

(Translation – In case of any discrepancy between the Chinese and English versions, the Chinese version shall prevail.)

COMPEQ MANUFACTURING CO., LTD.
2020 Annual General Shareholders' Meeting Minutes

Time and Date : 9:00 a.m., June 18, 2020

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

Total outstanding Compeq shares: 1,191,820,589 shares

Total shares represented by shareholders present in person or by proxy: 918,822,526 shares

Percentage of shares held by shareholders presented in person or by proxy: 77.09%

Directors present:Charles C.Wu, K.S Peng, P.K. Chiang, P.Y. Wu, P.H. Wu, Andrew Chen, Tung Chun Huang, Tzu Kuan Chiu, Teng Ling Liu

Attendees: Hung-Hsun Ting , CPA Yung-Ran Lee, Attorney-at-Law Managing Partner Hui-Min Sun, Senior Legal Consultant

Chairman: Charles C.Wu, the Chairman of the Board of Directors

Recorder: Y. S. Chiu

The aggregate shareholding of the shareholders present in person or by proxy constituted a quorum. The Chairman called the meeting to order.

I. Chairman's Address (omitted)

II. Report Items

- (1) 2019 Business Report (see appendix)
- (2) Audit Committee's review report (see appendix)
- (3) Report on the 2019 Employee Compensation Distributions
- (4) Report on the distribution of 2019 earnings
- (5) The Status of Endorsement and Guarantee

III. Proposals

1. Adoption of 2019 Business Report and Financial Statements (Proposed by the Board of Directors)

Explanation:Please refer to the attachment. (see appendix)

Voting Results:

Shares represented at the time of voting: 918,822,526

Voting Results*	% of the total represented share present
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approval votes:	874,795,218 votes (429,057,196 votes)	95.21%
disapproval votes:	20,666 votes (20,666 votes)	0.00%
abstention votes:	44,006,642 votes (43,756,642 votes)	4.79%
invalid:	none	0.00%

* including votes casted electronically (number in brackets)

RESOLVED, the above proposal was accepted as submitted.

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 the Audit Committee. Please refer to the attachment. (see appendix)

Voting Results:

Shares represented at the time of voting: 918,822,526

Voting Results*		% of the total represented share present
approval votes:	876,048,179 votes (430,310,157 votes)	95.35%
disapproval votes:	35,166 votes (35,166 votes)	0.00%
abstention votes:	42,739,181 votes (42,489,181 votes)	4.65%
invalid:	none	0.00%

* including votes casted electronically (number in brackets)

RESOLVED, the above proposal was accepted as submitted.

IV. 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. (see appendix)

Election Result

No	Title	Name	Votes Received
1	Director	Charles C.Wu	901,649,297
2	Director	K.S. Peng	659,409,272
3	Director	P.K. Chiang	716,753,084
4	Director	P.Y. Wu	717,206,418
5	Director	P.H Wu	657,955,055
6	Director	Chang Zhi holdings Ltd. Sign and on behalf of: Andrew Chen	659,451,871
7	Independent Director	Tung Chun Huang	695,830,791
8	Independent Director	Tzu Kuan Chiu	697,428,607
9	Independent Director	Teng Ling Liu	696,590,563

* including votes casted electronically (number in brackets)

V. 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

Voting Results:

Shares represented at the time of voting: 918,822,526

Voting Results*		% of the total represented share present
approval votes:	783,385,183 votes (337,647,161 votes)	85.26%
disapproval votes:	165,470 votes (165,470 votes)	0.02%
abstention votes:	135,271,873 votes (135,021,873 votes)	14.72%
invalid:	none	0.00%

* including votes casted electronically (number in brackets)

RESOLVED, the above proposal was accepted as submitted.

VI. Other Business and Motions: None

VII. Meeting Adjourned

Charles C.Wu Chairman of the Board of Directors

Y. S. Chiu Recorder

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	