserve	(420,971,932)	
2019 Distributable net profit	2,976,963,587	
Accumulated undistributed surplus for distribution	10,539,915,291	
DISTRIBUTION ITEM		
Cash Dividends to Common Share holders (NT\$1.2 per share)	1,430,184,707	
Undistributed surplus at the end of the period	9,109,730,584	

The List of Candidates for the Boart of Directors in the Election of 2020

Candidates category	Name	Experience	Current positions	The amount of shares held (Unit: share)
Director	Charles C.Wu	<ul style="list-style-type: none"> ●Chairman of Time Enterprises Co., Ltd. ●Director of Robina Finance & Leasing Co., Ltd. 	<ul style="list-style-type: none"> ●Chairman of COMPEQ Manufacturing Co., Ltd. ●Chairman of Chang-Zhi Investment Co., Ltd. 	30,735,218
Director	K.S Peng	<ul style="list-style-type: none"> ●Director of Ming Yu Enterprises Co., Ltd. 	<ul style="list-style-type: none"> ●Director of COMPEQ Manufacturing Co., Ltd. 	8,365,186
Director	P.K. Chiang	<ul style="list-style-type: none"> ●President of COMPEQ Manufacturing Co., Ltd. 	<ul style="list-style-type: none"> ●CEO and President of COMPEQ Manufacturing Co., Ltd. ●Chairman of Huaton Holdings Limited ●Chairman of Compeq Manufacturing (Huizhou) Co., Ltd. ●Chairman of Compeq Manufacturing (Chongqing) Co., Ltd. ●Director of Compeq Technology (Huizhou) Co., Ltd. ●Director of Hong Kong Huaton Holdings Trading Company Limited 	549,450
Director	P.Y. Wu	<ul style="list-style-type: none"> ●General Manager of Rigid-Flex Product Group, COMPEQ Manufacturing Co., Ltd. 	<ul style="list-style-type: none"> ●Vice President of COMPEQ Manufacturing Co., Ltd. ●Director of Compeq Manufacturing (Huizhou) Co., Ltd. ●Chairman of Compeq Technology (Huizhou) Co., Ltd. ●Chairman of Compeq Manufacturing (Suzhou) Co., Ltd. ●Director of Chang Zhi holdings Co., Ltd. ●Chairman of Positive Bo Investment Co., Ltd. ●Chairman of Pelican Cove Investment Ltd. 	27,658,499
Director	P.H. Wu	<ul style="list-style-type: none"> ●Compqny Director of COMPEQ Manufacturing Co., Ltd. 	<ul style="list-style-type: none"> ●Vice President of COMPEQ Manufacturing Co., Ltd. ●Chairman of Huanein Holdings Limited ●Director of Compeq Manufacturing (Huizhou) Co., Ltd. ●Supervisor of Compeq Manufacturing (Chongqing) Co., Ltd. ●Supervisor of Chang Zhi holdings Co., Ltd. ●Chairman of Xue Dayton Investment Co., Ltd. 	27,204,857
Director	Chang Zhi holdings Ltd. Sign and on behalf of: Andrew Chen	<ul style="list-style-type: none"> ●Manager of Du Pont Taiwan Ltd. 	<ul style="list-style-type: none"> ●Vice President of COMPEQ Manufacturing Co., Ltd. ●Director of Compeq Manufacturing (Huizhou) Co., Ltd. ●Director of Compeq Manufacturing (Suzhou) Co., Ltd. ●Director of Compeq Manufacturing (Chongqing) Co., Ltd. 	16,792,000
Independent Director	Tung Chun Huang	<ul style="list-style-type: none"> ●Professor, Institute of Human Resource Management, National Central University ●Professor, Chin Yun University 	<ul style="list-style-type: none"> ●Independent Director of COMPEQ Manufacturing Co., Ltd. ●Remuneration Committee Member. COMPEQ Manufacturing Co., Ltd. ●Audit Committee Member. COMPEQ Manufacturing Co., Ltd. 	0
Independent Director	Tzu Kuan Chiu	<ul style="list-style-type: none"> ●Associate Professor, Department of Financial Finance, National Central University ●Professor, Shanghai Advanced Institute of Finance, Shanghai Jiaotong University 	<ul style="list-style-type: none"> ●Professor, Shanghai Advanced Institute of Finance, Shanghai Jiao Tong University ●Independent Director of COMPEQ Manufacturing Co., Ltd. ●Remuneration Committee Member. COMPEQ Manufacturing Co., Ltd. ●Audit Committee Member. COMPEQ Manufacturing Co., Ltd. ●Independent Director of Founder Fubon Fund Management Co., Ltd. 	0
Independent Director	Teng Ling Liu	<ul style="list-style-type: none"> ●Vice chairman of COMPEQ Manufacturing Co., Ltd. 	<ul style="list-style-type: none"> ●Independent Director of COMPEQ Manufacturing Co., Ltd. ●Remuneration Committee Member. COMPEQ Manufacturing Co., Ltd. ●Audit Committee Member. COMPEQ Manufacturing Co., Ltd. 	1,366,565

COMPEQ MANUFACTURING CO., LTD.

Rules of Procedure for Shareholders' Meeting

- I. Except as otherwise provided by the law, shareholders' meetings of Compeq Manufacturing Co., Ltd. (hereinafter referred to as the Company) shall be compliant with these Rules.
- II. The term "shareholders" used in these Rules refers to the shareholders as well as the proxy the shareholders entrusted to attend the meeting.
- III. The attending shareholder (or proxy) shall wear the badge or hand in the sign-in card in order to represent a shareholder who is incapable of attending in person.

The number of shares in attendance shall be calculated according to the shares indicated by the sign-in cards handed in plus the number of shares whose voting rights are exercised by correspondence or electronically.
- IV. The Chairman shall call the meeting to order at the appointed meeting time. However, when the attending shareholders do not represent a majority of the total number of issued shares, the Chairman may announce a postponement. However, no more than two such postponements for a combined total of no more than 1 hour may be made. When two such postponements are made and the total shares represented still do not make up sufficient outstanding shares, if more than 1/3 of the total issued shares are in attendance, tentative resolutions may be made pursuant to Article 175, Paragraph 1 of the Company Act.

When, prior to the conclusion of the meeting, the attending shareholders represent a majority of the total number of issued shares, the Chairman may resubmit such tentative resolution for a vote by the shareholders pursuant to Article 174 of the Company Act.
- V. For a shareholders' meeting convened by the Board, the agenda is specified by it; a meeting shall be conducted in accordance with the order on the agenda as specified and may not change without a Board resolution.

The provisions of the preceding paragraph apply to a Shareholder's Meeting convened by a party with the power to convene that is not the Board of Directors. Prior to concluding the two preceding agenda items (including extraordinary motions), the meeting Chairman may not declare the meeting

closed without a resolution. After the meeting is adjourned pursuant of a resolution, the shareholders may not appoint another Chairman and continue the meeting either at the same or a different venue.

- VI. During the meeting, the Chairman may declare a break as he/she sees fit. When the topics cannot be addressed with one meeting, a resolution can be passed by the Shareholders to postpone or reconvene within 5 days without giving notice or making a public announcement.
 - VII Before taking the floor, an attending shareholder must specify on a speaker's slip the subject of the speech, his/her shareholder account number (or attendance card number), and account name. The order in which shareholders speak will be set by the Chairman. A shareholder in attendance who has submitted a speaker's slip but does not actually speak shall be deemed to have not spoken. When the content of the speech does not correspond to the subject given on the speaker's slip, the spoken content shall prevail. When a shareholder speaks, other shareholders may not intervene except with the consent of the Chairman and the speaking shareholder. Violators may be restrained by the Chairman.
 - VIII Each attending shareholder shall make no more than two speeches for each motion, and each speech shall not exceed 5 minutes unless otherwise consented by the Chairman. If the attending shareholder's speech violates the provisions of the preceding paragraph, exceeds the scope of the subject issue, or violates the order of the meeting, the Chairman shall stop or suspend the speech. Other shareholders may also request the Chairman to do so
 - IX. When the Chairman deems that the discussion pertaining to a particular motion is sufficient to reach a resolution, the Chairman may announce an end to the discussion and ask for the meeting to proceed with the resolution.
 - X. Except as otherwise provided in the Company Act and in the Company's Articles of Association, the resolution of a proposal shall require an affirmative vote of a majority of the voting rights represented by the attending shareholders. During voting, if there are no dissenters when the question is raised, the Chairman shall pass the motion. The validity is the same as that of a vote.
- A shareholder shall be entitled to one vote for each share held, except when the shares are deemed as non-voting shares under Article 179-2 of the

Company Act.

Shareholders may delegate a proxy to attend the shareholders' meeting. Besides investment trust enterprises and shareholder service agencies approved by the securities authority, an individual delegated by two (or more) shareholders as a proxy at the same time may not have votes exceeding 3% of the total votes that represent all the outstanding shares. Excessive votes shall not be calculated.

- XI. The attendance and voting of the annual general shareholders' meeting shall be calculated based on the number of shares they represent.
- XII. Shareholders' meeting shall convene at the Company's registered office or a location that is convenient for the shareholders and suitable for such an occasion. The meeting shall be called no earlier than 9 a.m. and no later than 3 p.m.
- XIII. When shareholders' meeting is convened by the Board, the Chairman of the Board serves as the Chairman of the meeting. In case the Chairman of the Board is on leave or unable to exercise his power and authority for any reason, the vice Chairman 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 for any reason, the Chairman of the Board shall designate one of the managing directors, or where there are no managing directors, one of the directors to act on his behalf. In the absence of such a designation, the managing directors or the directors shall elect from among themselves an acting Chairman of the Board.
If the shareholders' meeting is convened by any other party entitled to convene the meeting, the convening party shall preside at the meeting.
- XIV. The Company may designate its attorneys, certified public accountants (CPA) or other relevant persons to attend the shareholder's meeting. The administrative staff of shareholders' meeting shall wear an identification badge or arm-band.
- XV. The Company will record the sound or video of the shareholders' meetings. Along with the written or electronic information about how the shareholders exercise their voting rights, which will be kept for at least one year. If, however, a shareholder files a lawsuit, the recordings shall be retained until the conclusion of the litigation.

- XVI. In addition to the proposals listed in the agenda, motions regarding amendments or substitutions to the original proposal shall be subject to the approval of two or more shareholders. The same applies to changes to the agenda and the motion for the meeting to be adjourned.
- XVII. When an amendment that is incompatible with the original proposal or a substitution has been made, the Chairman shall decide on the order of the resolution of the proposals. When one proposal has reached a resolution, all other proposals shall be deemed as vetoed and shall no longer require a resolution.
- XVIII. When a legal person has been delegated to attend the shareholders' meeting, only one person should be delegated as proxy by the legal person. When a legal person shareholder delegates two or more proxies to attend a shareholders' meeting, only one of the proxies may speak on the same proposal
- XIX. In the wake of shareholder's speech, the Chairman of the meeting may answer in person or designate relevant personnel to reply.
- XX. The staff members that supervise or count the votes shall be appointed by the Chairman. The supervisors shall be chosen from the shareholders. The results of the voting shall be announced on-site at the meeting, and the records shall be made.
- XXI. The Chairman may command the pickets (or security personnel) to maintain order of the venue. The pickets (or security personnel) shall wear armbands with the word "picket" when trying to maintain order.
- XXII. In the event of a major disaster such as an air strike alarm, an earthquake or a fire, the meeting shall be ended or suspended. The personnel shall be evacuated. One hour after the situation has been resolved, the Chairman will announce the new meeting time.
- XXIII. Items unfulfilled by these Rules shall be addressed according to the Company Act, relevant legal provisions and the Company's Article of Association.
- XXIV. These Rules shall take effect upon being passed by the resolution of a Board meeting. The same holds true for amendments hereto.

COMPEQ MANUFACTURING CO., LTD.

Articles of Incorporation

Amendment was made on June 13th, 2019

Chapter 1. General Rules

- Article 1. The Company is incorporated under the Company Act of the Republic of China, with the name of “華通電腦股份有限公司” and “COMPEQ MANUFACTURING COMPANY LIMITED” in the English language.
- Article 2. The Company's businesses are listed as below:
- I. Research, design, processing, manufacturing, repair and sales of computer products parts and materials.
 - II. Research, design, processing, manufacturing and sales of double-sided, multi-layer printed circuit boards, memory devices and their raw materials and equipment.
 - III. Research, design, processing, manufacturing, repair and sales of electronic, electrical engineering, electronic products and their spare parts and raw materials.
 - IV. Research, design, processing, manufacturing, repair, sales and service of electronic data processing equipment.
 - V. Research, processing, manufacturing and sales of copper sulfate, copper (electrolytic copper), tin, lead, aluminum fluoride, aluminum chloride, iron oxide, copper oxide and nickel chloride.
 - VI. Research, processing, manufacturing and sales of solder-preserving materials for printed circuit boards.
 - VII. The grinding and processing of steel plate surfaces.
 - VIII. Research, design, processing, manufacturing and sales of iron-nickel alloy, nickel alloy, copper alloy, copper-nickel alloy, steel, stainless steel and its parts, accessories, raw materials and equipment. (except aluminum)
 - IX. Research, design, processing, manufacturing and sales of business waste treatment and equipment.
 - X. Research, design, processing, manufacturing and sales of various batteries, their parts, accessories, raw materials and equipment.
 - XI. Research, design, processing, manufacturing and sales of flexible printed circuit boards.
 - XII. Research, design, processing, manufacturing and sales of solder ball array substrates for integrated circuits.
 - XIII. Research, design, processing, manufacturing and sales of metal pin array substrates for integrated circuits.
 - XIV. Research, design, processing, manufacturing and sales of ultra-fine lead frames for integrated circuits.
 - XV. Research, design, processing, manufacturing and sales of wafer-size packaging boards for integrated circuits.

XVI. Acting as the import and export agent and sales of all above-mentioned products, their spare parts and raw materials.

XVII. General import and export business. (except for business items requiring special approval)

XVIII. ZZ99999 business items not prohibited or restricted by law except those requiring special approval.

Article 2-1. The Company may provide guarantees externally when such need arises.

Article 2-2. When the Company is a limited liability shareholder of another company, the total investment shall not exceed twice the paid-up capital of the Company.

Article 3. The Company has its head office in Taoyuan City.
If necessary, the Board of Directors may decide to set up a branch office in the appropriate area.

Article 4. All announcements made by this Company shall be conducted according to Article 28 of the Company Act.

Chapter 2. Shares

Article 5. The capital of the Company is set at NT\$1.6 billion, divided into 160 million shares, each worth NT\$10. The unissued shares will be issued by the Board of Directors according to the Company's business needs. A total of 100 million shares are reserved for the issue of employee stock options from the total amount of the shares in the preceding paragraph.

Article 5-1. Represented by the shareholders with more than half of the total number of issued shares, as well as the consent of more than two-thirds of the shareholders' voting rights, the Company shall be able to issue common stock at a price lower than the closing price of the date of issuance. The shares are transferred to employees as employee stock options at an average price lower than the actual purchasing price.

Article 6. The shares of the Company shall be issued in the registered form, signed, stamped or numbered by 3 people including the Chairman and directors in compliance with the law.

When the Company issues new shares, it must merge and print the shares in the total number of shares issued, but the shares should be in the custody of the securities depository institutions. When issuing new shares in accordance with this paragraph, the provisions of stock numbering of the first paragraph in the Article shall not apply.

According to the Company Act, shares issued by the Company do not need to be paper-based, but shall be recorded by the securities depository institutions.

Article 7. The transfer of the Company's shares shall be endorsed by the holder.
To transfer the Company's shares, the name of the transferee shall be recorded on the stock, and the name and address of the transferee shall be recorded on the Company's list of shareholders. The shares may not be transferred against the Company.

All changes made to the list of shareholders shall be halted sixty days prior to an upcoming General Shareholders' Meeting, thirty days prior to an Extraordinary Shareholders' Meeting, or five days prior to the base date before the Company issues dividends, bonuses, or other interests.

When issuing new shares in accordance with the second paragraph of Article 6, the provisions of the first and second paragraphs regarding transfer by endorsements are not applicable.

Article 8. The shareholders of the Company shall provide the name, address and the seal pattern to the Company or the agency for keeping records. The same applies in case of change. When a shareholder receives dividends or exercises other rights from the Company, the seal on record should be used.

Article 9. If the stock has inheritance, gift, renewal, pledge setting, loss or damage, it shall be handled in accordance with the Company Act and relevant laws and regulations.

Article 10. The handling of the Company's stock affairs shall be handled in accordance with the Company Act and relevant laws and regulations.

Chapter 3. Shareholders' Meeting

Article 11. A Shareholders' Meeting may be a general meeting or an extraordinary meeting, the former shall be called at least once every year. The Board of Directors calls the General Shareholders' Meeting within six months after the closing of each fiscal year, and a notice shall be sent to each shareholder no later than 30 days prior to the scheduled meeting date. An Extraordinary Shareholders' Meeting may be called when necessary in compliance with the provisions of the law.

Article 12. Each shareholder has one vote for each share in his or her possession, except those who are placed under restriction or specified as having no voting rights in Paragraph 2 of Article 179 of the Company Act.

Article 13. When a shareholder is unable to attend for any reason, he may, in accordance with the provisions of the Company Act, issue a power of attorney stating the scope of delegation. One person shall be delegated, and the notice shall be delivered to the Company five days prior to the meeting.

With the exception of a trust enterprise or a shareholder services agent approved by the competent securities authority, when one person is concurrently appointed as proxy by two or more shareholders, the voting rights represented by that proxy in excess of 3 percent of the voting rights represented by the total number of issued shares shall not be included in the calculation.

Article 14. The Chair of the Shareholders' Meeting shall be appointed by the chairman of the Board of Directors. When the chairman of the Board of Directors is absent for any reason, the vice chairman shall act as the agent. When the vice chairman is absent for any reason, the directors

should settle on one person as agent.

Article 15. Resolutions at a shareholders meeting shall, unless otherwise provided in the Company Act or the Company's articles of incorporation, be adopted by a majority vote of the attending shareholders, who represent more than one-half of the total number of voting shares.

Electronic voting is one of the ways in which the shareholders of the Company exercise their voting rights. The relevant matters are specified in accordance with the law.

Article 16. The resolutions of the Shareholders' Meeting shall be recorded in the minute book, signed or sealed by the chairman. The minute book shall be kept for as long as the Company exists.

The attendance book of the shareholders and the power of attorney the shareholders delegated must be kept for at least one year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, all files shall be retained until the conclusion of the litigation.

Chapter 4. Directors, Board of Directors and the Audit Committee

Article 17. The Company has seven to eleven directors. The number of directors shall be authorized by the Board of Directors. Three independent directors are included in the abovementioned number of directors, all of whom are elected at the Shareholders' Meeting. The term of service is three years with the possibility of being re-elected.

Independent directors and non-independent directors shall be elected together, and the votes shall be counted separately. All candidates for directors were nominated. Candidate nomination acceptance and announcement related matters shall be handled according to the Company Act, Securities and Exchange Act, as well as other relevant regulations.

The Company may purchase liability insurance for the directors, and the scope of insurance shall be decided by the Board of Directors. The remuneration of all directors of the Company is decided based on their participation and value of contribution regardless of profit or loss. The standards of domestic and international peers are equally taken into consideration.

Article 18. The total number of registered shares held by all directors shall not be lower than a certain percentage of issued shares required by the competent authority.

Article 19. When the number of Directors falls short by one third of the total number, or when all independent directors have been dismissed, the Company shall call an Extraordinary Shareholders' Meeting within 60 days to hold a by-election to fill the vacancies.

Article 20. If the director's tenure has expired and it is too late for a re-election, his or her tenure shall be extended until the re-elected director takes office.

- Article 21. When the directors organize the Board of Directors, more than two-thirds of the directors shall be present, and more than half of the directors shall agree to appoint one person as the chairman of the board, and the other as the vice-chairman. Internally, the chairman serves as the Chair for the Shareholders' Meeting and the Board of Directors. Externally, he serves as the representative of the Company. Non-independent directors are allowed to concurrently hold other positions of the Company. Their remuneration shall be authorized by the Board of Directors to the managers in accordance with the internal management measures of the Company.
- Article 22. The Board of Directors shall convene at least once a quarter. The reasons shall be stated at the convening and the directors shall be notified 7 days prior to the meeting. In case of emergency, a meeting may be called at any time. Notifications by fax or email may replace the written notice. The first Board of Directors meeting for each term is convened by the directors who had the highest number of votes at the election.
- Article 23. The resolutions of the Board of Directors shall, except as otherwise provided by the Company Act, Securities and Exchange Act or other provisions, be attended by more than half of the directors, with the consent of more than half of the directors present.
- Article 24. When the Board of Directors meets, the directors shall attend in person. Directors may entrust other directors as proxies when they are unable to be present.
- Article 24-1. The Board of Directors of the Company may set up various functional committees. The membership, functional authority and other relevant matters shall be handled in accordance with the relevant laws and regulations, and determined by the Board of Directors. The Company has audit committee members, and the audit committee is responsible for implementing the Company Act, Securities and Exchange Act or other functional authorities provided by other provisions. The audit committee consists of all independent directors. The number of the directors is not less than three, with one of them as the convener. The exercising of their duties and relevant matters are specified in accordance with the relevant laws and regulations, decided by the Board of Directors.

Chapter 5: Managers

- Article 25. The Company has a certain number managerial officers whose appointment and dismissal shall be decided in accordance with Article 29 of the Company Act.
- Article 26. Other employees of the Company are hired and dismissed by managers.
- Article 27. The manager of the Company shall, in accordance with the resolutions of the Board of Directors and the instructions of the chairman, comprehensively manage all operations of the Company.

Chapter 6: Accounting

Article 28. At the end of each fiscal year, the following tables shall be prepared by the Board of Directors and submitted to the Shareholders' Meeting for recognition: 1. Business report; 2. Financial statements; 3. Proposal for surplus distribution or loss allocation.

Article 28-1. The Company's individual consolidated income statement for the year shows profit prior to calculating the employees' remuneration, 2% of the profit shall be added to the employees' remuneration. The aforementioned profit refers to the net profit before tax minus the benefits before the employee is paid. In case of accumulated loss, the Company shall retain figures to make up for the loss, and then allocate incentives according to the aforementioned Article.

The aforementioned employee benefits are to be issued in the form of shares or cash. Approval for such benefits should be adopted by a majority vote at a meeting of the Board of Directors attended by two-thirds of the total number of directors; and in addition thereto a report of such distribution shall be submitted to the Shareholders' Meeting.

Article 29. If there is a surplus after the final settlement of the Company's annual accounts, the loss shall first be made up according to law, and 10% shall be appropriated as legal capital reserve. However, this is not applicable when the legal capital reserve has reached the paid-in capital. After the legal capital reserve has been listed or transferred in accordance with the law or regulations of the competent authorities, the balance is the surplus that can be distributed in the current year. When the annual distributable surplus, together with the accumulated undistributed surplus at the beginning of the period is distributed as an available surplus, it is distributed according to the following principles:

- I. The Company is part of the technology industry. In order to improve the financial structure of the Company, the status of operating surplus and the need to expand the scale of operations in the future, it is planned to adopt the remaining dividend policy to improve growth and sustainable operation of the Company.
- II. The Company's current and future investment environment, capital needs, profitability, domestic and international competitiveness, and capital budget, etc., are proposed by the Board of Directors for surplus distribution. The Company authorize the distributable dividends and bonuses in whole or in part may be paid in cash after a resolution has been adopted by a majority vote at a meeting of the Board of Directors attended by two-thirds of the total number of directors; and in addition thereto a report of such distribution shall be submitted to the Shareholders' Meeting. If it is not issued or is issued in the form of shares, shall be decided by the Shareholders' Meeting. When distributing the surplus, the available surplus'

amount shall not be less than 10% of the distributable surplus for the year.

- III. The distribution of the Company's surplus can be paid in cash or in stock. The proportion of cash distribution shall not be less than 50% of the total dividend.

Chapter 7. Supplementary Provisions

- Article 30. Rules governing the organization and the procedures of the Company shall be stipulated separately.
- Article 31. The matters not covered in this charter shall be handled in accordance with the provisions of the Company Act and other relevant regulations.
- Article 32. This charter was enacted on August 21st, 1973. The first amendment was made on March 20th, 1974. The second was made on October 11th, 1974. The third amendment was made on January 15th, 1976. The fourth amendment was made on April 29th, 1981. The fifth amendment was made on May 3rd, 1983. The sixth amendment was made on March 24th, 1984. The seventh amendment was made on March 23rd, 1985. The eighth amendment was made on December 15th, 1986. The ninth amendment was made on March 19th, 1988. The tenth amendment was made on March 18th, 1989. The eleventh amendment was made on March 27th, 1990. The twelfth amendment was on made on May 15th, 1991. The thirteenth amendment was made on May 29th, 1992. The fourteenth amendment was made on May 17th, 1993. The fifteenth amendment was made on May 17th, 1994. The 16th amendment was made on May 15th, 1995. The 17th amendment was made on May 20th, 1997. The 18th amendment was made on May 18th, 1999. The 19th amendment was made on April 10th, 2000. The 20th amendment was made on June 12th, 2000. The 21st amendment was made on May 24th, 2002. The 22nd amendment was made on May 30th, 2003. The 23rd amendment was made on May 28th, 2004. The 24th amendment was made on June 10th, 2005. The 25th amendment was made on June 9th, 2006. The 26th amendment on June 13th, 2008. The 27th amendment on made on June 19th, 2009. The 28th amendment was made on June 10th, 2011. The 29th amendment was made on June 5th, 2012. The 30th amendment was made on June 13th, 2013. The 31st amendment was made on June 12th, 2014. The 32nd amendment was made on June 17th, 2016. The 33rd amendment was made on June 16th, 2017. The 34th amendment was made on June 13th, 2019.

COMPEQ MANUFACTURING CO., LTD.

Chairman: Charles C.Wu

COMPEQ MANUFACTURING CO., LTD.

Procedures of Director's Elections

Amendment passed at the shareholders' meeting on June 16th, 2017

- I. The election of the Company's directors shall be conducted in accordance with the Procedures.
- II. The Company shall adopt a cumulative voting method with open ballots to elect the Directors. The number of votes exercisable in respect of one share shall be the same as the number of Directors to be elected, and the total number of votes per share may be consolidated for election of one candidate or may be split for election of one or more candidates.
Independent directors and non-independent directors shall be elected together. Quota for the independent director and non-independent director shall be counted separately.
- III. The election of the Company's directors shall follow Article 192-1 of the Company Act, and uses a candidate nomination system.
The number of directors will be as specified in the Company's Articles of Incorporation. Those receiving ballots representing the highest numbers of voting rights will sequentially be elected as the directors according to their respective numbers of votes. When two or more persons receive the same number of vote, thus exceeding the specified number of positions, they shall draw lots to determine the winner, with the Chairman drawing lots on behalf of any person not in attendance.
Except when approved by the competent authority, the Company shall have more than half of the seats between the directors and shall not have one of the following relationships:
 1. Spouse
 2. Within Second-Degree of KinshipWhen the original elector does not satisfy the criteria of the preceding paragraph, the election of the director receiving the lowest number of votes

among those not meeting the conditions shall be deemed invalid.

The qualifications of independent directors of the Company shall be governed by the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies.

- IV. When an election begins, the Chairman shall appoint a number of persons to perform the respective duties of vote monitoring and counting. All monitoring personnel shall be shareholders of the Company.
- V. The Board of Directors shall prepare ballots in numbers corresponding to the Directors to be elected. The number of voting rights associated with each ballot shall be specified on the ballots, which shall then be distributed to the attending shareholders at the shareholders' meeting. Attendance card numbers printed on the ballots may be used instead of recording the names of voting shareholders.
- VI. If a candidate is a shareholder, a voter must enter the candidate's account name and shareholder account number in the "candidate" column of the ballot. For a non-shareholder, the voter shall enter the candidate's full name and identity card number. However, when the candidate is a government organization or corporate shareholder, the name of the government organization or corporate shareholder shall be entered in the column for the candidate's account name in the ballot paper, or both the names of the government organization or corporate shareholder and the name of its representative may be entered. When there are multiple representatives, the names of each representative shall be entered.
- VII. A ballot is invalid under any of the following circumstances:
 - 1. A ballot not prepared by the Company in accordance with this procedure.
 - 2. A blank ballot is placed in the ballot box.
 - 3. The writing is unclear and indecipherable or has been altered.
 - 4. The candidate whose name is entered in the ballot is a shareholder, but the candidate's account name and shareholder account number do not conform with those given in the shareholder register; or the candidate whose name is

entered in the ballot is a non-shareholder, but upon checking it shows that the candidate's name and identity card number do not match.

5. Other words or marks are entered in addition to the candidate's account name or shareholder account number (or identity card number) and the number of voting rights allotted.
6. The name of the candidate entered in the ballot is identical to that of another shareholder, but no shareholder account number or ID card number is provided in the ballot to identify such individual.
7. Two or more candidates are listed on the same ballot.

VIII. After the voting is completed, the ballots will be counted on the spot. The result of the election will be instantaneously announced by the Chairman.

IX. The Company shall separately issue notifications to the persons elected as Directors.

X. Matters not provided herein will be governed in accordance with the Company Act and relevant regulations.

XI. These Procedures, and any amendments hereto, will be implemented after approval by shareholders' Meeting.

Shareholdings of All Directors

Book closure date : April 20, 2020

Position	Name	Date elected	Term (Years)	Shareholding while elected		Current shareholding	
				Shares	Shareholding ratio (%)	Shares	Shareholding ratio (%)
Chairman of the Board	Charles C.Wu	2017.6.16	3	34,078,243	2.86	30,735,218	2.58
Director	K.S Peng	2017.6.16	3	8,365,186	0.70	8,365,186	0.70
Director	P.K. Chiang	2017.6.16	3	503,450	0.04	549,450	0.08
Director	P.Y. Wu	2017.6.16	3	28,108,499	2.36	27,658,499	2.32
Director	P.H. Wu	2017.6.16	3	27,204,857	2.28	27,204,857	2.28
Director	Andrew Chen, on behalf of Chang-Zhi Investment Co., Ltd.	2017.6.16	3	15,653,000	1.31	16,792,000	1.41
Independent Director	Tung Chun Huang	2017.6.16	3	0	0.00	0	0.00
Independent Director	Tzu Kuan Chiu	2017.6.16	3	0	0.00	0	0.00
Independent Director	Teng Ling Liu	2017.6.16	3	1,416,565	0.12	1,366,565	0.11

The minimum required combined shareholding of all directors by law: 32,000,000 shares

The combined shareholding of all directors on the book closure date: 112,671,775 shares

Total shares Issued as of 4/20/2020 : 1,191,820,589 shares

The Company has three independent directors, and the minimum required shareholding by all directors except for independent directors is downsized to 80% of the minimum required based on Article 2, paragraph 2 of “Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies.