Stock Code:2324

# COMPAL ELECTRONICS, INC.
# AND ITS SUBSIDIARIES

## CONSOLIDATED FINANCIAL STATEMENTS

**December 31, 2016 and 2015**
**(With Independent Auditor's Report Thereon)**

**Address：No.581& 581-1, Ruiguang Rd., Neihu District, Taipei, Taiwan**
**Telephone：(02)8797-8588**

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## Representation Letter

The entities that are required to be included in the combined financial statements of COMPAL ELECTRONICS, INC. as of and for the year ended December 31, 2016 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 endorsed by the Financial Supervisory Commission, "Consolidated and Separate Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, COMPAL ELECTRONICS, INC. and its subsidiaries do not prepare a separate set of combined financial statements.

Company name: COMPAL ELECTRONICS, INC.
Chairman: Sheng-Hsiung Hsu (Rock Hsu)
Date: March 28, 2017

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# Independent Auditor's Report

To COMPAL ELECTRONICS, INC.:

**Opinion**

We have audited the consolidated financial statements of COMPAL ELECTRONICS, INC. and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as of December 31, 2016 and 2015, and the consolidated statement of comprehensive income, consolidated statements of changes in equity and consolidated statement of cash flows for the years ended December 31, 2016 and 2015, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2016 and 2015, 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 with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China.

**Basis for Opinion**

We conducted our audit in accordance with the "Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants" and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

**Key Audit Matters**

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

1. Account receivable valuation

   Please refer to Note (4)(g) and Note (5) for the accounting policy of accounts receivable, as well as the estimation and assumption uncertainly of the valuation of accounts receivable, respectively. Information of account receivable valuation are shown in Note (6)(g) of the consolidated financial statements.

Description of key audit matters:

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

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

In order to evaluate the reasonableness of the Group's estimations for bad debts, our key audit procedures included analyzing the aging of accounts receivable, examining the historical recovery records, and the current credit status of customers, as well as inspecting the amount collected in the subsequent period.

2. Provision of sales returns and allowances

Please refer to Note (4)(p) and Note (5) for the policy of the estimation of sales returns and allowance provisions, as well as the estimation and assumption uncertainly of sales returns and allowances provisions, respectively. Information on sales returns and allowances provisions are disclosed in Note (6)(q) of the consolidated financial statements.

Description of key audit matters:

Part of the sales need to provide allowance and return to the customers, and the estimation of the above items affects the net sales. Since the said matter is subject to management's judgment, the rationality of the basis is one of the key audit matters.

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

Our key audit procedures included reviewing the appropriateness of accounting policy and disclosure of provision for sales return and allowance, and evaluating the historical accuracy of the estimation of sales return and allowance, as well as evaluating the appropriateness of estimation in the following year. In addition, to evaluate if there is a significant misstatement, we analyzed the trend of sales by main customers and by products, to compare to the changes of provision sales returns and allowances.

3. Inventory valuation

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

Description of key audit matters:

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

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

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

**Other Matter**

Compal Electronics, Inc., has prepared the annual parent company only financial statements as of and for the years ended December 31, 2016 and 2015, on which we have issued an unqualified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs, IASs, interpretation as well as the 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 Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

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

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

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

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion

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

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

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

The engagement partners on the audit resulting in this independent auditor's report are Kuan-Ying Kuo and Yiu-Kwan Au.

KPMG

KPMG

Taipei, Taiwan (Republic of China)
March 28, 2017

**Notes to Readers**

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

# COMPAL ELECTRONICS, INC. AND ITS SUBSIDIARIES

## Consolidated Balance Sheets

## December 31, 2016 and 2015

## (Expressed in, New Taiwan Dollars)

| | Assets | December 31, 2016 Amount | % | December 31, 2015 Amount | % |
|---|---|---|---|---|---|
| | **Current assets:** | | | | |
| 1100 | Cash and cash equivalents (note (6)(a)) | $ 72,950,596 | 21.0 | 62,751,542 | 19.1 |
| 1110 | Current financial assets at fair value through profit or loss (note (6)(b)) | 86,440 | - | 25,412 | - |
| 1125 | Current available-for-sale financial assets (note (6)(d)) | 48,631 | - | 29,738 | - |
| 1135 | Current derivative financial assets used for hedging (note (6)(c)) | - | - | 21,360 | - |
| 1147 | Current bond investments without active market (note (6)(f)) | 350,000 | 0.1 | 350,000 | 0.1 |
| 1170 | Notes and accounts receivable, net (notes (6)(g) and 8) | 175,318,313 | 50.5 | 164,799,743 | 50.3 |
| 1180 | Notes and accounts receivable due from related parties, net (notes (6)(g) and 7) | 70,972 | - | 62,245 | - |
| 1200 | Other receivables, net (notes (6)(g), 6(l) and 7) | 1,082,607 | 0.3 | 824,160 | 0.3 |
| 1310 | Inventories (note (6)(h)) | 48,105,125 | 13.9 | 46,520,021 | 14.2 |
| 1470 | Other current assets (note 8) | 2,456,323 | 0.7 | 2,399,255 | 0.7 |
| | | 300,469,007 | 86.5 | 277,783,476 | 84.7 |
| | **Non-current assets:** | | | | |
| 1550 | Investments accounted for using equity method (note (6)(i)) | 11,726,370 | 3.4 | 11,788,042 | 3.6 |
| 1523 | Non-current available-for-sale financial assets (note (6)(d)) | 9,556,461 | 2.8 | 9,063,101 | 2.8 |
| 1543 | Non-current financial assets at cost (note (6)(e)) | 71,820 | - | 103,867 | - |
| 1546 | Non-current investments without active market (note (6)(f)) | 700,000 | 0.2 | 1,050,000 | 0.3 |
| 1600 | Property, plant and equipment (notes (6)(n) and (8)) | 20,952,677 | 6.0 | 24,308,631 | 7.4 |
| 1780 | Intangible assets | 1,291,281 | 0.4 | 1,194,193 | 0.4 |
| 1840 | Deferred tax assets (note (6)(t)) | 1,262,986 | 0.4 | 1,377,465 | 0.4 |
| 1985 | Long-term prepaid rents (note (6)(r)) | 594,520 | 0.2 | 747,066 | 0.2 |
| 1990 | Other non-current assets (notes (6)(s) and (8)) | 390,989 | 0.1 | 509,734 | 0.2 |
| | | 46,547,104 | 13.5 | 50,142,099 | 15.3 |
| | **Total assets** | **$ 347,016,111** | **100.0** | **327,925,575** | **100.0** |

| | Liabilities and Equity | December 31, 2016 Amount | % | December 31, 2015 Amount | % |
|---|---|---|---|---|---|
| | **Current liabilities:** | | | | |
| 2100 | Short-term borrowings (note (6)(o)) | $ 43,480,777 | 12.5 | 29,481,176 | 9.0 |
| 2120 | Current financial liabilities at fair value through profit or loss (note (6)(b)) | 137,489 | - | 29,215 | - |
| 2170 | Notes and accounts payable | 127,523,732 | 36.7 | 127,152,784 | 38.8 |
| 2180 | Notes and accounts payable to related parties (note (7)) | 1,958,211 | 0.6 | 1,473,760 | 0.4 |
| 2200 | Other payables | 17,853,264 | 5.1 | 18,141,188 | 5.5 |
| 2230 | Current tax liabilities | 3,795,925 | 1.1 | 4,196,978 | 1.3 |
| 2250 | Current provisions (note (6)(q)) | 1,842,094 | 0.5 | 2,388,710 | 0.7 |
| 2300 | Other current liabilities | 2,899,674 | 0.9 | 3,929,073 | 1.2 |
| 2313 | Unearned revenue | 1,774,158 | 0.5 | 1,747,574 | 0.5 |
| 2320 | Long-term borrowings, current portion (note (6)(p)) | 7,966,875 | 2.3 | 14,216,617 | 4.3 |
| | | 209,232,199 | 60.2 | 202,757,075 | 61.7 |
| | **Non-Current liabilities:** | | | | |
| 2540 | Long-term borrowings (note (6)(p)) | 23,954,688 | 7.0 | 14,356,563 | 4.4 |
| 2570 | Deferred tax liabilities (note (6)(t)) | 746,962 | 0.2 | 481,497 | 0.2 |
| 2640 | Non-current net defined benefit liabilities (note (6)(s)) | 631,821 | 0.2 | 545,460 | 0.2 |
| 2670 | Non-current liabilities | 166,626 | - | 186,864 | 0.1 |
| | | 25,500,097 | 7.4 | 15,570,384 | 4.9 |
| | **Total liabilities** | 234,732,296 | 67.6 | 218,327,459 | 66.6 |
| | **Equity attributable to owners of parent:** | | | | |
| 3110 | Ordinary share (note (6)(u)) | 44,241,606 | 12.8 | 44,711,266 | 13.6 |
| 3200 | Capital surplus (note (6)(u)) | 11,779,274 | 3.4 | 12,838,638 | 3.9 |
| 3300 | Retained earnings (note (6)(u)) | 55,289,409 | 15.9 | 51,877,511 | 15.8 |
| 3400 | Other equity interest (notes (6)(u) and (6)(v)) | (4,624,653) | (1.3) | (3,926,881) | (1.2) |
| 3500 | Treasury shares (note (6)(u)) | (881,247) | (0.3) | (1,724,739) | (0.5) |
| | | 105,804,389 | 30.5 | 103,775,795 | 31.6 |
| 36XX | **Non-controlling interests** | 6,479,426 | 1.9 | 5,822,321 | 1.8 |
| | **Total equity** | 112,283,815 | 32.4 | 109,598,116 | 33.4 |
| | **Total liabilities and equity** | **$ 347,016,111** | **100.0** | **327,925,575** | **100.0** |

See accompanying notes to financial statements.

# COMPAL ELECTRONICS, INC. AND ITS SUBSIDIARIES

## Consolidated Statements of Comprehensive Income

## For the years ended December 31, 2016 and 2015

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

| | | 2016 | | 2015 | |
|---|---|---|---|---|---|
| | | Amount | % | Amount | % |
| 4000 | **Net sales revenue (notes (6)(x) and (7))** | $766,810,035 | 100.0 | 847,305,698 | 100.0 |
| 5000 | **Cost of sales (notes (6)(h), (6)(s), (7) and (12))** | 733,973,065 | 95.7 | 813,927,341 | 96.1 |
| | **Gross profit** | 32,836,970 | 4.3 | 33,378,357 | 3.9 |
| | **Operating expenses: (notes (6)(r), (6)(s), 6 and 12)** | | | | |
| 6100 | Selling expenses | 5,270,267 | 0.7 | 5,011,950 | 0.6 |
| 6200 | Administrative expenses | 4,541,630 | 0.6 | 4,804,295 | 0.6 |
| 6300 | Research and development expenses | 11,961,428 | 1.6 | 12,249,660 | 1.4 |
| | | 21,773,325 | 2.9 | 22,065,905 | 2.6 |
| | **Net operating income** | 11,063,645 | 1.4 | 11,312,452 | 1.3 |
| | **Non-operating income and expenses:** | | | | |
| 7020 | Other gains and losses (notes (6)(d), (6)(i), (6)(l) and (6)(z)) | (1,042,285) | (0.1) | (323,839) | - |
| 7050 | Finance costs | (946,893) | (0.1) | (899,702) | (0.1) |
| 7190 | Other income (notes (6)(r) and (6)(z)) | 1,961,554 | 0.3 | 1,495,156 | 0.2 |
| 7590 | Miscellaneous disbursements | (54,672) | - | (37,562) | - |
| 7670 | Impairment loss (notes (6)(d), (6)(e) and (6)(n)) | (239,989) | - | (121,574) | - |
| 7770 | Share of profit of associates and joint ventures accounted for using equity method (note (6)(i)) | 1,071,985 | 0.1 | 367,162 | - |
| | **Total non-operating income and expenses** | 749,700 | 0.2 | 479,641 | 0.1 |
| 7900 | **Profit before tax** | 11,813,345 | 1.6 | 11,792,093 | 1.4 |
| 7950 | **Less: Tax expense (note (6)(t))** | 2,845,339 | 0.4 | 2,784,946 | 0.3 |
| | **Profit** | 8,968,006 | 1.2 | 9,007,147 | 1.1 |
| 8300 | **Other comprehensive income:** | | | | |
| 8310 | **Items that will not be reclassified subsequently to profit or loss** | | | | |
| 8311 | Other comprehensive income, before tax, remeasurement of defined benefit obligation | (97,739) | - | (93,596) | - |
| 8320 | Share of other comprehensive income of associates and joint ventures accounted for using equity method | (1,673) | - | (794) | - |
| 8349 | Income tax relating to items that will not be reclassified (note (6)(t)) | 16,616 | - | 15,911 | - |
| | Items that will be reclassified subsequently to profit or loss | (82,796) | - | (78,479) | - |
| 8360 | **Items that will be reclassified subsequently to profit or loss** | | | | |
| 8361 | Other comprehensive income, before tax, exchange differences on translation of foreign financial statement | (938,426) | (0.1) | 1,766,330 | 0.2 |
| 8362 | Other comprehensive income, before tax, available-for-sale financial assets | 458,015 | - | (1,629,927) | (0.2) |
| 8363 | Gains (losses) on effective portion of cash flow hedges | (21,360) | - | 21,360 | - |
| 8370 | Share of other comprehensive income of associates and joint ventures accounted for using equity method | (702,159) | (0.1) | (146,939) | - |
| 8399 | Income tax relating to items that will be reclassified (note (6)(t)) | 21,180 | - | (34,315) | - |
| | Items that will be reclassified subsequently to profit or loss | (1,182,750) | (0.2) | (23,491) | - |
| 8300 | **Other comprehensive income, net** | (1,265,546) | (0.2) | (101,970) | - |
| 8500 | **Comprehensive income** | **$ 7,702,460** | **1.0** | **8,905,177** | **1.1** |
| | **Profit, attributable to:** | | | | |
| 8610 | Profit, attributable to owners of parent | $ 8,130,890 | 1.2 | 8,684,610 | 1.1 |
| 8620 | Profit, attributable to non-controlling interests | 837,116 | - | 322,537 | - |
| | | **$ 8,968,006** | **1.2** | **9,007,147** | **1.1** |
| | **Comprehensive income attributable to:** | | | | |
| 8710 | Comprehensive income, attributable to owners of parent | $ 6,916,562 | 1.0 | 8,552,926 | 1.0 |
| 8720 | Comprehensive income, attributable to non-controlling interests | 785,898 | - | 352,251 | - |
| | | **$ 7,702,460** | **1.0** | **8,905,177** | **1.0** |
| | **Earnings per share (note 6(w))** | | | | |
| 9750 | **Basic earnings per share** | **$** | **1.88** | | **2.01** |
| 9850 | **Diluted earnings per share** | **$** | **1.84** | | **1.97** |

See accompanying notes to financial statements.

# COMPAL ELECTRONICS, INC. AND ITS SUBSIDIARIES

## Consolidated Statements of Changes in Equity

## For the years ended December 31, 2016 and 2015

## (Expressed in Thousands of New Taiwan Dollars)

| | Equity attributable to owners of parent | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Retained earnings | | | | Other equity interest | | | | | | | |
| | Ordinary shares | Capital surplus | Legal reserve | Special reserve | Unappropriated retained earnings | Total retained earnings | Exchange differences on translation of foreign financial statements | Unrealized gains (losses) on available-for-sale financial assets | Unearned employee benefit and others | Total other equity interest | Treasury shares | Total equity attributable to owners of parent | Non-controlling interests | Total equity |
| **Balance at January 1, 2015** | $ 44,232,366 | 14,296,445 | 15,867,903 | 7,707,518 | 24,146,451 | 47,721,872 | 1,178,307 | (4,317,328) | - | (3,139,021) | (1,724,739) | 101,386,923 | 4,833,014 | 106,219,937 |
| Profit for the year ended December 31, 2015 | - | - | - | - | 8,684,610 | 8,684,610 | - | - | - | - | - | 8,684,610 | 322,537 | 9,007,147 |
| Other comprehensive income | - | - | - | - | (71,032) | (71,032) | 1,624,754 | (1,693,104) | 7,698 | (60,652) | - | (131,684) | 29,714 | (101,970) |
| Comprehensive income | - | - | - | - | 8,613,578 | 8,613,578 | 1,624,754 | (1,693,104) | 7,698 | (60,652) | - | 8,552,926 | 352,251 | 8,905,177 |
| Appropriation and distribution of retained earnings: | | | | | | | | | | | | | | |
| Legal reserve appropriated | - | - | 703,408 | - | (703,408) | - | - | - | - | - | - | - | - | - |
| Reversal of special reserve | - | - | - | (4,568,497) | 4,568,497 | - | - | - | - | - | - | - | - | - |
| Cash dividends of ordinary share | - | - | - | - | (4,428,781) | (4,428,781) | - | - | - | - | - | (4,428,781) | - | (4,428,781) |
| Cash dividends from capital surplus | - | (2,214,390) | - | - | - | - | - | - | - | - | - | (2,214,390) | - | (2,214,390) |
| Difference between consideration and carrying amount of subsidiaries acquired or disposed | - | 258 | - | - | - | - | - | - | - | - | - | 258 | - | 258 |
| Changes in ownership interests in subsidiaries | - | 28,275 | - | - | (14,572) | (14,572) | - | - | - | - | - | 13,703 | - | 13,703 |
| Changes in equity of associates and joint ventures accounted for using equity method | - | 5,824 | - | - | (15,956) | (15,956) | - | - | - | - | - | (10,132) | - | (10,132) |
| Share-based payments transaction | 478,900 | 647,200 | - | - | 1,370 | 1,370 | - | - | (727,208) | (727,208) | - | 400,262 | - | 400,262 |
| Adjustments of capital surplus for the company's cash dividends received by subsidiaries | - | 75,026 | - | - | - | - | - | - | - | - | - | 75,026 | - | 75,026 |
| Changes in non-controlling interests | - | - | - | - | - | - | - | - | - | - | - | - | 637,056 | 637,056 |
| **Balance at December 31, 2015** | 44,711,266 | 12,838,638 | 16,571,311 | 3,139,021 | 32,167,179 | 51,877,511 | 2,803,061 | (6,010,432) | (719,510) | (3,926,881) | (1,724,739) | 103,775,795 | 5,822,321 | 109,598,116 |
| Profit for the year ended December 31, 2016 | - | - | - | - | 8,130,890 | 8,130,890 | - | - | - | - | - | 8,130,890 | 837,116 | 8,968,006 |
| Comprehensive income | - | - | - | - | (74,452) | (74,452) | (1,478,779) | 346,602 | (7,699) | (1,139,876) | - | (1,214,328) | (51,218) | (1,265,546) |
| Total comprehensive income | - | - | - | - | 8,056,438 | 8,056,438 | (1,478,779) | 346,602 | (7,699) | (1,139,876) | - | 6,916,562 | 785,898 | 7,702,460 |
| Appropriation and distribution of retained earnings: | | | | | | | | | | | | | | |
| Legal reserve appropriated | - | - | 868,461 | - | (868,461) | - | - | - | - | - | - | - | - | - |
| Special reserve appropriated | - | - | - | 60,653 | (60,653) | - | - | - | - | - | - | - | - | - |
| Cash dividends of ordinary share | - | - | - | - | (4,426,671) | (4,426,671) | - | - | - | - | - | (4,426,671) | - | (4,426,671) |
| Cash dividends from capital surplus | - | (885,334) | - | - | - | - | - | - | - | - | - | (885,334) | - | (885,334) |
| Changes in ownership interests in subsidiaries | - | 22 | - | - | (658) | (658) | - | - | - | - | - | (636) | - | (636) |
| Changes in equity of associates and joint ventures accounted for using equity method | - | 1,723 | - | - | (10,527) | (10,527) | - | - | - | - | - | (8,804) | - | (8,804) |
| Share-based payments transaction | (31,500) | (40,846) | - | - | 3,671 | 3,671 | - | - | 442,104 | 442,104 | - | 373,429 | - | 373,429 |
| Adjustments of capital surplus for the company's cash dividends received by subsidiaries | - | 60,048 | - | - | - | - | - | - | - | - | - | 60,048 | - | 60,048 |
| Changes in non-controlling interests | - | - | - | - | - | - | - | - | - | - | - | - | (128,793) | (128,793) |
| Retirement of treasury share | (438,160) | (194,977) | - | - | (210,355) | (210,355) | - | - | - | - | 843,492 | - | - | - |
| **Balance at December 31, 2016** | **$ 44,241,606** | **11,779,274** | **17,439,772** | **3,199,674** | **34,649,963** | **55,289,409** | **1,324,282** | **(5,663,830)** | **(285,105)** | **(4,624,653)** | **(881,247)** | **105,804,389** | **6,608,219** | **112,412,608** |

See accompanying notes to financial statements.

# COMPAL ELECTRONICS, INC. AND ITS SUBSIDIARIES

## Consolidated Statements of Cash Flows

## For the years ended December 31, 2016 and 2015

## (Expressed in Thousands of New Taiwan Dollars)

| | 2016 | 2015 |
|---|---|---|
| **Cash flows from (used in) operating activities:** | | |
| **Profit before tax** | $ 11,813,345 | 11,792,093 |
| **Adjustments:** | | |
| **Adjustments to reconcile profit (loss):** | | |
| Depreciation and amortization | 5,668,112 | 5,924,610 |
| Increase (decrease) in allowance for uncollectible accounts | 643,362 | 64,736 |
| Interest expense | 946,893 | 899,702 |
| Interest income | (561,897) | (599,764) |
| Dividend income | (191,333) | (237,232) |
| Compensation cost of employee share-based payment | 398,302 | 431,627 |
| Share of profit of associates and joint ventures accounted for using equity method | (1,071,985) | (367,162) |
| Loss (gain) on disposal of property, plant and equipment | (87,995) | (3,560) |
| Loss (gain) on disposal of investments | (112,448) | 20,718 |
| Impairment loss on financial assets | 239,989 | 121,574 |
| Long-term prepaid rents | 14,171 | 15,790 |
| **Adjustments to reconcile profit (loss)** | 5,885,171 | 6,271,039 |
| **Changes in operating assets and liabilities:** | | |
| **Changes in operating assets:** | | |
| Changes in financial assets at fair value through profit or loss | (61,028) | 158,681 |
| Decrease (increase) in notes and accounts receivable | (11,651,155) | 14,112,057 |
| Decrease (increase) in other receivable | (306,896) | 29,017 |
| Decrease (increase) in inventories | (1,605,047) | 20,977,572 |
| Decrease (increase) in other current assets | 127,598 | 235,139 |
| Decrease (increase) in other non-current assets | 153,782 | (46,752) |
| **Total changes in operating assets** | (13,342,746) | 35,465,714 |
| **Changes in operating liabilities:** | | |
| Changes in financial liabilities at fair value through profit or loss | 108,274 | (10,223) |
| Increase (decrease) in notes and accounts payable | 953,860 | (43,388,753) |
| Increase (decrease) in other payable | (52,699) | 251,855 |
| Increase (decrease) in provisions | (546,616) | 313,461 |
| Increase (decrease) in unearned revenue | 26,584 | (729,446) |
| Increase (decrease) in other current liabilities | (607,250) | 653,199 |
| Other | 197,107 | 46,899 |
| **Total changes in operating liabilities** | 79,260 | (42,863,008) |
| **Total changes in operating assets and liabilities** | (13,263,486) | (7,397,294) |
| **Total adjustments** | (7,378,315) | (1,126,255) |
| Cash flows from (used in) operations | 4,435,030 | 10,665,838 |
| Interest received | 552,344 | 597,659 |
| Dividends received | 313,080 | 418,826 |
| Interest paid | (905,672) | (938,675) |
| Income taxes paid | (3,107,120) | (1,209,392) |
| **Net cash flows from (used in) operating activities** | 1,287,662 | 9,534,256 |
| **Cash flows from (used in) investing activities:** | | |
| Acquisition of investments accounted for using equity method, available-for-sale financial assets and financial assets at cost | (186,052) | (187,700) |
| Proceeds from disposal of investments accounted for using equity method and available-for-sale financial assets | 345,026 | 1,718,652 |
| Redemption from bond investments without active market | 350,000 | 350,000 |
| Net cash flow from acquisition of subsidiaries | - | 250,273 |
| Net cash flow from disposal of subsidiaries | (139,401) | - |
| Proceeds from capital reduction and liquidation of investments | 47,695 | 68,125 |
| Acquisition of property, plant and equipment | (3,595,770) | (5,492,667) |
| Proceeds from disposal of property, plant and equipment | 519,243 | 128,388 |
| Acquisition of intangible assets | (579,740) | (616,124) |
| Other | 57,033 | (40,682) |
| **Net cash flows from (used in) investing activities** | (3,181,966) | (3,821,735) |
| **Cash flows from (used in) financing activities:** | | |
| Increase (decrease) in short-term borrowings | 13,999,601 | (17,330,697) |
| Proceeds from long-term borrowings | 23,515,000 | 12,930,000 |
| Repayments of long-term borrowings | (20,166,617) | (8,555,354) |
| Cash dividends paid | (5,251,957) | (6,568,145) |
| Acquisition of non-controlling interests | (8,643) | (13,518) |
| Change in non-controlling interests | (153,961) | 282,154 |
| Other | (20,238) | 22,998 |
| **Net cash flows from (used in) financing activities** | 11,913,185 | (19,232,562) |
| **Effect of exchange rate changes on cash and cash equivalents** | 180,173 | 1,563,453 |
| Net increase (decrease) in cash and cash equivalents | 10,199,054 | (11,956,588) |
| Cash and cash equivalents at beginning of period | 62,751,542 | 74,708,130 |
| Cash and cash equivalents at end of period | $ **72,950,596** | **62,751,542** |

See accompanying notes to financial statements.

**COMPAL ELECTRONICS, INC. AND ITS SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

**For the years ended December 31, 2016 and 2015**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

## (1) Company history

Compal Electronics, Inc. (the "Company") was incorporated in June 1984 as a company limited by shares and registered under the Ministry of Economic Affairs, R.O.C. The address of the Company's registered office is No.581 and No.581-1 Ruiguang Rd., Neihu Dist., Taipei City, Taiwan. In accordance with Article 19 of the Business Mergers and Acquisitions Act, the Company merged its subsidiary, Compal Communications, Inc. ("CCI") (the "Merger"), pursuant to the resolutions of the Board of Directors in November, 2013. The Company was the surviving company and CCI was the dissolved company. The effective date of the Merger was February 27, 2014. The Company and its subsidiaries (together referred to as the "Group" and individually as the "Group entities") primarily are involved in the manufacture and sale of notebook personal computers ("notebook PCs"), monitors, LCD TVs, mobile phones and various components and peripherals.

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

These consolidated financial reports were authorized for issuance by the Board of Directors and issued on March 28, 2017.

## (3) New standards, amendments and interpretations adopted:

(a) Impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C. ("FSC") but not yet in effect

According to Ruling No. 1050026834 issued on July 18, 2016, by the FSC, public entities are required to conform to the IFRSs which were issued by the International Accounting Standards Board (IASB) before January 1, 2016, and were endorsed by the FSC on January 1, 2017 in preparing their financial statements. The related new standards, interpretations and amendments are as follows:

| New, Revised or Amended Standards and Interpretations | Effective date per IASB |
|---|---|
| Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception" | January 1, 2016 |
| Amendments to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations" | January 1, 2016 |
| IFRS 14 "Regulatory Deferral Accounts" | January 1, 2016 |
| Amendment to IAS 1 "Disclosure Initiative" | January 1, 2016 |
| Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization" | January 1, 2016 |
| Amendments to IAS 16 and IAS 41 "Agriculture: Bearer Plants" | January 1, 2016 |
| Amendments to IAS 19 "Defined Benefit Plans: Employee Contributions" | July 1, 2014 |

| New, Revised or Amended Standards and Interpretations | Effective date per IASB |
|---|---|
| Amendment to IAS 27 "Equity Method in Separate Financial Statements" | January 1, 2016 |
| Amendments to IAS 36 "Recoverable Amount Disclosures for Non-Financial Assets" | January 1, 2014 |
| Amendments to IAS 39 "Novation of Derivatives and Continuation of Hedge Accounting" | January 1, 2014 |
| Annual improvements cycles 2010-2012 and 2011-2013 | July 1, 2014 |
| Annual improvements cycle 2012-2014 | January 1, 2016 |
| IFRIC 21 "Levies" | January 1, 2014 |

Except for the following items, the Group believes that the adoption of the above IFRSs would not have a material impact on the consolidated financial statements:

1. Amendments to IAS 36 "Recoverable Amount Disclosures for Non-Financial Assets"

   Under the amendments, the recoverable amount is required to be disclosed only when an impairment loss has been recognized or reversed. In such cases, the amendments also require that the following be disclosed if the recoverable amount is based on fair value less costs of disposal:

   1) the level of the fair value hierarchy within which the fair value measurement is categorized; and

   2) the valuation technique(s) used for fair value measurements categorized within Levels 2 and 3 of the fair value hierarchy, and the key valuation assumptions made.

   The Group expects the aforementioned amendments will result in a broader disclosure of the recoverable amount for non-financial assets.

(b) Newly released or amended standards and interpretations not yet endorsed by the FSC

The following is a summary of the new standards and amendments issued by the IASB but not yet endorsed by the FSC. The FSC announced that the Group should apply IFRS 9 and IFRS 15 starting January 1, 2018. As of the date the Group's consolidated financial statements were issued, the FSC has yet to announce the effective dates of the other IFRSs.

| New, Revised or Amended Standards and Interpretations | Effective date per IASB |
|---|---|
| IFRS 9 "Financial Instruments" | January 1, 2018 |
| Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture" | Effective date to be determined by IASB |
| IFRS 15 "Revenue from Contracts with Customers" | January 1, 2018 |
| IFRS 16 "Leases" | January 1, 2019 |

(Continued)

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

| New, Revised or Amended Standards and Interpretations | Effective date per IASB |
|---|---|
| Amendment to IFRS 2 "Clarifications of Classification and Measurement of Share-based Payment Transactions" | January 1, 2018 |
| Amendment to IFRS 15 "Clarifications of IFRS 15" | January 1, 2018 |
| Amendment to IAS 7 "Disclosure Initiative" | January 1, 2017 |
| Amendment to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses" | January 1, 2017 |
| Amendments to IFRS 4 "Insurance Contracts" (Applicable for IFRS 9 "Financial Instruments" and IFRS 4 "Insurance Contracts") | January 1, 2018 |
| Annual Improvements to IFRS Standards 2014-2016 Cycle: | |
| IFRS 12 "Disclosure of Interests in Other Entities" | January 1, 2017 |
| IFRS 1 "First-time Adoption of International Financial Reporting Standards" and IAS 28 "Investments in Associates and Joint Ventures" | January 1, 2018 |
| IFRIC 22 "Foreign Currency Transactions and Advance Consideration" | January 1, 2018 |
| Amendments to IAS 40 "Investment Property" | January 1, 2018 |

The Group is still currently determining the potential impact of the standards listed below:

| Issuance / Release Dates | Standards or Interpretations | Content of amendment |
|---|---|---|
| May 28, 2014<br>April 12, 2016 | IFRS 15 "Revenue from Contracts with Customers" | IFRS 15 establishes a five-step model for recognizing revenue that applies to all contracts with customers, and will supersede IAS 18 "Revenue," IAS 11 "Construction Contracts," and a number of revenue-related interpretations.<br><br>Final amendments issued on April 12, 2016, clarify how to (i) identify performance obligations in a contract; (ii) determine whether a company is a principal or an agent; (iii) account for a license for intellectual property (IP); and (iv) apply transition requirements. |

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

| Issuance / Release Dates | Standards or Interpretations | Content of amendment |
|---|---|---|
| November 19, 2013<br>July 24, 2014 | IFRS 9 "Financial Instruments" | The standard will replace IAS 39 "Financial Instruments: Recognition and Measurement", and the main amendments are as follows:<br>· Classification and measurement: Financial assets are measured at amortized cost, fair value through profit or loss, or fair value through other comprehensive income, based on both the entity's business model for managing the financial assets and the financial assets' contractual cash flow characteristics. Financial liabilities are measured at amortized cost or fair value through profit or loss. Furthermore, there is a requirement that "own credit risk" adjustments be measured at fair value through other comprehensive income.<br>· Impairment: The expected credit loss model is used to evaluate impairment.<br>·Hedge accounting: Hedge accounting is more closely aligned with risk management activities, and hedge effectiveness is measured based on the hedge ratio. |
| January 13, 2016 | IFRS 16 "Leases" | The new standard of accounting for lease is amended as follows:<br>·For a contract that is, or contains, a lease, the lessee shall recognize a right-of-use asset and a lease liability in the balance sheet. In the statement of profit or loss and other comprehensive income, a lessee shall present interest expense on the lease liability separately from the depreciation charge for the right-of use asset during the lease term.<br>·A lessor classifies a lease as either a finance lease or an operating lease, and therefore, the accounting remains similar to IAS 17. |

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

**(4) Summary of significant accounting policies:**

The significant accounting policies presented in the consolidated financial statements are summarized as follows. Except for those specifically mentioned, the following accounting policies were applied consistently throughout the presented periods in the financial statements.

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as the Regulations), the International Financial Reporting Standards, the International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed by the FSC (hereinafter referred to as the IFRS endorsed by the FSC).

(b) Basis of preparation

(i) Basis of measurement

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

1) Financial instruments (including derivative financial instruments) measured at fair value through profit or loss are measured at fair value;

2) Available-for-sale financial assets are measured at fair value;

3) Hedged derivative financial instruments are measured at fair value:

4) The defined benefit asset (or liability) is recognized as plan assets less the present value of the defined benefit obligation and the effect of the asset ceiling mentioned in note (4)(s).

(ii) Functional and presentation currency

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

(c) Basis of consolidation

(i) Principles of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and its subsidiaries. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(Continued)

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

Accounting policies of subsidiaries have been adjusted to ensure consistency with the policies adopted by the Group.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any differences between the Group's share of net assets before and after the change, and any considerations received or paid, are adjusted to or against the Group reserves.

(ii) List of subsidiaries in the consolidated financial statements

| | | | Percentage of ownership | | |
|---|---|---|---|---|---|
| **Investor** | **Name of Subsidiary** | **Nature of Operation** | **December 31, 2016** | **December 31, 2015** | **Description** |
| The Company | Panpal Technology Corp. ("Panpal") | Investment | 100% | 100% | Panpal held 31,648 thousand shares of the Company as of December 31, 2016, which represented 0.7% of the Company's outstanding shares. |
| 〃 | Gempal Technology Corp. ("Gempal") | 〃 | 100% | 100% | Gempal held 18,369 thousand shares of the Company as of December 31, 2016, which represented 0.4% of the Company's outstanding shares. |
| 〃 | Hong Ji Capital Co., Ltd. ("Hong Ji") | 〃 | 100% | 100% | |
| 〃 | Hong Jin Investment Co., Ltd. ("Hong Jin") | 〃 | 100% | 100% | |
| 〃 | Zhaopal Investment Co., Ltd. ("Zhaopal") | 〃 | 100% | 100% | |
| 〃 | Yongpal Investment Co., Ltd. ("Yongpal") | 〃 | 100% | 100% | |
| 〃 | Kaipal Investment Co., Ltd. ("Kaipal") | 〃 | 100% | 100% | |
| The Company, Panpal, et al. | Accesstek, Inc. ("ATK") | Design, manufacturing and sales of optical disk drives and components | 38% | 38% | The Group had the ability to control ATK. ATK was dissolved on June 30, 2009. |
| 〃 | Arcadyan Technology Corp. ("Arcadyan") | R&D, manufacturing and sales of wireless network, integrated household electronics, and mobile office products | 36% | 36% | The Group had the ability to control Arcadyan. |
| The Company | Rayonnant Technology Co., Ltd. ("Rayonnant Technology") | Manufacturing and sales of PCs, computer periphery devices, and electronic components | 100% | 100% | |
| 〃 | HengHao Technology Co., Ltd. ("HengHao") | 〃 | 97% | 97% | |
| 〃 | Synchro Seiki, Co., Ltd. ("Synchro") | 〃 | - | - | Mactech merged with Synchro on July 2, 2015. Mactech was the surviving entity, and Synchro ceased to exist. |
| 〃 | Ripal Optoelectronics Co., Ltd. ("Ripal") | Manufacturing of electric appliance and audiovisual electric products | 100% | 100% | |
| 〃 | Mactech Co., Ltd ("Mactech") | Manufacturing of equipment and lighting, retailing of equipment and international trading | 53% | 53% | Mactech merged with Synchro on July 2, 2015. |
| 〃 | General Life Biotechnology Co., Ltd. ("GLB") | Manufacturing and sales of medical equipment | 50% | 50% | The Company obtained 50% equity ownership of GLB in October 2015. |

(Continued)

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

| Investor | Name of Subsidiary | Nature of Operation | Percentage of ownership December 31, 2016 | Percentage of ownership December 31, 2015 | Description |
|---|---|---|---|---|---|
| The Company | Auscom Engineering Inc. (“Auscom”) | R&D of notebook PC related products and components | 100% | 100% | |
| 〃 | Just International Ltd. (“Just”) | Manufacturing, sales and maintenance of monitors and LCD TVs, and investment | 100% | 100% | |
| 〃 | Compal International Holding Co., Ltd. (“CIH”) | Sales and manufacturing of notebook PCs and investments | 100% | 100% | |
| 〃 | Compal Electronics (Holding) Ltd. (“CEH”) | Investment | 100% | 100% | |
| 〃 | Bizcom Electronics, Inc. (“Bizcom”) | Warranty services and marketing of monitors and notebook PCs | 100% | 100% | |
| 〃 | Flight Global Holding Inc. (“FGH”) | Investment | 100% | 100% | |
| 〃 | High Shine Industrial Corp. (“HSI”) | 〃 | 100% | 100% | |
| 〃 | Compal Europe (Poland) Sp. z o.o. (“CEP”) | Maintenance and warranty services of notebook PCs | 100% | 100% | |
| 〃 | Big Chance International Co., Ltd. (“BCI”) | Investment | 100% | 100% | |
| 〃 | Compal Rayonnant Holdings Limited (“CRH”) | 〃 | 100% | 100% | |
| 〃 | Core Profit Holdings Limited (“CORE”) | 〃 | 100% | 100% | |
| 〃 | Compalead Electronics B.V. (“CPE”) | 〃 | 100% | 100% | |
| Panpal and Gempal | Compalead Eletronica do Brasil Industria e Comercio Ltda. (“CEB”) | Manufacturing of notebook PCs | 100% | 100% | |
| 〃 | Compal Electronics India Private Limited (“CEIN”) | Manufacturing and warranty service of mobile phones | 100% | - | CEIN was established in December 2016. |
| Just | Compal Display Holding (HK) Limited (“CDH (HK)”) | Investment | 100% | 100% | |
| 〃 | Compal Electronics International Ltd. (“CII”) | 〃 | 100% | 100% | |
| 〃 | Compal International Ltd. (“CPI”) | Sales of monitors, LCD TVs and related components | 100% | 100% | |
| CDH (HK) | Compal Electronics (China) Co., Ltd. (“CPC”) | Manufacturing and sales of monitors | 100% | 100% | |
| 〃 | Compal Optoelectronics (Kunshan) Co., Ltd. (“CPO”) | Manufacturing and sales of LCD TVs | 100% | 100% | |
| 〃 | Compal System Trading (Kunshan) Co., Ltd. (“CST”) | International trade and distribution of computers and electronic components | 100% | 100% | |
| CII | Smart International Trading Ltd. (“Smart”) | Sales of electronic products and related components | 100% | 100% | |
| 〃 | Amexcom Electronics Inc. (“AEI”) | Sales and maintenance of LCD TVs | 100% | 100% | |
| 〃 | Mexcom Electronics, LLC (“MEL”) | Investment | 100% | 100% | |
| 〃 | Mexcom Technologies, LLC (“MTL”) | 〃 | 100% | 100% | |

(Continued)

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

| Investor | Name of Subsidiary | Nature of Operation | Percentage of ownership December 31, 2016 | Percentage of ownership December 31, 2015 | Description |
|---|---|---|---|---|---|
| MEL and MTL | CENA Electromex S.A. de C.V. ("CMX") | Manufacturing, sales, and maintenance of LCD TVs | 100% | 100% | |
| CIH | Compal International Holding (HK) Limited ("CIH (HK)") | Investment | 100% | 100% | |
| 〃 | Jenpal International Ltd. ("Jenpal") | 〃 | 100% | 100% | |
| 〃 | Prospect Fortune Group Ltd. ("PFG") | Sales of notebook PCs and related components | 100% | 100% | |
| 〃 | Fortune Way Technology Corp. ("FWT") | Investment | 100% | 100% | FWT was established in December 2015. |
| CIH (HK) | Compal Electronics Technology (Kunshan) Co., Ltd. ("CET") | Manufacturing of notebook PCs | 100% | 100% | |
| 〃 | Compal Information (Kunshan) Co., Ltd. ("CIC") | 〃 | 100% | 100% | |
| 〃 | Compal Information Technology (Kunshan) Co., Ltd. ("CIT") | 〃 | 100% | 100% | |
| 〃 | Kunshan Botai Electronics Co., Ltd. ("BT") | 〃 | 100% | 100% | |
| 〃 | Compal Information Research and Development (Nanjing) Co., Ltd. ("CIN") | Software and hardware R&D of computers, mobile phones and electronic components | 100% | 100% | |
| 〃 | Compal Digital Technology (Kunshan) Co., Ltd. ("CDT") | Manufacturing and sales of notebook PCs, mobile phones, and digital products | 100% | 100% | |
| BT | Compower Global Service Co., Ltd. ("CGS") | Maintenance and warranty service of notebook PCs | 100% | 100% | |
| CDH (HK) and CIH (HK) | Compal Investment (Jiansu) Co., Ltd. ("CIJ") | Investment | 100% | 100% | |
| CIJ | Compal Display Electronics (Kunshan) Co., Ltd. ("CDE") | Manufacturing and sales of LCD TVs | 100% | 100% | |
| The Company and Webtek | Etrade Management Co., Ltd. ("Etrade") | Investment | 100% | 100% | |
| The Company | Webtek Technology Co., Ltd. ("Webtek") | Sales of mobile phones | 100% | 100% | |
| 〃 | Forever Young Technology Inc. ("Forever") | 〃 | 100% | 100% | |
| 〃 | UniCom Global, Inc. ("UCGI") | Manufacturing and sales of computers and electronic components | 100% | 100% | |
| 〃 | Palcom International Corporation ("Palcom") | Sales of mobile phones | 100% | 100% | |
| Etrade | Compal Communication (Nanjing) Co., Ltd. ("CCI Nanjing") | Manufacturing and processing of mobile phones | 100% | 100% | |
| 〃 | Compal Digital Communication (Nanjing) Co., Ltd. ("CDCN") | 〃 | 100% | 100% | |

(Continued)

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

| Investor | Name of Subsidiary | Nature of Operation | Percentage of ownership December 31, 2016 | Percentage of ownership December 31, 2015 | Description |
|---|---|---|---|---|---|
| Etrade | Compal Wireless Communication (Nanjing) Co., Ltd. ("CWCN") | Manufacturing and processing of mobile phones | 100% | 100% | |
| Forever | Hanhelt Communication (Nanjing) Co., Ltd. ("Hanlelt") | R&D and manufacturing of electronic communication equipment | 100% | 100% | |
| 〃 | Giant Rank Trading Ltd. ("GIA") | Sales of mobile phones | 100% | 100% | |
| ATK | OptoRite Inc. | Sales of optical disc drives | 100% | 100% | |
| 〃 | MSI-ATK Otpics Holding Corporation ("MSI-ATK") | Investment | 100% | 100% | |
| 〃 | Maitek (BVI) Corporation ("Maitek") | 〃 | 100% | 100% | |
| Arcadyan | Arcadyan Technology N.A. Corp. ("Arcadyan USA") | Sales of wireless network products | 100% | 100% | |
| 〃 | Arcadyan Germany Technology GmbH ("Arcadyan Germany") | Technical support of wireless network products | 100% | 100% | |
| 〃 | Arcadyan Technology Corporation Korea ("Arcadyan Korea") | Sales of wireless network products | 100% | 100% | |
| 〃 | Arcadyan Holding (BVI) Corp. ("Arcadyan Holding") | Investment | 100% | 100% | |
| 〃 | Arcadyan technology Limited ("Arcadyan UK") | Technical support of wireless network products | 100% | - | Arcadyan UK was established in December 2016. |
| Arcadyan and Zhi-pal | Arcadyan do Brasil Ltda. ("Arcadyan Brasil") | Sales of wireless network products | 100% | 100% | |
| Arcadyan | Zhi-pal Technology Inc. ("Zhi-pal") | Investment | 100% | 100% | |
| 〃 | Tatung Technology Inc. ("TTI") | R&D and sales of household digital electronic products | 60% | 59% | |
| 〃 | AcBel Telecom Inc. ("AcBel Telecom") | Investment | 51% | 51% | |
| The Company, Arcadyan, and its subsidiaries | Compal Broadband Network Inc. ("CBN") | R&D and sales of communication and electronic components | 95% | 99% | |
| CBN | Speedlink Tradings Limited ("Speedlink") | Import and export business | 100% | 100% | |
| Arcadyan Holding | Sinoprime Global Inc. ("Sinoprime") | Sales of wireless network products | 100% | 100% | |
| 〃 | Arcadyan Technology (Shanghai) Corp. ("SVA Arcadyan") | R&D and sales of wireless network products | 100% | 100% | |
| 〃 | Arch Holding (BVI) Corp. ("Arch Holding") | Investment | 100% | 100% | |
| Arch Holding | Compal Networking (Kunshan) Co., Ltd. ("CNC") | Manufacturing of wireless network products | 100% | 100% | |
| AcBel Telecom | Leading Images Ltd. ("Leading Images") | Investment | 100% | 100% | |
| 〃 | Great Arch Group Ltd. ("Great Arch") | Sales of wireless network products | 100% | 100% | |

(Continued)

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

| Investor | Name of Subsidiary | Nature of Operation | Percentage of ownership December 31, 2016 | Percentage of ownership December 31, 2015 | Description |
|---|---|---|---|---|---|
| Leading Images | Astoria Networks GmbH (“Astoria GmbH”) | 〃 | 100% | 100% | |
| TTI | Quest International Group Co., Ltd. (“Quest”) | Investment | 100% | 100% | |
| Quest | Exquisite Electronic Co., Ltd. (“Exquisite”) | 〃 | 100% | 100% | |
| Exquisite | Tatung Home Appliances (Wujiang) Co., Ltd. (“THAC”) | Manufacturing of household digital electronic products | 100% | 100% | |
| HSI | Intelligent Universal Enterprise Ltd. (“IUE”) | Investment | 100% | 100% | |
| 〃 | Goal Reach Enterprises Ltd. (“Goal”) | 〃 | 100% | 100% | |
| IUE | Compal (Vietnam) Co., Ltd. (“CVC”) | R&D, manufacturing, sales, and maintenance of notebook PCs, computer monitors, LCD TVs and electronic components | 100% | 100% | |
| Goal | Compal Development & Management (“Vietnam”) Co., Ltd. (“CDM”) | Construction of and investment in infrastructure in Ba-Thien industrial district of Vietnam | 100% | 100% | |
| Rayonnant Technology and CRH | Allied Power Holding Corp. (“APH”) | Investment | 100% | 100% | |
| APH | Primetek Enterprises Limited (“PEL”) | 〃 | 100% | 100% | |
| 〃 | Rayonnant Technology (HK) Co., Ltd. (“Rayonnant Technology (HK)”) | 〃 | 100% | 100% | |
| Rayonnant Technology (HK) | Rayonnant Technology (Taicang) Co., Ltd. (“Rayonnant Technology (Taicang)”) | Manufacturing and sales of aluminum alloy and magnesium alloy products | 100% | 100% | |
| HengHao | HengHao Holdings A Co., Ltd. (“HHA”) | Investment | 100% | 100% | |
| HHA | HengHao Holdings B Co., Ltd. (“HHB”) | 〃 | 100% | 100% | |
| HHB | HengHao Trading Co., Ltd. | Marketing and international trade | 100% | 100% | |
| 〃 | HengHao Optoelectronics Technology (Kunshan) Co., Ltd. (“HengHao Kunshan”) | Production of touch panels and related components | 100% | 100% | |
| 〃 | Lucom Display Technology (KunShan) Limited (“Lucom”) | Manufacturing of touch panels, LCD TVs and related modules | 100% | 100% | |
| BCI | Center Mind International Co., Ltd. (“CMI”) | Investment | 100% | 100% | |
| 〃 | Prisco International Co., Ltd. (“PRI”) | 〃 | 100% | 100% | |
| CMI | Compal Investment (Sichuan) Co., Ltd. (“CIS”) | Outward investment and consulting services | 100% | 100% | |
| PRI | Compal Electronics (Chongqing) Co., Ltd. (“CEQ”) | R&D, manufacturing and sales of notebook PCs, related components, related maintenance and warranty services | 100% | 100% | |

(Continued)

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

| Investor | Name of Subsidiary | Nature of Operation | Percentage of ownership December 31, 2016 | Percentage of ownership December 31, 2015 | Description |
|---|---|---|---|---|---|
| CIS | Compal Electronics (Chengdu) Co., Ltd. (“CEC”) | R&D and manufacturing of notebook PCs, tablet PCs, digital products, network switches, wireless AP, and automobile electronic products | 100% | 100% | |
| 〃 | Compal Management (Chengdu) Co., Ltd. (“CMC”) | Corporate management consulting, training and education, business information consulting, financial and tax consulting, investment consulting, and investment management services | 100% | 100% | |
| CORE | Billion Sea Holdings Limited (“BSH”) | Investment | 100% | 100% | |
| CPE | Compal Electronics Europe Sp. z o.o. (“CEE”) | Manufacturing, sales and maintenance of LCD TVs | - | 100% | Disposed all equity shares in December 2016. |
| GLB | Rapha Bio Ltd. (“RBL”) | Detector and feature | 100% | - | GLB obtained 100% equity ownership of RBL in August 2016. |

(d) Foreign currency

(i) Foreign currency transaction

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

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

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

1) available-for-sale financial assets;

2) a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or

3) qualifying cash flow hedges to the extent the hedge is effective

(ii) Foreign operations

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

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

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

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

An entity shall classify an asset as current when:

(i) It expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;

(ii) It holds the asset primarily for the purpose of trading;

(iii) It expects to realize the asset within twelve months after the reporting period; or

(iv) The asset is cash and cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

An entity shall classify all other assets as non-current.

An entity shall classify a liability as current when:

(i) It expects to settle the liability in its normal operating cycle;

(ii) It holds the liability primarily for the purpose of trading;

(iii) The liability is due to be settled within twelve months after the reporting period; or

(iv) It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not impact its classification.

An entity shall classify all other liabilities as non-current.

(f) Cash and cash equivalents

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

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

(g) Financial instruments

Financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instruments.

(i) Financial assets

The Group classifies financial assets into the following categories: financial assets at fair value through profit or loss, available-for-sale financial assets, and loans and receivables.

1) Financial assets at fair value through profit or loss

A financial asset is classified in this category if it is classified as held-for-trading or is designated as such on initial recognition. Financial assets are classified as held-for-trading if they are acquired principally for the purpose of selling in the short term. The Group designates financial assets, other than ones classified as held-for-trading, as at fair value through profit or loss at initial recognition under one of the following situations:

a) Designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;

b) Performance of the financial asset is evaluated on a fair value basis

c) A hybrid instrument contains one or more embedded derivatives.

Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein, which take into account any dividend and interest income, are recognized in profit or loss, and are included in non-operating income and expenses. Under a regular way, purchase or sale of financial assets shall be recognized and derecognized as applicable using trade-date accounting.

2) Available-for sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the other categories of financial assets. Available-for-sale financial assets are recognized initially at fair value, plus, any directly attributable transaction cost. Subsequent to initial recognition, they are measured at fair value, and changes therein, other than impairment losses, interest income calculated using the effective interest method, dividend income, and foreign currency differences on available-for-sale debt instruments, are recognized in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognized, the gain or loss accumulated in equity is reclassified to profit or loss, and is included in non-operating income and expenses. A regular way purchase or sale of financial assets shall be recognized and derecognized as applicable using trade-date accounting.

Investments in equity instruments that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured, are measured at cost less impairment losses, and are included in financial assets measured at cost.

Dividend income is recognized in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is normally on the date the shareholders' meeting approved the earning distribution. Such dividend income is included in non-operating income and expenses.

3) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables comprise trade receivables, other receivables, and investment in debt security with no active market. Such assets are recognized initially at fair value, plus, any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less, any impairment losses other than insignificant interest on short-term receivables. Under a regular way, purchase or sale of financial assets shall be recognized and derecognized as applicable using trade-date accounting.

Interest income is recognized in profit or loss, and it is included in non-operating income and expenses.

4) Impairment of financial assets

A financial asset is impaired if, and only if, there is an objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be estimated reliably.

The objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is accounted for as objective evidence of impairment.

All individually significant receivables are assessed for specific impairment. Receivables that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics. In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries, and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or lesser than those suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

An impairment loss in respect of a financial asset measured at cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversible in subsequent periods.

An impairment loss in respect of a financial asset is deducted from the carrying amount, except for trade receivables, for which an impairment loss is reflected in an allowance account against the receivables. When it is determined a receivable is uncollectible, it is written off from the allowance account. Any subsequent recovery of receivable written off is recorded in the allowance account. Changes in the amount of the allowance account are recognized in profit or loss.

Impairment losses on available-for-sale financial assets are recognized by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss.

If, in a subsequent period, the amount of the impairment loss of a financial asset measured at amortized cost decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the decrease in impairment loss is reversed through profit or loss to the extent that the carrying value of the asset does not exceed its amortized cost before impairment was recognized at the reversal date.

Impairment losses recognized on an available-for-sale equity security are not reversed through profit or loss. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income and accumulated in other equity.

Impairment losses and recoveries are recognized in profit or loss. Recovery and loss on doubtful debts of account receivables is included in operating expense, others are included in non-operating income and expense.

(Continued)

5) Derecognition of financial assets

The Group derecognizes financial assets when the contractual rights of the cash inflow from the asset are terminated, or when the Group transfers substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income and presented in other equity – unrealized gains or losses from available-for-sale financial assets is recognized in profit or loss, and included in non-operating income or expenses.

The Group separates the part that continues to be recognized and the part that is derecognized based on the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part derecognized and the sum of the consideration received for the part derecognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income shall be recognized in profit or loss, and is included in non-operating income or expenses. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is derecognized based on the relative fair values of those parts.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

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

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

2) Financial liabilities at fair value through profit or loss

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

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

3) Other financial liabilities

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

4) Derecognition of financial liabilities

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

5) Offsetting of financial assets and liabilities

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

(iii) Derivative financial instruments, including hedge accounting

The Group holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Derivatives are recognized initially at fair value and attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in profit or loss, and are included in non-operating income and expenses.

When a derivative is designated as a hedging instrument, its timing of recognition in profit or loss is determined based on the nature of the hedging relationship. When the fair value of a derivative instrument is positive, it is classified as a financial asset, and when the fair value is negative, it is classified as a financial liability.

For derivatives that are linked to investments in equity instruments that do not have a quoted market price in an active market and must be settled by delivery of such unquoted equity instruments, such derivatives that are classified as financial assets are measured at amortized cost, and are included in financial assets measured at cost; and such derivatives that are classified as financial liabilities are measured at cost, and are included in financial liabilities measured at cost.

Embedded derivatives are separated from the host contract and accounted for separately when the economic characteristics and risk of the host contract and the embedded derivatives are not closely related, and the host contract is measured as at fair value through profit or loss.

The Group designates its derivatives instruments as cash flow hedge. On initial designation of a derivative as a hedging instrument, the Group formally documents the relationship between the hedging instrument and the hedged item, including the risk management objectives and the strategy in undertaking the hedge transaction and hedged risk, and whether the hedging instrument is expected to be highly effective in offsetting the changes in the fair value or cash flows of the hedged item attributable to the hedged risk.

When a derivative is designated as a cash flow hedge, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income and presented in other equity – effective portion of cash flow hedge gain (loss). Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss, and is included in statement of comprehensive income.

When a hedged item is recognized in profit or loss, the amount accumulated in equity and retained in other comprehensive income is reclassified to profit or loss in the same period or periods during which the hedged item affects profit or loss, and it is presented in the same accounting caption with the hedged item recognized in the consolidated statement of comprehensive income.

(h) Inventories

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

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

(i) Non-current assets held for sale

When non-current assets are expected to be recovered primarily through sale rather than through continuing use are reclassified as held for sale. And it is available for immediate sale in its present condition subject only to terms that are usual and customary for the sale. The sale is highly probable and shall take place within one year. Those classified as non-current assets held for sale are measured at the lower of their carrying value or fair value less costs to sell. An entity shall recognize an impairment loss for write-downs of non-current assets held for sale to fair value less costs to sell in the statements of income. If the fair value less costs to sell increases later on, a gain from such subsequent increase shall be recognized in the statements of income, but not in excess of the cumulative impairment loss that has been recognized. When the assets classified as held for sale, those assets are no longer amortized or depreciated, and any equity-accounted investee is no longer equity accounted.

(j) Investment in associates

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

(Continued)

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

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

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

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

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

(k) Joint venture

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint ventures) have rights to the net assets of the arrangement. A joint venture shall recognize its interest in a joint venture as an investment and shall account for that investment using the equity method in accordance with IAS 28 "Investments in Associates and Joint Ventures", unless, the entity is exempted from applying the equity method as specified in that Standard.

When assessing the classification of a joint arrangement, the Group shall consider the structure and legal form of the arrangement, the terms in the contractual arrangement and other facts and circumstances. The Group had previously reviewed the contractual structure of the joint arrangement, and has now decided to reclassify the investments in "Jointly Controlled Entities" to "Joint Ventures". Although the investments have been reclassified, they are still recorded under the equity method. Thus, there is no effect in the recognized assets, liabilities and other comprehensive income.

(Continued)

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

(l) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Subsequent cost

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

(iii) Depreciation

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

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

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

(Continued)

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

1) Buildings: 8~50 years

2) Building improvement: 0.5~20 years

3) Machinery and equipment: 1~11 years

4) Research equipment: 2~6 years

5) Modeling equipment: 0.5~6 years

6) Other equipment: 0.5~15 years

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

(m) Leases

(i) The Group as lessor

Lease income from operating lease is recognized in income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as the lease income. Incentives granted to the lessee to enter into the operating lease are spread over the lease term on a straight-line basis so that the lease income received is reduced accordingly.

(ii) The Group as lessee

Operating leases are not recognized in the Group's balance sheets.

Payments made under operating lease (excluding insurance and maintenance expenses) are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

(n) Intangible assets

(i) Goodwill

1) Initial recognition

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

2) Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses.

(Continued)

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

(ii) Research & Development

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

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

1) The technical feasibility of completing the intangible asset so that it will be available for use or sale.

2) Its intention to complete the intangible asset and use or sell it.

3) Its ability to use or sell the intangible asset.

4) How the intangible asset will generate probable future economic benefits.

5) The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.

6) Its ability to measure reliably the expenditure attributable to the intangible asset during its development.

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

(iii) Other intangible assets

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

(iv) Subsequent expenditure

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

(v) Amortization

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

(Continued)

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

1) Patents: the shorter of contract period and estimated useful lives

2) Royalty: amortized by contract period

3) Computer software: 1~10 years

4) Copyright: 10 years

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

(o) Impairment – non-derivative financial assets

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

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

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

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

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

(p) Provisions

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

(q) Treasury stock

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

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

(r) Revenue

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

The timing of the transfers of risks and rewards varies depending on the individual terms of the sales agreement.

(Continued)

(s) Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plans

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

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

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognized immediately in profit or loss.

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

The Group recognizes gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment comprises any resulting change in the fair value of plan assets, change in the present value of defined benefit obligation and any related actuarial gains or losses and past service cost that had not previously been recognized.

(iii) Short term employee benefits

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

(Continued)

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

(t) Share-based payment

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

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

(u) Income taxes

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

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

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

(i) Assets and liabilities that are initially recognized but are not related to the business combination and have no effect on net income or taxable gains (losses) during the transaction.

(ii) Temporary differences arising from equity investments in subsidiaries or joint ventures where there is a high probability that such temporary differences will not reverse.

(iii) Initial recognition of goodwill.

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

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

(i) The entity has the legal right to settle tax assets and liabilities on a net basis; and

(ii) the taxing of deferred tax assets and liabilities fulfill one of the below scenarios:

1) levied by the same taxing authority; or

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

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

The 10% surtax on unappropriated earnings is recoded as current tax expense in the following year after the resolution to appropriate retained earnings is approved in a stockholders' meeting.

(v) Business combination

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

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

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

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

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

(w) Earnings per share

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

(x) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may incur revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group’s chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance. Each operating segment consists of standalone financial information.

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

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

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

There are no critical judgments in applying the accounting policies that have significant effect on the amounts recognized in the consolidated financial statements. In addition, information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is as follows:

(Continued)

(a) Impairment of account receivable

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The future cash flows is determined by reference to the customer's past recovery records, analysis of its current financial position and analysis of the aging of account receivable. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding possible future credit losses) discounted at the financial asset’s original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise. Refer to note (6)(g) for further description of the impairment of account receivable.

(b) Recognition and measurement of provisions

Because of the sales returns and allowances, the Group records a provision for estimated returns and other allowances in the same period the related revenue is recorded. The estimate is made based on historical experience and it could be different from actual sales returns and allowances, therefore, the management periodically reviews the adequacy of the estimation used. Refer to note 6(q) for further description of the recognition of provisions.

(c) Valuation of inventories

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

**(6) Explanation of significant accounts:**

(a) Cash and cash equivalents

| | | December 31, 2016 | December 31, 2015 |
|---|---|---|---|
| Cash on hand | $ | 12,678 | 12,264 |
| Checking accounts and demand deposits | | 11,765,328 | 25,953,163 |
| Time deposits | | 57,829,886 | 36,067,610 |
| Bonds purchased under resale agreements | | 3,342,704 | 718,505 |
| | **$** | **72,950,596** | **62,751,542** |

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

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

| | December 31, 2016 | December 31, 2015 |
|---|---|---|
| Financial assets at fair value through profit or loss: | | |
| Financial assets held-for-trading: | | |
| Derivative instruments not used for hedging | $ 86,440 | 25,412 |
| Financial liabilities at fair value through profit or loss: | | |
| Financial liabilities held-for-trading: | | |
| Derivative instruments not used for hedging | $ 137,489 | 29,215 |

The Group uses derivative instruments to hedge foreign currency risk the Group is exposed to arising from its operating activities. The Group held the following derivative instruments not designated as hedging instruments presented as held-for-trading financial assets as of December 31, 2016 and 2015 (foreign currencies were expressed in thousands):

| | December 31, 2016 | | |
|---|---|---|---|
| | Contract amount (in thousand) | Currency | Maturity date |
| **Derivative financial assets:** | | | |
| Foreign exchange contracts: | | | |
| Forward exchange sold | USD 42,000 | EUR to USD | January 10~ April 13, 2017 |
| Forward exchange sold | GBP 3,000 | GBP to USD | January 13~ March 14, 2017 |
| Forward exchange purchased | USD 13,000 | USD to MXN | February 24~ March 14, 2017 |
| Swap contracts: | | | |
| Currency swap | USD 31,600 | USD to TWD | January 20~April 25, 2017 |
| **Derivative financial liabilities:** | | | |
| Forward exchange sold | EUR 9,000 | EUR to USD | March 14~April 7, 2017 |
| Forward exchange purchased | USD 42,000 | USD to BRL | January 12~April 17, 2017 |

| | December 31, 2015 | | | |
|---|---|---|---|---|
| | Contract amount (in thousand) | | Currency | Maturity date |
| **Derivative financial assets:** | | | | |
| Foreign exchange contracts: | | | | |
| Forward exchange sold | EUR | 32,390 | EUR to USD | January 8~May 13, 2016 |
| Forward exchange sold | GBP | 1,000 | GBP to USD | January 28, 2016 |
| Forward exchange purchased | USD | 20,000 | USD to BRL | January 15~March 15, 2016 |
| **Derivative financial liabilities:** | | | | |
| Foreign exchange contracts: | | | | |
| Forward exchange sold | EUR | 26,750 | EUR to USD | January 27~April 28, 2016 |
| Swap contracts: | | | | |
| Currency swap | USD | 44,000 | USD to TWD | January 14~March 14, 2016 |

The credit exposure related to the financial instruments please refer to note (6)(ab).

As of December 31, 2016 and 2015, the Group did not provide any aforementioned financial assets as collaterals for its loans.

(c) Derivative financial instruments used for hedging

(i) The details were as follows:

| | December 31, 2016 | December 31, 2015 |
|---|---|---|
| **Cash flow hedge:** | | |
| Derivative assets used for hedging: | | |
| Forward exchange contracts | $ - | 21,360 |

(ii) Cash flow hedge

The Group's strategy is to enter into forward exchange contracts to hedge its foreign currency exposure risk in relation to the forecast sales. As of December 31, 2016, the Group did not enter into any hedge contract. As of December 31, 2015, the outstanding forward exchange contracts held by the Group are as follows (foreign currencies were expressed in thousands):

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| | December 31, 2015 | | |
|---|---|---|---|
| | **Contract amount (in thousands)** | **Currency** | **Maturity period** |
| Derivative financial assets used for hedging | | | |
| Forward exchange sold | EUR 21,000 | EUR to USD | January 28~June 28, 2016 |

(iii) For the years ended December 31, 2016 and 2015, the profits (losses) of changes in fair value of derivative financial instruments used for hedging reclassified from other equity to profit or loss is recognized as revenue in the statement of comprehensive income. Please refer to note (6)(aa).

(iv) For the year ended December 31, 2016, the ineffective portion of cash flow hedge is recognized as a gain of $1,049, which is under "Gains on Financial Assets (Liabilities) at Fair Value through Profit or Loss". For the year ended December 31, 2015, there was no ineffective portion of cash flow hedge recognized in profit or loss.

(d) Available-for-sale financial assets

| | December 31, 2016 | December 31, 2015 |
|---|---|---|
| Stocks listed in domestic markets (including stocks acquired via private placement) | $ 6,781,745 | 6,217,870 |
| Stocks listed in foreign markets | 582,303 | 738,063 |
| Stocks unlisted in domestic markets | 2,172,000 | 2,049,324 |
| Stocks unlisted in foreign markets | 69,044 | 87,582 |
| | **$ 9,605,092** | **9,092,839** |
| Current | $ 48,631 | 29,738 |
| Non-current | 9,556,461 | 9,063,101 |
| | **$ 9,605,092** | **9,092,839** |

(i) The Group purchased newly issued shares of Chunghwa Picture Tubes, Ltd. ("CPT") via private placement in 2009. The cost was 2.5 New Taiwan dollars per share, totally amounting to $7,000,000. The Group signed an agreement with Tatung Company ("Tatung", the parent company of CPT) on such matter. In accordance with the agreement, the Group has the right to request Tatung to purchase all the CPT shares obtained via the private placement within certain agreed periods, at the price the Group originally paid for the CPT shares plus interest. Accordingly, since the fair value of CPT shares obtained via the private placement were below the original costs, the Group measured the book value of the shares at its original cost.

The Group filed an arbitration based on the agreement on March 29, 2013, requesting Tatung to perform its obligations. The Group received the verdict on May 12, 2014. According to the verdict, Tatung should pay $2,118,607 to the Group for purchasing all the CPT shares held by the Group. Additionally, Tatung should pay the interest which is calculated by the annual rate of 5% in the period from April 3, 2013 to the actual payment date. Therefore, the Group recognized an impairment loss of $4,730,000 in the first quarter of 2014 accordingly. On June 13, 2014, the Group filed a civil complaint with the Taiwan Taipei District Court to revoke the arbitration award. At the end, the Taiwan Supreme Court dismissed the appeal on January 11, 2017. The Group has sold total shares of CPT to Tatung on February 9, 2017 in accordance with the arbitration. The selling prices of the Group was totaling $2,272,104 (including the interest), and the total loss of sale was $4,252. The price has been fully recovered.

(ii) Except for the stocks acquired via private placement mentioned above, which are measured at the arbitration award, if there is an increase (decrease) in the market price of the equity securities by 5% on the reporting date, the increase (decrease) in other comprehensive income (pre-tax) for the years ended December 31, 2016 and 2015, will be $366,755 and $341,142, respectively. These analyses are performed on the same basis for both periods and assume that all other variables remain the same.

(iii) Parts of the value of the Group's available-for-sale financial assets had declined materially and permanently; therefore, the Group recognized the impairment losses of $22,987 and $32,000 for the years ended December 31, 2016 and 2015, respectively.

(iv) For the year ended December 31, 2015, the Group disposed parts of its available-for-sale financial assets for $1,693,653, and the gains on disposal amounting to and $14,456, was recognized as other gains and losses.

(v) As of December 31, 2016 and 2015, the Group did not provide any available-for-sale financial assets as collaterals for its loans.

(e) Financial assets at cost

| | December 31, 2016 | December 31, 2015 |
|---|---|---|
| Unlisted common stock in domestic markets | $ 5,273 | 10,528 |
| Unlisted fund in domestic markets | 48,709 | - |
| Unlisted common stock in foreign markets | - | 12,641 |
| Unlisted preferred stock in foreign markets | 17,838 | 80,698 |
| | **$ 71,820** | **103,867** |

(i) The aforementioned unlisted stock, fund and preferred stocks in domestic or foreign markets held by the Group are measured at cost, less accumulated impairment losses on the reporting date. The fair values of these investments cannot be measured reliably because the range of reasonable fair value estimates is large and the probabilities for each estimate cannot be reasonably determined.

(Continued)

(ii) The value of the financial assets at cost held by the Group has declined materially and permanently, and the impairment loss recognized in 2016 was $81,258, which was recognized as other gains and losses.

(iii) As of December 31, 2016 and 2015, the Group did not provide any financial assets at cost as collaterals for its loans.

(f) Bond investment without active market

| | | December 31, 2016 | December 31, 2015 |
|---|---|---|---|
| Common bonds – Taiwan Star Telecom Corporation Limited (Taiwan Star ) | $ | 1,050,000 | 1,400,000 |
| Current | $ | 350,000 | 350,000 |
| Non-current | | 700,000 | 1,050,000 |
| | $ | 1,050,000 | 1,400,000 |

The Group subscribed the five-year common bonds issued by Taiwan Star via private placement for $1,750,000 in June 2014 with an interest rate of 2%. Taiwan Star will repay the amount of $350,000 per annum from the date of issuance till the maturity of the bond in June 2019.

As of December 31, 2016 and 2015, the Group did not provide the aforementioned financial assets as collaterals for its loans.

(g) Notes and accounts receivable and other receivables

| | | December 31, 2016 | December 31, 2015 |
|---|---|---|---|
| Notes receivable | $ | 69,745 | 267,262 |
| Accounts receivable | | 176,362,482 | 164,214,049 |
| Accounts receivable pledged as collateral | | - | 830,074 |
| Other receivables | | 1,146,127 | 886,232 |
| | | 177,578,354 | 166,197,617 |
| Less: allowance for uncollectible accounts | | (1,095,955) | (453,082) |
| allowance for sales returns and discounts | | (10,507) | (58,387) |
| | $ | 176,471,892 | 165,686,148 |
| Notes and account receivable | $ | 175,318,313 | 164,799,743 |
| Notes and account receivable – related parties | $ | 70,972 | 62,245 |
| Other receivables – current | $ | 1,082,607 | 824,160 |

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The aging analysis of accounts receivable and other receivables which were past due but not impaired was as follows:

| | December 31, 2016 | December 31, 2015 |
|---|---|---|
| Overdue 1 to 180 days | $ 7,572,905 | 2,485,165 |
| Overdue 181 to 365 days | 3,714 | 17,665 |
| Overdue 365 days and over | - | 2 |
| | $ 7,576,619 | 2,502,832 |

The change of allowance for accounts receivable and other receivables for the years ended December 31, 2016 and 2015, were as follows:

| | Individually assessed impairment | Collectively assessed impairment | Total |
|---|---|---|---|
| Balance on January 1, 2016 | 277,378 | 175,704 | 453,082 |
| Impairment loss recognized (reversed) | (40,235) | 683,597 | 643,362 |
| Effect of changes in exchange rates | - | (489) | (489) |
| Balance on December 31, 2016 | $ 237,143 | 858,812 | 1,095,955 |
| Balance on January 1, 2015 | - | 71,417 | 71,417 |
| Acquisition through business combination | 247,994 | 68,935 | 316,929 |
| Impairment loss recognized | 29,384 | 35,118 | 64,502 |
| Effect of changes in exchange rates | - | 234 | 234 |
| Balance on December 31, 2015 | $ 277,378 | 175,704 | 453,082 |

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

The Group entered into accounts receivable factoring agreements with banks. As of December 31, 2016 and 2015, the factoring amount granted by the banks was USD265,000 thousand and EUR9,000 thousand, and USD2,827,000 thousand and EUR9,000 thousand, respectively. Based on the agreements, the Group is not responsible for guaranteeing the ability of the account receivable obligor to make payment when it is affected by credit risk. Thus, this is non-recourse accounts receivable factoring. After the transfer of the accounts receivable, the Group can request partial advanced amount, while the interest calculated at an agreed rate is paid to the bank in the period during the time of receiving advance and the accounts receivable is collected. The remaining amounts with no advance are received when the accounts receivable are settled by the customers. As of December 31, 2016 and 2015, the factored accounts receivable with no advance amounting to $36,488 and $247,495, respectively, are accounted for as other receivables.

(Continued)

The Company, customers, and banks signed the three-way contracts in which the banks purchase accounts receivable from the Company. The total amount of the accounts receivable should not exceed the facility limit provided by the banks to the Company's customers. Based on the contracts, the banks have no right to request the Company to repurchase the accounts receivable. Thus, this is a non-recourse accounts receivable transfer. As of December 31, 2016 and 2015, account receivable factored were recovered and derecognized since the conditions of de recognition were met.

As of December 31, 2016 and 2015, the details of the factored accounts receivable were as follows:

| | December 31, 2016 | | | | |
|---|---|---|---|---|---|
| | **Accounts receivable factored (gross)** | **Advanced amount** | **Collateral** | **Amount derecognized** | **Interest rate** |
| Financial Institution | $ **28,246,777** | **28,210,289** | - | **28,246,777** | 0.8%~1.8% |

| | December 31, 2015 | | | | |
|---|---|---|---|---|---|
| | **Accounts receivable factored (gross)** | **Advanced amount** | **Collateral** | **Amount derecognized** | **Interest rate** |
| Financial Institution | $ **34,805,007** | **34,557,512** | - | **34,557,512** | 0.8%~2.2% |

In addition, the Group signed an accounts receivable debt financing contract with a financial institution in which accounts receivables are pledged as collateral for its short-term loans. Please refer to note (8).

(h) Inventories

| | **December 31, 2016** | **December 31, 2015** |
|---|---|---|
| Finished goods | $ 10,495,438 | 10,684,114 |
| Work in progress | 2,974,340 | 2,594,006 |
| Raw materials | 33,353,608 | 32,969,150 |
| Raw materials in transit | 1,281,739 | 272,751 |
| | $ **48,105,125** | **46,520,021** |

(i) During the years ended December 31, 2016 and 2015, inventory cost recognized as cost of sales amounted to $733,973,065 and $813,927,341, respectively.

(ii) The write-down of inventories to net realizable value amounted to $487,982 and $171,340, respectively, in the years ended December 31, 2016 and 2015.

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(iii) As of December 31, 2016 and 2015, the Group did not provide any inventories as collaterals for its loans.

(i) Investments accounted for using equity method

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

| | | December 31, 2016 | December 31, 2015 |
|---|---|---|---|
| Associates | $ | 11,804,006 | 11,852,547 |
| Joint venture | | 49,076 | 64,403 |
| | | 11,853,082 | 11,916,950 |
| Less: unrealized profits or losses | | (126,712) | (128,908) |
| | $ | **11,726,370** | **11,788,042** |

(i) Associates

1) The fair value of investments in associates of the Group for which there are public price quotations were as follow:

| | | December 31, 2016 | December 31, 2015 |
|---|---|---|---|
| Allied Circuit Co., Ltd. (Allied Circuit) | $ | 487,408 | 300,077 |
| Avalue Technology Inc. (Avalue) | | 909,584 | 924,564 |
| | $ | **1,396,992** | **1,224,641** |

2) For the years ended December 31, 2016 and 2015, the Group's share of the net gain (loss) of associates was as follows:

| | | 2016 | 2015 |
|---|---|---|---|
| The Group's share of the gain (loss) of associates | $ | **1,086,779** | **391,315** |

3) In the year 2016 and 2015, the Group sold part of the equity-accounted investment with the selling price of $345,026 and $24,999, respectively. The gains or losses of the disposal were a gain of $71,882 and a loss of $6,262, respectively, which were recorded under other gains and losses.

4) The Group's financial information for investments accounted for using equity method that are individually insignificant was as follows:

| | | December 31, 2016 | December 31, 2015 |
|---|---|---|---|
| The carrying amount of individually immaterial associates | $ | **11,804,006** | **11,852,547** |

(Continued)

The Group's share of the net income (loss) of associates:

| | | 2016 | 2015 |
|---|---|---|---|
| Profit from continuing operations | $ | 1,086,779 | 391,315 |
| Other comprehensive income | | (703,832) | (147,733) |
| Total comprehensive income | $ | 382,947 | 243,582 |

(ii) Joint venture

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

The Group's equity-accounted investment in all individually immaterial joint ventures and the Group's share of the operating results are summarized below:

| | | December 31, 2016 | December 31, 2015 |
|---|---|---|---|
| The carrying amount of the Group's interests in all individually immaterial joint ventures | $ | 49,076 | 64,403 |

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

| | | 2016 | 2015 |
|---|---|---|---|
| Losses from continuing operations (also the total comprehensive losses) | $ | (14,794) | (24,153) |

(iii) As of December 31, 2016 and 2015, the Group did not provide any investments accounted for using equity method as collaterals for its loans.

(j) Business combination

(i) Mactech

The Group and Mactech signed an agreement of purchasing 51% of Mactech's equity for cash amounted to $177,709 through cash injection. The effective date of the aforementioned cash injection was on January 5, 2015, in which the Group started to have control over Mactech.

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

As of the acquisition date, the identifiable assets acquired and liabilities assumed ware as follows:

| | | |
|---|---|---|
| Cash and cash equivalents | $ | 273,066 |
| Financial assets at cost | | 2,940 |
| Notes and accounts receivable, net | | 178,346 |
| Inventories | | 184,310 |
| Other receivables | | 1,021 |
| Other current assets | | 21,187 |
| Property, plant and equipment | | 164,833 |
| Intangible assets | | 2,567 |
| Deferred tax assets | | 21,478 |
| Other non-current assets | | 17,624 |
| Short-term borrowings | | (119,500) |
| Notes and accounts payable | | (87,190) |
| Long-term borrowings, current portion | | (15,000) |
| Provisions－current | | (8,668) |
| Other payables | | (52,711) |
| Current Tax liability | | (151) |
| Other current liabilities | | (190,630) |
| Long-term borrowings | | (45,000) |
| Other non-current liabilities | | (73) |
| Total net identifiable assets | **$** | **348,449** |

(ii) General Life Biotechnology Co., Ltd. (“GLB”)

The Group purchased newly issued shares of GLB and acquired shares from its original stockholders amounting to $246,860 in total in October 2015, which was accounted for 50% equity ownership of GLB. Starting October 2015, the Group has control over GLB.

(Continued)

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

As of the acquisition date, the identifiable assets acquired and liabilities assumed were as follows:

| | | |
|---|---|---|
| Cash and cash equivalents | $ | 224,067 |
| Notes and accounts receivable, net | | 25,843 |
| Inventories | | 33,656 |
| Other current assets | | 5,430 |
| Property, plant and equipment | | 35,093 |
| Other non-current assets | | 4,745 |
| Notes and accounts payable | | (21,822) |
| Other current liabilities | | (34,068) |
| Total net identifiable assets | **$** | **272,944** |

The difference between the consideration transferred of $246,860 and the fair value of GLB’s 50% equity ownership was $110,388. The goodwill was generated from the diversity of the Group’s business.

(k) Changes in subsidiaries’ equity

(i) Changes in ownership interests while retaining control (increase in ownership interest)

The Group purchased newly issued shares of CBN amounting to $447,702 in the fourth quarter of 2016, and reduced its ownership of CBN by 2.65%, due to the investment not purchased in accordance with the original shareholding percentage. In addition, the Group's subsidiaries purchased shares of other subsidiaries from non-controlling interest amounting to $8,643 in 2016.

The Group purchased newly issued shares of Arcadyan amounting to $315,158 in the first quarter of 2015, and increased its ownership of Arcadyan by 0.03%. The Group purchased shares of the subsidiaries from non-controlling interest amounting to $13,518 in 2015.

Mactech merged with Synchro through issuing new shares in 2015. Mactech was the surviving company and Synchro was the dissolved company. The Group increased its ownership in Mactech by 1.75%.

The following summarizes the effect of changes in equity of the parent due to changes in the ownership interest of the subsidiaries:

| | | **2016** | **2015** |
|---|---|---|---|
| Acquisition of non-controlling interest (carrying amount) | $ | 455,358 | 381,918 |
| Consideration paid for the non-controlling interest | | (456,345) | (368,993) |
| Difference | **$** | **(987)** | **12,925** |

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

| | 2016 | 2015 |
|---|---|---|
| Capital surplus – difference between consideration and carrying amount of subsidiaries acquired or disposed | $ - | 258 |
| Capital surplus – changes in ownership interests in subsidiaries | (329) | 26,603 |
| Retained earnings | (658) | (13,936) |
| | **$ (987)** | **12,925** |

(ii) Changes in subsidiaries' equity did not result in the Company's loss of control

1) Subsidiaries' employee stock options exercised

CBN issued 249 thousand and 308 thousand new shares because of its employees' exercised stock options in 2016 and 2015, respectively, which resulted in the reduce of the Group's ownership of CBN by 0.74% and 0.82%, respectively.

2) Cancellation of subsidiaries' restricted shares

Arcadyan cancelled 25 and 39 thousand restricted shares in the years ended December 31, 2016 and 2015 respectively, which resulted in the increase of 0.0047% and 0.0074% of the Group's ownership interest of Arcadyan.

3) The following summarizes the effect of changes in equity of the parent due to changes in the ownership interest of subsidiaries:

| | 2016 | 2015 |
|---|---|---|
| Capital surplus – changes in ownership interest in subsidiaries | $ 351 | 1,672 |
| Retained earnings | - | (636) |
| | **$ 351** | **1,036** |

(l) Loss control of subsidiaries

The Group disposed 100% of CEE's equity ownership in December 2016 and lost its control over CEE. The disposal price was $225,750, of which $129,000 was not received based on the contract, and recorded as the other receivables. The gains on disposal amounted to $40,566 and were recorded as the other gains and losses.

(Continued)

The book value of CEE's assets and liabilities are as follows:

| | | |
|---|---|---|
| Cash and cash equivalents | $ | 236,151 |
| Notes and accounts receivable, net | | 480,985 |
| Other current financial assets | | 31 |
| Other current assets | | 2,306 |
| Inventories | | 19,943 |
| Property, plant and equipment | | 372,694 |
| Deferred tax assets and others | | 110,167 |
| Notes and accounts payable | | (98,461) |
| Expense payable | | (825,223) |
| Other current liabilities | | (62,001) |
| Other liabilities | | (51,408) |
| Total amount of the net assets of the subsidiary recognized before the disposal | $ | **185,184** |

(m) Material non-controlling interests of subsidiaries

The material non-controlling interests of subsidiaries were as follows:

| | | Percentage of non-controlling interests | |
|---|---|---|---|
| **Subsidiaries** | **Main operation place** | **December 31, 2016** | **December 31, 2015** |
| Arcadyan Technology Corporation | Taiwan | 64 % | 64 % |

The following information of the aforementioned subsidiaries had been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers. Included in these information are the fair value adjustment made during the acquisition and relevant difference in accounting principles between the Group as at the acquisition date. Intra-group transactions were not eliminated in this information.

Arcadyan’s collective financial information

| | | **December 31, 2016** | **December 31, 2015** |
|---|---|---|---|
| Current assets | $ | 12,350,196 | 10,631,016 |
| Non-current assets | | 2,866,941 | 2,587,377 |
| Current liabilities | | (5,987,291) | (5,002,489) |
| Non- current liabilities | | (134,683) | (108,911) |
| Net assets | $ | **9,095,163** | **8,106,993** |
| Non-controlling interests | $ | **5,995,834** | **5,360,367** |

(Continued)

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

| | | 2016 | 2015 |
|---|---|---|---|
| Sales revenue | $ | 23,910,479 | 19,975,001 |
| Net income | $ | 1,373,002 | 579,190 |
| Other comprehensive income | | (78,332) | 46,481 |
| Comprehensive income | $ | 1,294,670 | 625,671 |
| Profit, attributable to non-controlling interests | $ | 883,774 | 372,187 |
| Comprehensive income, attributable to non-controlling interests | $ | 832,872 | 401,504 |
| Net cash flows from operating activities | $ | 2,103,854 | (153,384) |
| Net cash flows from investing activities | | (540,103) | (530,332) |
| Net cash flows from financing activities | | (299,660) | (243,774) |
| Effect of exchange rate changes on cash and cash equivalents | | (45,513) | 29,892 |
| Net increase (decrease) in cash and cash equivalents | $ | 1,218,578 | (897,598) |

(n) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Group for the years ended December 31, 2016 and 2015, were as follows:

| | | Land | Buildings and building improvement | Machinery | Other equipment | Under construction and prepayment for purchase of equipment | Total |
|---|---|---|---|---|---|---|---|
| Cost or deemed cost: | | | | | | | |
| Balance on January 1, 2016 | $ | 1,985,448 | 15,982,036 | 23,694,268 | 10,119,725 | 2,426,146 | 54,207,623 |
| Acquisition through business combination | | - | - | 470 | 355 | - | 825 |
| Additions | | - | 194,311 | 1,709,984 | 1,719,936 | 160,168 | 3,784,399 |
| Disposals and derecognitions | | (197,716) | (1,281,199) | (1,484,329) | (775,419) | (287) | (3,738,950) |
| Reclassifications | | - | 696,906 | 496,941 | 300,308 | (1,494,155) | - |
| Effect of changes in exchange rates | | (10,875) | 24,256 | (416,708) | (907,355) | (32,549) | (1,343,231) |
| Balance on December 31, 2016 | $ | 1,776,857 | 15,616,310 | 24,000,626 | 10,457,550 | 1,059,323 | 52,910,666 |
| Balance on January 1, 2015 | $ | 1,893,559 | 14,806,308 | 20,580,749 | 9,364,654 | 3,287,760 | 49,933,030 |
| Acquisition through business combination | | 82,769 | 77,191 | 85,019 | 92,629 | 6,699 | 344,307 |
| Additions | | 1,512 | 89,573 | 2,137,629 | 1,935,873 | 1,008,103 | 5,172,690 |
| Disposal and derecognitions | | (2,245) | (69,023) | (507,985) | (1,281,509) | - | (1,860,762) |
| Reclassifications | | - | 701,455 | 801,443 | 307,023 | (1,809,921) | - |
| Effect of movements in exchange rates | | 9,853 | 376,532 | 597,413 | (298,945) | (66,495) | 618,358 |
| Balance on December 31, 2015 | $ | 1,985,448 | 15,982,036 | 23,694,268 | 10,119,725 | 2,426,146 | 54,207,623 |

(Continued)

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

| | Land | Buildings and building improvement | Machinery | Other equipment | Under construction and prepayment for purchase of equipment | Total |
|---|---|---|---|---|---|---|
| Depreciation and impairments loss: | | | | | | |
| Balance on January 1, 2016 | $ - | 9,498,441 | 14,761,422 | 5,639,129 | - | 29,898,992 |
| Acquisition through business combination | - | - | 87 | 75 | - | 162 |
| Depreciation for the period | - | 799,618 | 2,249,255 | 2,154,382 | - | 5,203,255 |
| Impairment loss | - | - | 131,200 | - | - | 131,200 |
| Disposals and derecognitions | - | (1,010,880) | (1,287,204) | (562,052) | - | (2,860,136) |
| Effect of movements in exchange rates | - | (170,916) | (72,585) | (171,983) | - | (415,484) |
| Balance on December 31, 2016 | **$ -** | **9,116,263** | **15,782,175** | **7,059,551** | **-** | **31,957,989** |
| Balance on January 1, 2015 | $ - | 8,252,751 | 12,002,279 | 5,205,268 | - | 25,460,298 |
| Acquisition through business combination | - | 29,103 | 50,667 | 64,611 | - | 144,381 |
| Depreciation for the period | - | 850,560 | 2,392,301 | 2,110,339 | - | 5,353,200 |
| Impairment loss | - | - | 89,574 | - | - | 89,574 |
| Disposals and derecognitions | - | (57,573) | (455,365) | (1,222,995) | - | (1,735,933) |
| Effect of changes in exchange rates | - | 423,600 | 681,966 | (518,094) | - | 587,472 |
| Balance on December 31, 2015 | **$ -** | **9,498,441** | **14,761,422** | **5,639,129** | **-** | **29,898,992** |
| Carrying amounts: | | | | | | |
| Balance on December 31, 2016 | **$ 1,776,857** | **6,500,047** | **8,218,451** | **3,397,999** | **1,059,323** | **20,952,677** |
| Balance on January 1, 2015 | **$ 1,893,559** | **6,553,557** | **8,578,470** | **4,159,386** | **3,287,760** | **24,472,732** |
| Balance on December 31, 2015 | **$ 1,985,448** | **6,483,595** | **8,932,846** | **4,480,596** | **2,426,146** | **24,308,631** |

In order to build a research and development center and operational headquarters, Arcadyan entered into an agreement with non-related parties to construct an office building during March 2012 to September 2014 for $941,900. As of December 31, 2016 and 2015, the payments amounted to $941,900 and $893,835, respectively, and the total capitalized borrowing costs amounted to $15,591.

As of December 31, 2016 and 2015, part of the Group' s property, plant and equipment were provided as collateral for long-term borrowings. Please refer to note (8).

(o) Short-term borrowings

The details of short-term borrowings were as following:

| | December 31, 2016 | December 31, 2015 |
|---|---|---|
| Credit loans | $ 43,480,777 | 28,651,102 |
| Secured bank loans | - | 830,074 |
| | **$ 43,480,777** | **29,481,176** |
| Unused credit line for short-term borrowings | **$ 98,320,000** | **130,930,000** |
| Annual range of interest rates | **0.01%~13.90%** | **0.56%~17.56%** |

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

The Group pledges accounts receivable as collaterals for partial short-term borrowings. Please refer to note (8).

(p) Long-term borrowings

The details of long-term borrowings were as follows:

| | December 31, 2016 | | | |
|---|---|---|---|---|
| | **Currencies** | **Annual interest rate** | **Expiration year** | **Amount** |
| Unsecured bank loans | TWD | 1.08%~1.35% | 2017~2020 | $ 31,335,000 |
| Secured bank loans | TWD | 1.67%~1.92% | 2017~2022 | 586,563 |
| | | | | **$ 31,921,563** |
| Current | | | | $ 7,966,875 |
| Non-current | | | | 23,954,688 |
| Total | | | | **$ 31,921,563** |
| Unused credit line for long-term borrowings | | | | **$ 5,069,800** |

| | December 31, 2015 | | | |
|---|---|---|---|---|
| | **Currencies** | **Annual interest rate** | **Expiration year** | **Amount** |
| Unsecured bank loans | TWD | 1.23%~1.5% | 2016~2018 | $ 27,590,000 |
| Unsecured bank loans | USD | 2.02%~2.06% | 2016 | 142,242 |
| Secured bank loans | TWD | 1.88%~2.19% | 2017~2022 | 840,938 |
| | | | | **$ 28,573,180** |
| Current | | | | $ 14,216,617 |
| Non-current | | | | 14,356,563 |
| Total | | | | **$ 28,573,180** |
| Unused credit line for long-term borrowings | | | | **$ 1,407,600** |

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

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

(q) Provisions

| | | Warranties | Sales returns and allowances | Total |
|---|---|---|---|---|
| Balance on January 1, 2016 | $ | 354,033 | 2,034,677 | 2,388,710 |
| Provisions made during the period | | 376,306 | 1,551,439 | 1,927,745 |
| Provisions used during the period | | (374,798) | (205,730) | (580,528) |
| Provisions reversed during the period | | (45,697) | (1,848,136) | (1,893,833) |
| Balance on December 31, 2016 | **$** | **309,844** | **1,532,250** | **1,842,094** |
| Balance on January 1, 2015 | $ | 368,934 | 1,697,647 | 2,066,581 |
| Provisions made during the period | | 212,984 | 1,004,716 | 1,217,700 |
| Acquisition through business combination | | 8,668 | - | 8,668 |
| Provisions used during the period | | (190,310) | (385,855) | (576,165) |
| Provisions reversed during the period | | (46,243) | (281,827) | (328,070) |
| Effect of changes in exchange rates | | - | (4) | (4) |
| Balance on December 31, 2015 | **$** | **354,033** | **2,034,677** | **2,388,710** |

Provisions relate to sales of products are assessed based on historical experience, management's judgment and other known reasons. Such allowances are recognized as a deduction of sales revenue in the same period in which sales are made. The aforementioned provisions are expected to settle over the next year.

(r) Operating lease

(i) The Group as lessee

1) The rental payables of the non-cancellable operating lease are as follows:

| | | December 31, 2016 | December 31, 2015 |
|---|---|---|---|
| Less than one year | $ | 504,189 | 464,568 |
| Between one and five years | | 726,725 | 679,965 |
| More than five years | | 146,386 | 165,073 |
| | **$** | **1,377,300** | **1,309,606** |

The Group leased several office areas and plants under operating leases with the leasing terms from 1 to 19 years and had an option to renew the leases when the leases expired.

For the years ended December 31, 2016 and 2015, expenses recognized in profit or loss under operating leases amounted to $622,103 and $615,563, respectively.

The lease contract includes those of the land and building, with their residual values being assumed by the landlord. The rental is regularly adjusted based on the current market price. Based on the risks and rewards of leased assets not transferred to the Group, the Group recognized the lease as operating lease.

2) Long-term prepaid rent – land leasehold rights

Just's and CIH's subsidiaries in Mainland China have contracted with the government authority of Kunshan City, Jiangsu Province, People's Republic of China, to acquire land leasehold rights for buildings and dormitories. The contracts period extends from 1996 to 2061. According to the contracts, total expenditures for obtaining land leasehold rights amounted to CNY 149,202 thousand and CNY 182,285 thousand for the years ended in December 31, 2016 and 2015, respectively.

CDM has contracted with the People's Committee of Vinh Phuc Province of Vietnam to acquire land leasehold rights for buildings. The contract period extends from 2008 to 2057.

CCI Nanjing and CWCN have contracted with the government authority of Nanjing City, Jiangsu Province, People's Republic of China, to acquire lands leasehold rights for buildings. The contracts period extends from 2003 to 2056. According to the contracts, total expenditures for obtaining land leasehold rights amounted to CNY 2,090 thousand.

For the years ended December 31, 2016 and 2015, expenses recognized in profit or loss under operating lease amounted to $14,171 and $15,790, respectively.

(ii) The Group as lessor

The Group leased out a few offices buildings, plants and equipments to third parties under operating lease with lease terms of 3 to 5 years. For the years ended December 31, 2016 and 2015, rentals recognized in profit or loss amounted to $13,670 and $13,443, respectively. The future minimum lease receivables under non-cancellable leases are as follows:

| | December 31, 2016 | December 31, 2015 |
|---|---|---|
| Less than one year | $ 10,218 | 9,749 |
| Between one and five years | 2,357 | 11,688 |
| | **$ 12,575** | **21,437** |

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

(s) Employee benefits

(i) Defined benefit plans

The present value of the defined benefit obligations and fair value of plan assets of the Group were as follows:

| | December 31, 2016 | December 31, 2015 |
|---|---|---|
| Present value of defined benefit obligations | $ (1,362,362) | (1,346,706) |
| Fair value of plan assets | 734,412 | 804,145 |
| Net defined benefit obligations | **$ (627,950)** | **(542,561)** |

| | December 31, 2016 | December 31, 2015 |
|---|---|---|
| Net defined benefit assets－non-current | $ 3,871 | 2,899 |
| Net defined benefit obligations－non-current | (631,821) | (545,460) |
| | **$ (627,950)** | **(542,561)** |

The Group makes defined benefit plan contributions to the pension fund account at the Bank of Taiwan that provides pensions for employees upon retirement. The plans entitle a retired employee to receive an annual payment based on years of service and average salary for the six months prior to retirement.

1) Composition of plan assets

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

The balance of the Group's labor pension reserve account in the Bank of Taiwan amounted to $727,769 as of December 31, 2016. For information on the utilization of the labor pension fund assets including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

(Continued)

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

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

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

| | | 2016 | 2015 |
|---|---|---|---|
| Balance on January 1 | $ | (1,346,706) | (1,247,642) |
| Benefit paid by the plan | | 104,060 | 35,781 |
| Current service costs and interest | | (29,551) | (35,434) |
| Remeasurements of net benefit liabilities | | (90,165) | (99,411) |
| Balance on December 31 | **$** | **(1,362,362)** | **(1,346,706)** |

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

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

| | | 2016 | 2015 |
|---|---|---|---|
| Fair value of plan assets on January 1 | $ | 804,145 | 788,334 |
| Expected return on plan assets | | 12,903 | 15,559 |
| Remeasurements of net benefit plan assets | | (7,574) | 5,815 |
| Contributions made | | 28,998 | 30,218 |
| Benefits paid by the plan assets | | (104,060) | (35,781) |
| Fair value of plan assets on December 31 | **$** | **734,412** | **804,145** |

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the years ended December 31, 2016 and 2015, were as follows:

| | | 2016 | 2015 |
|---|---|---|---|
| Current service cost | $ | 9,683 | 10,824 |
| Net interest on the net defined benefit liability (asset) | | 8,558 | 9,759 |
| | **$** | **18,241** | **20,583** |
| Cost of sales | $ | 1,319 | 1,289 |
| Selling expenses | | 1,178 | 1,354 |
| Administrative expenses | | 4,396 | 5,109 |
| Research and development expenses | | 11,348 | 12,831 |
| | **$** | **18,241** | **20,583** |

(Continued)

5) The remeasurements of the net defined benefit liability (asset) recognized in other comprehensive income

The Group's remeasurements of the net defined benefit liability (assets) recognized in other comprehensive income for the years ended December 31, 2016 and 2015, were as follows:

| | 2016 | 2015 |
|---|---|---|
| Cumulative amount on January 1 | $ 305,194 | 211,598 |
| Recognized during the period | 97,739 | 93,596 |
| Cumulative amount on December 31 | **$ 402,933** | **305,194** |

6) Actuarial assumptions

The following are the Group's principal actuarial assumptions at the reporting date:

| | December 31, 2016 | December 31, 2015 |
|---|---|---|
| Discount rate on December 31 | 1.60%~1.88% | 1.60%~2.25% |
| Future salary increases | 2.50%~3.00% | 2.50%~3.00% |

The expected allocation payment made by the Group to the defined benefit plans for the one year period after the reporting date was $29,667.

The weighted-average duration of the defined benefit obligation is 11.0~16.73 years.

7) Sensitivity analysis

On December 31, 2016 and 2015, if the main actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

| | Effects to the defined benefit obligation | |
|---|---|---|
| | Increased 0.25% | Decreased 0.25% |
| December 31, 2016 | | |
| Discount rate | (35,985) | 37,442 |
| Future salary increasing rate | 36,887 | (35,633) |
| December 31, 2015 | | |
| Discount rate | (37,469) | 39,032 |
| Future salary increasing rate | 38,491 | (37,148) |

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

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

(ii) Defined contribution plans

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

The Company and all subsidiaries in domestic recognized the pension costs under the defined contribution method amounting to \$343,497 and \$327,936 for the years ended December 31, 2016 and 2015, respectively. Payment was made to the Bureau of Labor Insurance.

Other subsidiaries recognized the pension expenses, basic endowment insurance expenses, and social welfare expenses amounting to \$1,121,486 and \$1,051,142 for the years ended December 31, 2016 and 2015, respectively.

(t) Income taxes

(i) Income tax expenses

1) The amount of income tax for the years ended December 31, 2016 and 2015, was as follows:

| | | 2016 | 2015 |
|---|---|---|---|
| Current tax expense | | | |
| Recognized during the period | $ | 2,420,142 | 2,884,591 |
| 10% surtax on unappropriated earnings | | 350,834 | 688,681 |
| Tax credit of investment | | (233,210) | (410,510) |
| | | 2,537,766 | 3,162,762 |
| Deferred tax expense | | | |
| Recognition and reversal of temporary differences | | 307,573 | (377,816) |
| Income tax expense | **$** | **2,845,339** | **2,784,946** |

(Continued)

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

2) The amount of income tax recognized in other comprehensive income for the years ended December 31, 2016 and 2015, was as follows:

| | 2016 | 2015 |
|---|---|---|
| Items that will not be reclassified subsequently to profit or loss: | | |
| Remeasurement of the defined benefit liability | $ **(16,616)** | **(15,911)** |
| Items that will be reclassified subsequently to profit or loss: | | |
| Foreign currency translation differences of foreign operations | (8,812) | 7,933 |
| Unrealized gain (loss) of available-for-sale financial assets | (12,368) | 26,382 |
| | $ **(21,180)** | **34,315** |

3) The income tax expense that was reconciled between the actual income tax expense and profit before tax for the years ended December 31, 2016 and 2015, was as follows:

| | 2016 | 2015 |
|---|---|---|
| Profit before tax | $ **11,813,345** | **11,792,093** |
| Income tax calculated based on tax rate | $ 3,204,183 | 2,447,591 |
| Estimated tax effect of tax exemption on investment income, net | (80,296) | 80,660 |
| Realized investment loss | (202,085) | (2,491) |
| Investment tax credit | (233,210) | (410,510) |
| Changes in temporary differences | (595,993) | (337,292) |
| Adjustment of estimated difference and other | 401,906 | 318,307 |
| 10% surtax on unappropriated earnings | 350,834 | 688,681 |
| | $ **2,845,339** | **2,784,946** |

**COMPAL ELECTRONICS, INC. AND ITS SUBSIDIARIES**
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(ii) Deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2016 and 2015 were as follows:

| | Provision-sales return and allowance | Unearned revenue | Unrealized exchange losses, net | Others | Total |
|---|---|---|---|---|---|
| Deferred tax assets: | | | | | |
| Balance on January 1, 2016 | $ 552,895 | 220,399 | 64,893 | 539,278 | 1,377,465 |
| Amount decreased due to disposal of subsidiary | - | - | - | (110,167) | (110,167) |
| Recognized in profit or loss | (256,834) | (5,612) | 212,415 | 42,263 | (7,768) |
| Recognized in other comprehensive income | - | - | - | 3,456 | 3,456 |
| Balance on December 31, 2016 | **296,061** | **214,787** | **277,308** | **474,830** | **1,262,986** |
| Balance on January 1, 2015 | 370,686 | 321,063 | 451,981 | 509,411 | 1,653,141 |
| Amount increased through business combination | - | 737 | 2 | 20,741 | 21,480 |
| Recognized in profit or loss | 182,209 | (101,401) | (387,090) | (8,097) | (314,379) |
| Recognized in other comprehensive income | - | - | - | 17,223 | 17,223 |
| Balance on December 31, 2015 | **552,895** | **220,399** | **64,893** | **539,278** | **1,377,465** |

| | Unrealized exchange gains, net | Others | Total |
|---|---|---|---|
| Deferred tax liabilities: | | | |
| Balance on January 1, 2016 | $ (64,405) | (417,092) | (481,497) |
| Recognized in profit or loss | (275,938) | (23,867) | (299,805) |
| Recognized in other comprehensive income | - | 34,340 | 34,340 |
| Balance on December 31, 2016 | **$ (340,343)** | **(406,619)** | **(746,962)** |
| Balance on January 1, 2015 | (752,149) | (384,262) | (1,136,411) |
| Amount increased through business combination | (1,654) | - | (1,654) |
| Recognized in profit or loss | 689,398 | 2,797 | 692,195 |
| Recognized in other comprehensive income | - | (35,627) | (35,627) |
| Balance on December 31, 2015 | **$ (64,405)** | **(417,092)** | **(481,497)** |

(Continued)

(iii) Unrecognized deferred tax assets

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

| | December 31, 2016 | December 31, 2015 |
|---|---|---|
| Tax effect of deductible temporary differences | $ 614,215 | 674,927 |
| Tax effect of loss carryforward | $ 975,815 | 814,694 |

The Group assesses the future taxable income and considers that some of the income tax reduction items may be unrealized, hence they are not recognized as deferred tax assets. In addition, according to Income Tax Act, the loss carryforward are the losses incurred in past 10 years assessed by ROC tax authority which can be deducted from the net profit of current year before levied. The items are not recognized as deferred income tax assets due to the fact that the Group may not have sufficient taxable income in the future for the losses.

As of December 31, 2016, the tax effects on loss carryforward that have not been recognized as deferred tax assets were as follows:

| Year of loss | Expiry year | Deductible amount |
|---|---|---|
| 2007 (Assessed) | 2017 | $ 147,729 |
| 2008 (Assessed) | 2018 | 542,656 |
| 2009 (Assessed) | 2019 | 860,410 |
| 2010 (Assessed) | 2020 | 563,310 |
| 2011 (Assessed) | 2021 | 403,612 |
| 2012 (Assessed) | 2022 | 760,117 |
| 2013 (Assessed) | 2023 | 241,051 |
| 2014 (Assessed) | 2024 | 44,128 |
| 2015 (Assessed/Filed) | 2025 | 710,395 |
| 2016 (Estimated) | 2026 | 1,466,679 |
| | | $ 5,740,087 |

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

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

As of December 31, 2016 and 2015, the aggregate deductible temporary differences relating to investments in subsidiaries not recognized as deferred tax assets amounted to $2,244,905 and $2,838,492, respectively.

As of December 31, 2016 and 2015, the aggregate taxable temporary differences relating to investments in subsidiaries not recognized as deferred tax liabilities amounted to $48,850,484 and $46,572,327, respectively.

(v) Examination and approval

Except 2012, the ROC tax authorities have assessed the Company's income tax returns through 2014.

The ROC tax authorities have assessed the income tax returns of Zhaopal, Yongpal, Kaipal and Ripal through 2015, of UCGI, Palcom, Acbel Telecom, Zhipal, Panpal, Gempal, Hong Ji, Hong Jin, TTI, HengHao, Arcadyan, Rayonnant Technology, CBN, Mactech, GLB and Rapha through 2014, of ATK through June 2009, of CCI through 2012 except for 2010.

(vi) The Company's information related to the integrated income tax system is summarized below:

| | December 31, 2016 | December 31, 2015 |
|---|---|---|
| Unappropriated earnings retained after January 1, 1998 | $ 34,649,963 | 32,167,179 |
| Balance of the imputation credit account | $ 4,694,945 | 3,105,405 |

| | 2016 | 2015 |
|---|---|---|
| Creditable ratio for earnings distribution to R.O.C residents | 12.15 % (expected) | 12.60 % (actual) |

The above stated information was prepared in accordance with the information letter No. 10204562810 announced by the Ministry of Finance of R.O.C. on October 17, 2013.

(u) Capital and other equities

As of December 31, 2016 and 2015, the Company's authorized common stock consisting of 6,000,000 thousand shares with a par value of 10 New Taiwan dollar per share amounted to $60,000,000 of which 4,424,161 thousand shares and 4,471,127 thousand shares, respectively, were issued. All issued shares were paid up upon issuance.

(i) Ordinary shares

In 2015, the Company issued its employee restricted shares amounting to $493,600. In 2016 and 2015, the Company issued its employee restricted shares amounting to wherein the amount of $31,500 and $14,700 had been cancelled due to failure in meeting the vested requirements. As of December 31, 2016, except $3,500, the registration procedure had been completed.

**COMPAL ELECTRONICS, INC. AND ITS SUBSIDIARIES**
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(ii) Capital surplus

The balances of capital surplus were as follows:

| | | December 31, 2016 | December 31, 2015 |
|---|---|---|---|
| Additional paid-in capital | $ | 8,561,027 | 9,529,585 |
| Treasury share transactions | | 2,301,816 | 2,351,157 |
| Difference between consideration and carrying amount arising from acquisition or disposal of subsidiaries | | 3,750 | 3,750 |
| Recognition of changes in ownership interests in subsidiaries | | 48,206 | 48,184 |
| Employee restricted shares | | 603,990 | 647,200 |
| Changes in equity of associates and joint ventures accounted for using equity method | | 260,485 | 258,762 |
| | $ | 11,779,274 | 12,838,638 |

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

The Company's shareholders' meeting held on June 24, 2016 and June 26, 2015, approved to distribute the cash dividend of $885,334 and $2,214,390, respectively, representing 0.2 and 0.5 New Taiwan dollars per share by using the additional paid-in capital, respectively.

(iii) Retained earnings

Based on the Company's articles of incorporation amended on June 24, 2016, if there is any profit after closing of books in a given year, the Company shall first defray tax due, cover accumulated losses and set aside ten percent of it as legal reserve and then set aside or reverse a special reserve in accordance with laws and regulations. The balance of earnings available for distribution is composed of the remainder of the said profit and the unappropriated retained earnings of previous years. The earnings appropriation proposal to distribute dividend and bonus shall be proposed by the Board of Directors and approved by the General Shareholders Meeting. The rest of the unappropriated retained earnings shall be reserved.

The lifecycle of the industry of the Company is in the growing stage. To meet the need of the Company for the future capital and the need of shareholders for cash flow, if there is any profit after close of books, the cash dividend allocated by the Company each year shall not be lower than ten percent of the total dividend (including cash and share dividend) for such year.

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

1) Legal reverse

In accordance with the Company Act, 10% of net income should be set aside as legal reserve until it is equal to the paid-in capital. When a company incurs no loss, it may, in pursuant to a resolution to be adopted by the shareholders' meeting as required, distribute its legal reserve by issuing new shares and distributing stock dividends or distributing cash to shareholders. Only the portion of the legal reserve which exceeds 25% of the paid-in capital may be distributed.

2) Special reverse

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

3) Earnings distribution

Earnings distribution for 2015 and 2014 was approved by the shareholders during their annual meeting held on June 24, 2016 and June 26, 2015, respectively. The relevant information was as follows:

| | 2015 | | 2014 | |
|---|---|---|---|---|
| | **Amount per share** | **Total amount** | **Amount per share** | **Total amount** |
| Cash dividends distributed to common shareholders | $ 1.0 | **4,426,671** | 1.0 | **4,428,781** |

The earnings distribution for the year ended December 31, 2016 had not yet been approved by the Board of Directors nor decided by the shareholders. The related information can be accessed through the Market observation Post System website after the shareholders' meeting.

4) Treasury stock

The subsidiaries of the Company did not sell the ordinary shares of the Company in the years ended December 31, 2016 and 2015. As of December 31, 2016, Panpal and Gempal, subsidiaries of the Company, held 50,017 thousand shares of ordinary shares of the Company, recorded as the Company's treasury stock, with a book value of 17.6 New Taiwan dollars per share. The total cost was $881,247 as of December 31, 2016. The fair value of the ordinary shares of the Company was 18.45 and 18.50 New Taiwan dollars per share as of December 31, 2016 and 2015, respectively.

Pursuant to Article 28-2 of the Securities and Exchange Act, in order to transfer its own shares to employees, the Company purchased 58,516 thousand shares of treasury stock amounting to $1,126,478 in the year ended December 31, 2013. At a meeting held on August 13, 2014, the Company's Board of Directors decided to transfer 14,700 thousand shares of treasury stock, which were purchased in 2013, to employees. The Company cancelled the rest of the 43,816 thousand shares of treasury stock purchased in 2013 at the directors' meeting held on June 29, 2016 because the legal transfer period had matured. The registration procedure had been completed.

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

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

| | Exchange differences on transaction of foreign operation financial statements | Unrealized gain (loss) on available-for-sale financial assets | Unearned compensation for restricted employee shares and others | Total |
|---|---|---|---|---|
| Balance on January 1, 2016 | $ 2,803,061 | (6,010,432) | (719,510) | (3,926,881) |
| The Company | (1,004,076) | 386,047 | 442,104 | (175,925) |
| Subsidiaries | 103,675 | 84,336 | (7,699) | 180,312 |
| Associates | (578,378) | (123,781) | - | (702,159) |
| Balance on December 31, 2016 | **$ 1,324,282** | **(5,663,830)** | **(285,105)** | **(4,624,653)** |

(Continued)

| | Exchange differences on transaction of foreign operation financial statements | Unrealized gain (loss) on available-for-sale financial assets | Unearned compensation for restricted employee shares and others | Total |
|---|---|---|---|---|
| Balance on January 1, 2015 | $ 1,178,307 | (4,317,328) | - | (3,139,021) |
| The Company | 2,011,139 | (1,714,209) | (727,208) | (430,278) |
| Subsidiaries | (276,241) | 57,900 | 7,698 | (210,643) |
| Associates | (110,144) | (36,795) | - | (146,939) |
| Balance on December 31, 2015 | **$ 2,803,061** | **(6,010,432)** | **(719,510)** | **(3,926,881)** |

(v) Share-based payment

(i) The Company – employee restricted shares

At the meeting held on June 20, 2014, the Company's Shareholders' Meeting adopted a resolution to issue 100,000 thousand new shares of employee restricted shares with no consideration to those full time employees who meet certain requirements. The first issuance of 50,000 thousand shares had been approved by the FSC on October 30, 2014. Moreover, the Company's Board of Directors resolved to issue 49,980 thousand shares on January 22, 2015, and 49,360 thousand shares had actually been issued, in which the effective date of the share issuance was on February 25, 2015.

40%, 30% and 30% of the aforementioned restricted shares are vested, respectively, when the employees continue to provide service for at least 2 year, 3 years and 4 years from the registration and effective date and in the meantime, meet the performance requirement. After the issuance, the restricted shares are kept by a trust, which is appointed by the Company, before they are vested. These restricted shares shall not be sold, pledged, transferred, gifted or by any other means of disposal to third parties during the custody period. The voting rights of these shares are executed by the custodian, and the custodian shall act based on law and regulations. If the shares remain unvested after the vesting period, the Company will purchase all the unvested shares without consideration and cancel the shares thereafter. Restricted shares could receive cash and stock dividends. The aforementioned new shares are not considered as restricted shares.

The information of the Company's restricted shares (in thousands) is as follows:

| | 2016 | 2015 |
|---|---|---|
| Outstanding shares on January 1 | 47,890 | - |
| Granted during the period | - | 49,360 |
| Canceled during the period | (3,150) | (1,470) |
| Outstanding shares on December 31 | **44,740** | **47,890** |

The fair value of the restricted employee shares are evaluated by using the market price of $23.50 on the grant date. As of December 31, 2016 and 2015, the unearned employee benefit were $285,104 and $727,208, respectively. The compensation cost related to the restricted shares amounted to $373,429 and $400,262, respectively, for the years ended December 31, 2016 and 2015.

(ii) Arcadyan – employee restricted shares

At the meeting held on June 25, 2013, Arcadyan's shareholders' Meeting adopted a resolution to issue 2,800,000 new shares of employee restricted shares to those Arcadyan's full-time employees who meet certain requirements. The issuance of restricted shares had been approved by the FSC. The Board of Directors resolved to issue all the restricted shares on August 8, 2013, which was also the effective date of the share issuance.

2,100,000 shares of the aforementioned restricted shares are issued without consideration. 40%, 30% and 30% of the aforementioned restricted shares will be vested, respectively, when the employees continue to provide service for at least 1 year, 2 years and 3 years from the registration and the effective date, and at the same time, meet the performance requirement. In addition, when earnings per share in two continuous and complete fiscal years from the registration and effective date are no less than 4 New Taiwan dollars and in the meantime, the employees granted the restricted shares meet the performance requirement, the other 700,000 shares of the restricted stock are 100% vested at the date that the shareholders' meeting approved the financial statements for the second fiscal year. The earnings per share mentioned above is calculated based on the profit approved by the shareholders, and the weighted average number of ordinary shares outstanding at the date of the restricted shares being approved by the authority.

After the issuance, the restricted shares are kept by trustee, which is designated by Arcadyan, before they are vested. These restricted shares shall not be sold, pledged, transferred, gifted or created other rights or encumbrances, or otherwise disposed in any other means during the custody period. Before the vesting conditions are fully satisfied, the shareholder rights of these shares are executed by the custodian, and the custodian shall act based on law and regulations. If the shares remain unvested after the vesting period, Arcadyan will redeem the shares without consideration and cancel the shares thereafter. Restricted shares could participate in cash and stock dividends, and could join cash injection. The aforementioned new shares arising from dividends are not considered as restricted shares.

The information of Arcadyan's restricted shares (in thousands) is as follows:

| | 2016 | 2015 |
|---|---|---|
| Outstanding shares on January 1 | 619 | 1,958 |
| Vested during the period | (594) | (1,300) |
| Canceled during the period | (25) | (39) |
| Outstanding shares on December 31 | **-** | **619** |

(Continued)

As of December 31, 2016 and 2015, the unearned employee benefit was $0 and $4,578, respectively.

The compensation cost related to the restricted shares amounted to $3,629 and $23,806 for the years ended December 31, 2016 and 2015, respectively.

(iii) Arcadyan－cash injection reserved for employees

Arcadyan implemented cash injection in January 2015, and the information about share-based payment caused from shares reserved for employees was as follows:

| | **Equity Settlement－ Cash injection reserved for employees** |
|---|---|
| Grant date | 2015.1.21 |
| Number of shares granted | 2,500 thousands |
| Recipients | Employees of Arcadyan |
| Vested condition | Vest immediately |

The compensation cost related to the share-based payment derived from shares reserved for employees amounted to $20,500 for the year ended December 31, 2015.

(iv) TTI – employee stock options

The information about share-based payment of TTI in 2016 and 2015 was as follows:

| | **Employee stock options** |
|---|---|
| Grant date | 2015.10.29 |
| Granted amount | 1,000,000 |
| Contract period | 7 years |
| Recipients | Employees of TTI |
| Vested condition | Please refer to the issuance terms of the stock options as follows |

The issuance terms of the stock options are as follows:

1) Exercise price: NT$13.5 per share.

2) Exercisable duration: The employees who received stock options that exceed two years and meet the performance requirements can exercise a specific percentage in each period as below. The exercisable duration of the options is seven years. No transfer is allowed except for inheritance.

| Exercisable | Period and performance requirements to exercise options |
|---|---|
| 40 ％ | The share purchase right is effectively vested after the satisfaction of 2 conditions: (1) Years of service must exceed 2 years after the issuance of the right. (2) Upon vesting, the average earnings per share of TTI for the past 2 years must exceed NT$3. If the criteria for the said earnings per share are not fulfilled, then the measurement period will be extended to 3 years; under this extension, the average of the earnings per share of any 2 years within the 3 year period must exceed NT$3. |
| 30 ％ | The share purchase right is effectively vested after the satisfaction of 2 conditions: (1) Years of service must exceed 3 years after the issuance of the right. (2) Upon vesting, the performance requirements need to be met, otherwise, the earnings per share of TTI for the following year must exceed NT$3. If the criteria for the said earnings per share are not fulfilled, then the measurement period will be extended to another 1 year; the earnings per share must exceed NT$3 during the extension period. |
| 30 ％ | The share purchase right is effectively vested after the satisfaction of 2 conditions: (1) Years of service must exceed 4 years after the issuance of the right. (2) Upon vesting, the performance requirements need to be met, otherwise, the earnings per share of TTI for the following year must exceed NT$3. If the criteria for the said earnings per share are not fulfilled, then the measurement period will be extended to another 1 year; the earnings per share must exceed NT$3 during the extension period. |
| | The total measurement periods mentioned above may not exceed 6 years. |

The earnings per share mentioned above are based on the financial statements that had been audited and certified by a certified public accountant.

3) Exercise method: TTI would issue new shares as the options are exercised.

4) Exercise procedure: In accordance with TTI’ s issuance and exercise rules. After receiving the payment for share options, the entitlement certification of share options exercised is registered as ordinary shares.

The information on total options issued was as follows:

| | 2016 | | 2015 | |
|---|---|---|---|---|
| | **Weighted-average exercise price (NT dollars)** | **Shares** | **Weighted-average exercise price (NT dollars)** | **Shares** |
| Outstanding shares on January 1 | 13.5 | 1,000,000 | 13.5 | - |
| Issued during the period | 13.5 | - | 13.5 | 1,000,000 |
| Outstanding shares on December 31 | 13.5 | **1,000,000** | 13.5 | **1,000,000** |
| Exercisable shares on December 31 | 13.5 | **-** | - | **-** |

The exercise price range of TTI's outstanding employee stock options and weighted-average remaining contractual life of the outstanding options are as follows:

| | **December 31, 2016** | **December 31, 2015** |
|---|---|---|
| Exercise price range | 13.5 | 13.5 |
| Weighted average remaining contract period | 5.83 | 6.83 |

The expenses related to the share-based payment amounted to $1,289 and $215 for the years ended December 31, 2016 and 2015, respectively.

(v) CBN－employee stock options

At the meeting held on May 30, 2012, May 26, 2014 and May 17, 2016, CBN's Board of Directors resolved to issue 1,000,000, 800,000 and 1,500,000 units of employee stock options, respectively, with an exercisable right of one share of CBN's ordinary shares per unit. The information on total options issued was as follows:

1) The first employee stock option plan

| | 2016 | | 2015 | |
|---|---|---|---|---|
| | **Shares** | **Weighted-average exercise price (NT dollars)** | **Shares** | **Weighted-average exercise price (NT dollars)** |
| Outstanding shares on January 1 | 520,400 | $ 10 | 887,600 | $ 10 |
| Aborted during the period | (13,200) | 10 | (8,400) | 10 |
| Expired during the period | (10,700) | 10 | (51,200) | 10 |
| Exercised during the period | (394,700) | 10 | (307,600) | 10 |
| Outstanding shares on December 31 | **101,800** | 10 | **520,400** | 10 |
| Exercisable shares on December 31 | **101,800** | **10** | **273,200** | 10 |

(Continued)

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As of December 31, 2016 and 2015, the weighted-average remaining contractual life of the outstanding options was 2.83 and 3.83 years, respectively.

2) The second employee stock option plan

| | 2016 | | 2015 | |
|---|---|---|---|---|
| | **Shares** | **Weighted-average exercise price (NT dollars)** | **Shares** | **Weighted-average exercise price (NT dollars)** |
| Outstanding shares on January 1 | 580,000 | $ 10 | 709,000 | $ 10 |
| Aborted during the period | (42,482) | 10 | (129,000) | 10 |
| Expired during the period | (60,488) | 10 | - | - |
| Exercised during the period | (100,218) | 10 | - | - |
| Outstanding shares on December 31 | **376,812** | 10 | **580,000** | 10 |
| Exercisable shares on December 31 | **55,812** | **10** | **-** | - |

As of December 31, 2016 and 2015, the weighted-average remaining contractual life of the outstanding options was 4.67 and 5.67 years, respectively.

3) The third employee stock option plan

| | 2016 | |
|---|---|---|
| | **Shares** | **Weighted-average exercise price (NT dollars)** |
| Outstanding shares on January 1 | - | $ - |
| Issued during the period | 1,500,000 | 10 |
| Aborted during the period | (10,000) | 10 |
| Outstanding shares on December 31 | **1,490,000** | 10 |
| Exercisable shares on December 31 | **-** | |

As of December 31, 2016, the weighted-average remaining contractual life of the outstanding options was 4.67 years.

The issuance terms of the share options are as follows.

1) Exercise price: 10 NT dollars per share.

2) Exercisable duration:

a) The first employee stock options plan:

The employees who received share options being granted over two years can exercise a specific percentage in each period as below. The exercisable duration of the options is seven years. No transfer is allowed except for inheritance. After the expiration of the exercisable duration, the unexercised options will be canceled by CBN and not be re-issued anymore.

| Period to exercise options | Exercisable percentage (cumulative) |
|---|---|
| 2 years after options received | 40 % |
| 3 years after options received | 70 % |
| 4 years after options received | 100 % |

b) The second employee stock option plan:

The employees who received share options being granted over two years and are still employed by CBN and meet requirements can exercise a specific percentage in each period as stated below. The exercisable duration of the options is seven years. No transfer is allowed except for inheritance. After the expiration of the exercisable duration, the unexercised options will be canceled by CBN and not re-issued anymore.

| Period to exercise options | Exercisable percentage (cumulative) |
|---|---|
| 2 years after options received | 40 % |
| 3 years after options received | 70 % |
| 4 years after options received | 100 % |

c) The third employee stock option plan:

The employees who received share options being granted over five months and are still employed by CBN and meet requirements can exercise a specific percentage in each period as stated below. The exercisable duration of the options is five years. No transfer is allowed except for inheritance. After the expiration of the exercisable duration, the unexercised options will be canceled by CBN and not re-issued anymore.

| Period to exercise options | Exercisable percentage (cumulative) |
|---|---|
| 5 months after options received | 100 % |

d) Exercise method: CBN would issue new shares as the options are exercised.

e) Exercise procedure: In accordance with CBN's issuance and exercise rules, after receiving the consideration of share options, the entitlement certification of share options exercised is registered as ordinary shares once a quarter.

The compensation cost for the years ended December 31, 2016 and 2015 were $19,925 and $7,344, respectively.

CBN adopted the Black-Scholes model to estimate the fair value on the grant date, and the assumptions are summarized as follows:

A. The first employee stock option plan:

| | |
|---|---|
| Original exercise price (NT dollars) | 10 |
| Current price (NT dollars) | 25 |
| Expected dividend yield rate | 0 % |
| Expected volatility | 38.25~38.64% |
| Risk-free interest rate | 0.91~1.02% |
| Expected life of the option | 4.5~5.5 years |
| Weighted average fair value (NT dollars per share) | 16.10~16.49 |

B. The second employee stock option plan:

| | |
|---|---|
| Original exercise price (NT dollars) | 10 |
| Current price (NT dollars) | 37.02 |
| Expected dividend yield rate | 0% |
| Expected volatility | 31.07~32.77% |
| Risk-free interest rate | 1.17~1.33% |
| Expected life of the option | 4.5~5.5 years |
| Weighted average fair value (NT dollars per share) | 27.62~27.92 |

C.The third employee stock option plan:

| | |
|---|---|
| Original exercise price (NT dollars) | 10 |
| Current price (NT dollars) | 24.62 |
| Expected dividend yield rate | 0% |
| Expected volatility | 35.87% |
| Risk-free interest rate | 0.56% |
| Expected life of the option | 2.55 years |
| Weighted average fair value (NT dollars per share) | 14.96 |

(Continued)

(vi) CBN－Cash injection reserved for employees

CBN's Board of Directors resolved to implement cash injection on August 28, 2016, of which 1,500,000 shares were reserved for employees. As of December 31, 2016, the relevant information was as follows:

| | Cash injection reserved for employees |
|---|---|
| Grant date | 2016.11.2 |
| Number of shares granted | 1,500 thousands |
| Recipients | (Note 1) |
| Vested condition | Vest immediately |

(Note 1) Those CBN' s full-time employees who meet certain requirements.

The compensation cost recorded as operating expense related to the cash injection reserved for employees amounted to $30 in 2016.

(w) Earnings per share

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

| | | 2016 | 2015 |
|---|---|---|---|
| **Basic earnings per share:** | | | |
| Profit attributable to ordinary shareholders of the Company | $ | **8,130,890** | **8,684,610** |
| Weighted-average number of outstanding ordinary shares (in thousands) | | **4,329,404** | **4,329,404** |
| **Diluted earnings per share:** | | | |
| Profit attributable to ordinary shareholders of the Company (after adjustment of potential diluted ordinary shares) | $ | **8,130,890** | **8,684,610** |
| Weighted-average number of outstanding ordinary shares of potential diluted ordinary shares | | | |
| Weighted-average number of outstanding ordinary shares (in thousands) | | 4,329,404 | 4,329,404 |
| Employee bonuses (in thousands) | | - | 19,335 |
| Employee compensation (in thousands) | | 59,347 | 51,350 |
| Employee restricted shares (thousand shares) | | 29,826 | 14,504 |
| Weighted-average number of ordinary shares (in thousands) (after adjustment of potential diluted ordinary shares) | | **4,418,577** | **4,414,593** |

(Continued)

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

(x) Revenue

The revenue for the years ended December 31, 2016 and 2015, were as follows:

| | 2016 | 2015 |
|---|---|---|
| Sale of goods | $ 763,469,191 | 844,323,056 |
| Rendering of services and others | 3,340,844 | 2,982,642 |
| | **$ 766,810,035** | **847,305,698** |

(y) Employees' and directors' compensations

Based on the Company' s articles of incorporation, if there is any profit in a fiscal year, the Company's pre-tax profits in such fiscal year, prior to deduction of compensations to employees and directors, shall be distributed to employees as compensations in an amount of not less than two percent (2%) thereof and to directors as compensations in an amount of not more than two percent (2%) of such profits. In the event that the Company has accumulated losses, the Company shall reserve an amount to offset accumulated losses. The compensations to employees as mentioned above may be distributed in the form of stock or cash. Employees entitled to receive the said stock or cash may include the employees of the Company's subordinate companies pursuant to the Company Act.

The Company accrued and recognized its employee compensation of $876,028 and $949,980, and directors' compensation of $46,323 and $50,234 for the years ended December 31, 2016 and 2015. The estimated amounts mentioned above are based on the net profit before tax without the compensations to employees and directors of each respective ending period, multiplied by the percentage of the compensation to employees and directors, which was approved by the management. The estimations are recorded under operating expenses and cost. The differences between the amounts estimated and recognized in the financial statements, if any, are accounted for as changes in accounting estimates and recognized as profit or loss in the distribution year. If the Board of Directors approves to distribute employee compensation in the form of stock, the number of the shares of the employee compensation is based on the closing price of the day before the Board of Directors' meeting, the related information can be accessed through the Market Observation Post System website. There are no differences between the amount approved in the meeting of the Board of Directors and those recognized in the financial statements in 2016 and 2015.

There is no differences between the amount approved in the shareholders' meeting and those recognized in the financial statements in 2015, the related information can be accessed through the Market observation Post System website.

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

(z) Non-operating income and expenses

(i) Other income

The other income for the years ended December 31, 2016 and 2015, were as follows:

| | | 2016 | 2015 |
|---|---|---|---|
| Interest income | | | |
| Bond investment without an active market | $ | 23,992 | 30,992 |
| Bank deposits | | 524,236 | 554,912 |
| Others | | 13,669 | 13,860 |
| Dividend revenue | | 191,333 | 237,232 |
| Overdue payable reversed as other income | | 582,430 | 207,076 |
| Other revenue | | 625,894 | 451,084 |
| | **$** | **1,961,554** | **1,495,156** |

(ii) Other gains and losses

The other gains and losses for the years ended December 31, 2016 and 2015, were as follows:

| | | 2016 | 2015 |
|---|---|---|---|
| Gains (losses) on disposal of investments | $ | 112,448 | (20,718) |
| Gains (losses) on financial assets and liabilities at fair value through profit or loss, net | | 157,896 | 383,753 |
| Foreign currency exchange losses, net | | (1,400,624) | (690,434) |
| Gain on disposal of fixed assets | | 87,995 | 3,560 |
| | **$** | **(1,042,285)** | **(323,839)** |

(aa) Reclassification of the components of other comprehensive income

The details of reclassification of the components of other comprehensive income for the years ended December 31, 2016 and 2015, were as follows:

| | | 2016 | 2015 |
|---|---|---|---|
| Cash flow hedge: | | | |
| Profit recognized (net of tax) | $ | 107,945 | 8,154 |
| Less: reclassified to profit or loss | | 129,305 | (13,206) |
| Profit (loss) recognized in other comprehensive income (net of tax) | **$** | **(21,360)** | **21,360** |

(Continued)

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

| | | 2016 | 2015 |
|---|---|---|---|
| Available-for-sale financial assets: | | | |
| Net change in fair value (net of tax) | $ | 447,396 | (1,688,214) |
| Net change in fair value reclassified to profit or loss (net of tax) | | 22,987 | 31,905 |
| Net change in fair value recognized in other comprehensive income (net of tax) | $ | **470,383** | **(1,656,309)** |

(ab) Financial instruments

(i) Credit risk

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

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

(ii) Liquidity risk

The following are the contractual maturities of financial liabilities, excluding estimated interest payments.

| | | Carrying Amount | Contractual cash flows | Within 1 year | 1 ~ 2 years | Over 2 years |
|---|---|---|---|---|---|---|
| **December 31, 2016** | | | | | | |
| Non-derivative financial liabilities | | | | | | |
| Secured loans | $ | 586,563 | (586,563) | (266,875) | (181,875) | (137,813) |
| Unsecured borrowings | | 74,815,777 | (74,815,777) | (51,180,777) | (4,688,750) | (18,946,250) |
| Accounts payable | | 129,481,943 | (129,481,943) | (129,481,943) | - | - |
| Other payables | | 12,730,178 | (12,730,178) | (12,730,178) | - | - |
| Derivative financial liabilities | | | | | | |
| Forward exchange contracts: | | 137,489 | | | | |
| Outflow | | | (1,813,182) | (1,813,182) | - | - |
| Inflow | | | 1,659,679 | 1,659,679 | - | - |
| | $ | **217,751,950** | **(217,767,964)** | **(193,813,276)** | **(4,870,625)** | **(19,084,063)** |

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

| | Carrying Amount | Contractual cash flows | Within 1 year | 1 ~ 2 years | Over 2 years |
|---|---|---|---|---|---|
| **December 31, 2015** | | | | | |
| Non-derivative financial liabilities | | | | | |
| Secured loans | $ 1,671,012 | (1,671,012) | (1,054,449) | (266,875) | (349,688) |
| Unsecured borrowings | 56,383,344 | (56,383,344) | (42,643,344) | (9,950,000) | (3,790,000) |
| Accounts payable | 128,626,544 | (128,626,544) | (128,626,544) | - | - |
| Other payables | 12,844,394 | (12,844,394) | (12,844,394) | - | - |
| Derivative financial liabilities | | | | | |
| Forward exchange contracts: | 7,842 | | | | |
| Outflow | | (959,790) | (959,790) | - | - |
| Inflow | | 952,207 | 952,207 | - | - |
| Currency swap contracts: | 21,373 | | | | |
| Outflow | | (1,445,840) | (1,445,840) | - | - |
| Inflow | | 1,432,881 | 1,432,881 | - | - |
| | **$ 199,554,509** | **(199,545,836)** | **(185,189,273)** | **(10,216,875)** | **(4,139,688)** |

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

(iii) Currency risk

1) Exposure to foreign currency risk

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

| | **December 31, 2016** | | | **December 31, 2015** | | |
|---|---|---|---|---|---|---|
| | **Foreign Currency** | **Exchange rate** | **TWD** | **Foreign Currency** | **Exchange rate** | **TWD** |
| Financial assets | | | | | | |
| Monetary items | | | | | | |
| USD to TWD | $ 6,593,457 | 32.25 | 212,638,988 | 5,790,839 | 32.825 | 190,084,290 |
| USD to CNY | 17,842 | 6.9563 | 573,036 | 8,691 | 6.492 | 281,828 |
| EUR to TWD | 65,103 | 33.9 | 2,206,992 | 61,499 | 35.88 | 2,206,584 |
| CNY to USD | 2,081,236 | 0.1438 | 9,651,836 | 2,278,787 | 0.154 | 11,519,382 |
| Non-monetary items | | | | | | |
| THB to TWD | 647,743 | 0.8990 | 582,303 | 806,098 | 0.9156 | 738,063 |
| Financial liabilities | | | | | | |
| Monetary items | | | | | | |
| USD to TWD | 5,595,654 | 32.25 | 180,459,842 | 4,290,565 | 32.825 | 140,837,796 |
| USD to CNY | 15,092 | 6.9563 | 484,713 | 5,716 | 6.492 | 185,356 |
| CNY to USD | 2,166,955 | 0.1438 | 10,049,362 | 2,571,473 | 0.154 | 12,998,925 |

(Continued)

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable, other receivables, loans and borrowings, accounts payable, and other payables that are denominated in foreign currency. Assuming all other variable factors remain constant, a strengthening (weakening) 5% of appreciation (depreciation) of the each major foreign currency against Group entities' functional currency as of December 31, 2016 and 2015, would have increased (decreased) the net profit before tax as follows. The analysis is performed on the same basis for both periods.

| | | December 31, 2016 | December 31, 2015 |
|---|---|---|---|
| USD (against the TWD) | | | |
| Strengthening 5% | $ | 1,608,957 | 2,462,325 |
| Weakening 5% | | (1,608,957) | (2,462,325) |
| USD (against the CNY) | | | |
| Strengthening 5% | | 4,416 | 4,824 |
| Weakening 5% | | (4,416) | (4,824) |
| EUR (against the TWD) | | | |
| Strengthening 5% | | 110,350 | 110,329 |
| Weakening 5% | | (110,350) | (110,329) |
| CNY (against the USD) | | | |
| Strengthening 5% | | (19,876) | (73,977) |
| Weakening 5% | | 19,876 | 73,977 |

3) Exchange gains and losses of monetary items

As the Group deals with diverse foreign currencies, gains or losses on foreign exchange were summarized as a single amount. In 2016 and 2015, the foreign exchange losses, including both realized and unrealized, amounted to $1,400,624 and $690,434, respectively.

(iv) Interest rate analysis

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

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

Assuming all other variable factors remaining constant, if the interest rate had increased or decreased by 0.25%, the impact to the net profit before tax would be as follows for the years ended December 31, 2016 and 2015, which would be mainly resulted from the bank savings and borrowings with variable interest rates.

| | 2016 | 2015 |
|---|---|---|
| Interest increased by 0.25% | $ (32,416) | 7,629 |
| Interest decreased by 0.25% | 32,416 | (7,629) |

(v) Fair value information

1) Valuation procedures

The Group's accounting policies and disclosure include fair value method on financial assets, financial liabilities, non-financial assets and non-financial liabilities. The Group's management is responsible in performing independent test on fair value by using independent source of information to obtain the fair value which is close to the market status. The management also confirms the independence, reliability and matching of the information source, and regularly test the valuation model, update the input and other information, and make necessary adjustment to ensure the output of valuation is reasonable.

2) Fair value hierarchy

The Group uses observable market data to evaluate assets and liabilities when it is possible. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the assets or liability that are not based on observable market data (unobservable inputs).

**COMPAL ELECTRONICS, INC. AND ITS SUBSIDIARIES**
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3) The categories and fair value of financial instruments

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

| | December 31, 2016 | | | | |
|---|---|---|---|---|---|
| | | Fair Value | | | |
| | Book value | Level 1 | Level 2 | Level 3 | Total |
| **Financial assets at fair value through profit or loss** | | | | | |
| Derivative financial asset for non-hedging | $ 86,440 | - | 86,440 | - | 86,440 |
| **Available-for-sale financial assets** | | | | | |
| Stocks listed on domestic markets (including stocks acquired via private placement) | 6,781,745 | 4,511,745 | - | 2,270,000 | 6,781,745 |
| Stocks listed on foreign markets | 582,303 | 582,303 | - | - | 582,303 |
| Stocks unlisted on domestic markets | 2,172,000 | - | - | 2,172,000 | 2,172,000 |
| Stocks unlisted on foreign markets | 69,044 | - | - | 69,044 | 69,044 |
| | 9,605,092 | | | | |
| **Financial assets at cost (non-current)** | 71,820 | - | - | - | - |
| **Loans and receivables** | | | | | |
| Cash and cash equivalents | 72,950,596 | - | - | - | - |
| Bond investment without active market- including current and non-current | 1,050,000 | - | - | - | - |
| Notes and accounts receivable, net | 175,318,313 | - | - | - | - |
| Notes and accounts receivable due from related parties, net | 70,972 | - | - | - | - |
| Other receivables | 1,082,607 | - | - | - | - |
| Guarantee deposits | 280,404 | - | - | - | - |
| | 250,752,892 | | | | |
| Total | **$ 260,516,244** | | | | |
| **Financial liabilities at fair value through profit or loss** | | | | | |
| Financial liabilities held for trading | $ 137,489 | - | 137,489 | - | 137,489 |
| **Financial liabilities at amortized cost through profit or loss** | | | | | |
| Short-term borrowings | 43,480,777 | - | - | - | - |
| Notes and accounts payable | 127,523,732 | - | - | - | - |
| Notes and accounts payable to related parties | 1,958,211 | - | - | - | - |
| Other payable | 12,730,178 | - | - | - | - |
| Long-term borrowings current portion | 7,966,875 | - | - | - | - |
| Long-term borrowings | 23,954,688 | - | - | - | - |
| | 217,614,461 | | | | |
| Total | **$ 217,751,950** | | | | |

(Continued)

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

| | December 31, 2015 | | | | |
|---|---|---|---|---|---|
| | | Fair Value | | | |
| | Book value | Level 1 | Level 2 | Level 3 | Total |
| **Financial assets at fair value through profit or loss** | | | | | |
| Derivative instruments not used for hedging | $ 25,412 | - | 25,412 | - | 25,412 |
| **Derivative financial assets for hedging** | 21,360 | - | 21,360 | - | 21,360 |
| **Available-for-sale financial assets** | | | | | |
| Stocks listed on domestic markets (including stocks acquired via private placement) | 6,217,870 | 3,947,870 | - | 2,270,000 | 6,217,870 |
| Stocks listed on foreign markets | 738,063 | 738,063 | - | - | 738,063 |
| Stocks unlisted on domestic markets | 2,049,324 | - | - | 2,049,324 | 2,049,324 |
| Stocks unlisted on foreign markets | 87,582 | - | - | 87,582 | 87,582 |
| | 9,092,839 | | | | |
| **Financial assets at cost (non-current)** | 103,867 | - | - | - | - |
| **Loans and receivables** | | | | | |
| Cash and cash equivalents | 62,751,542 | - | - | - | - |
| Bond investment without active market-including current and non-current | 1,400,000 | - | - | - | - |
| Notes and accounts receivable, net | 164,799,743 | - | - | - | - |
| Notes and accounts receivable due from related parties, net | 62,245 | - | - | - | - |
| Other receivables | 824,160 | - | - | - | - |
| Guarantee deposits | 261,921 | - | - | - | - |
| | 230,099,611 | | | | |
| Total | **$ 239,343,089** | | | | |
| **Financial liabilities at fair value through profit or loss** | | | | | |
| Financial liabilities held for trading | $ 29,215 | - | 29,215 | - | 29,215 |
| **Financial liabilities at amortized cost through profit or loss** | | | | | |
| Short-term borrowings | 29,481,176 | - | - | - | - |
| Notes and accounts payable | 127,152,784 | - | - | - | - |
| Notes and accounts payable to related parties | 1,473,760 | - | - | - | - |
| Other payable | 12,844,394 | - | - | - | - |
| Long-term borrowings current portion | 14,216,617 | - | - | - | - |
| Long-term borrowings | 14,356,563 | - | - | - | - |
| | 199,525,294 | | | | |
| Total | **$ 199,554,509** | | | | |

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

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

a) Bond investment without active market and financial liabilities at amortized cost

Fair value measurement is based on the latest quoted price and agreed-upon price if these prices are available in an active market. When market value is unavailable, fair value of financial assets and liabilities are evaluated based on the discounted cash flow of the financial assets and liabilities.

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

a) Non-derivative financial instruments

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

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

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

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

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

b) Derivative financial instruments

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

6) Transfer from one level to another

There was no transfer from one level to another in 2016.

The stocks of Uniflex Technology Inc. ("Uniflex") were recorded as available-for-sale financial assets. As of December 31, 2016 and 2015, the fair values were $9,306 and $19,465, respectively. Uniflex started to be a listed company in December 2015, therefore, the Group transferred the equity investment of Uniflex from level 3 to level 1 because the quoted prices in an active market is available.

7) Changes in level 3

| | Available-for-sale financial assets |
|---|---|
| Balance on January 1, 2016 | $ 4,406,906 |
| Total gains and losses recognized: | |
| In profit or loss | (22,987) |
| In other comprehensive income | 49,573 |
| Purchased | 125,247 |
| Proceeds of capital reduction of investments | (47,695) |
| Balance on December 31, 2016 | **$ 4,511,044** |
| Balance on January 1, 2015 | $ 4,544,262 |
| Total gains and losses recognized: | |
| In profit or loss | (17,449) |
| In other comprehensive income | (99,617) |
| Purchased | 69,234 |
| Proceeds of capital reduction of investments | (68,125) |
| Transfer from level 3 to level 1 | (21,399) |
| Balance on December 31, 2015 | **$ 4,406,906** |

The aforementioned total gains and losses related to the assets held during the years ended December 31, 2016 and 2015, were as follows:

| | 2016 | 2015 |
|---|---|---|
| Total gains and losses recognized: | | |
| In profit or loss before tax (as "impairment loss" and "other income") | **$ (22,987)** | **(17,449)** |
| In other comprehensive income, before tax (as "unrealized gains and losses on available-for-sale financial assets ") | **$ 49,573** | **(99,617)** |

(Continued)

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

The Group's financial instruments that use level 3 input to measure fair values include available-for-sale financial assets – equity investments and available-for-sale financial assets－privately equity fund.

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

The quantified information for significant unobservable inputs was as follows:

| **Item** | **Valuation technique** | **Significant unobservable inputs** | **Inter-relationships between significant unobservable inputs and fair value** |
|---|---|---|---|
| Available-for-sale financial assets－equity investment without quoted price | Price-Book ratio method | Price-Book ratio multiples. (1.7671~2.16 and 1.21~1.59 on December 31, 2016 and 2015, respectively) | The higher the multiple is, the higher the fair value will be. |
| | | Lack-of-Marketability discount rate (45%~65% and 45%~50% on December 31, 2016 and 2015, respectively) | The higher the Lack-of-Marketability discount rate is, the lower the fair value will be. |
| | Earnings multiplier method | Multiples of earnings (12.9 and 12.1 on December 31, 2016 and 2015, respectively) | The higher the multiples are, the higher the fair value will be. |
| | | Lack-of-Marketability discount rate (20% and 10% on December 31, 2016 and 2015, respectively) | The higher the Lack-of-Marketability discount rate is, the lower the fair value will be. |

(Continued)

| Item | Valuation technique | Significant unobservable inputs | Inter-relationships between significant unobservable inputs and fair value |
|---|---|---|---|
| Available-for-sale financial assets－investment in privately equity fund | Net asset value method | Net asset value | Inapplicable |

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

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

| | Input | Move up or down | Other comprehensive income Favorable change | Unfavorable change |
|---|---|---|---|---|
| **December 31, 2016** | | | | |
| Available-for-sale financial assets | Price-Book ratio multiples. | 5% | $ 2,402 | 2,466 |
| | Multiples of earnings | 5% | $ 4,388 | 4,431 |
| | Lack-of-Marketability discount rate | 5% | $ 5,246 | 5,353 |
| **December 31, 2015** | | | | |
| Available-for-sale financial assets | Price-Book ratio multiples. | 5% | $ 4,017 | 3,866 |
| | Multiples of earnings | 5% | $ 3,629 | 3,643 |
| | Lack-of-Marketability discount rate | 5% | $ 3,885 | 3,748 |

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

(ac) Financial risk management

(i) Briefings

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

1) Credit risk

2) Liquidity risk

3) Market risk

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

(ii) Structure of risk management

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

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

(iii) Credit risk

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

1) Accounts receivable and other receivables

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

2) Investments

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

3) Guarantees

Pursuant to the Group's policies, it is only permissible to provide financial guarantees to subsidiaries and companies that the Group has business with. As of December 31, 2016 and 2015, the Group did not provide any guarantees to other companies besides its subsidiaries.

(iv) Liquidity risk

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

The Group manages and maintains sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. The Group's management supervises the banking facilities and ensures in compliance with the terms of the loan agreements. Please refer to notes (6)(o) and (6)(p) for unused credit lines of short-term and long-term borrowings as of December 31, 2016 and 2015.

(v) Market risk

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

1) Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the functional currencies of the Group. The currencies used in these transactions are primarily denominated in TWD, CNY, USD and EUR.

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

(Continued)

2) Interest rate risk

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

3) Other price risk

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

(ad) Capital management

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

The Group monitors the capital structure by way of periodical review the debt ratio. As of December 31, 2016 and 2015, the debt ratio was as follows:

| | December 31, 2016 | December 31, 2015 |
|---|---|---|
| Total liabilities | **$ 234,732,296** | **218,327,459** |
| Total assets | **$ 347,016,111** | **327,925,575** |
| Debt ratio | **68%** | **67%** |

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

As of December 31, 2016, there were no changes in the Group's approach of capital management.

**(7) Related-party transactions:**

(a) Parent company and ultimate controlling party

The Company is the ultimate controlling party of the Group.

(b) Transactions with key management personnel

Key management personnel remunerations comprised:

| | 2016 | 2015 |
|---|---|---|
| Short-term employee benefits | $ 618,371 | 578,185 |
| Post-employment benefits | 9,587 | 9,198 |
| Share-based payments | 201,501 | 241,104 |
| | **$ 829,459** | **828,487** |

(Continued)

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

(c) Significant related-party transactions

(i) Sale of goods to related parties

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

| | 2016 | 2015 |
|---|---|---|
| Associates | $ 397,360 | 521,674 |

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

(ii) Purchase of goods from related parties

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

| | 2016 | 2015 |
|---|---|---|
| Associates | $ 5,071,698 | 4,038,294 |
| Other related parties | 701,826 | 471,732 |
| Joint venture | 34,392 | 23,814 |
| | $ 5,807,916 | 4,533,840 |

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

(iii) Receivables due from relate parties

The receivables arising from the transactions mentioned above and others on behalf of related parties as of December 31, 2016 and 2015, were as follows:

| Account | Related party categories | December 31, 2016 | December 31, 2015 |
|---|---|---|---|
| Notes and accounts receivable | Associates | $ 70,972 | 62,245 |
| Other receivables | Joint venture | 223 | 339 |
| | | $ 71,195 | 62,584 |

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**Notes to Consolidated Financial Statements**

(iv) Payables to related parties

The payables to related parties as of December 31, 2016 and 2015, were as follows:

| Account | Related party categories | | December 31, 2016 | December 31, 2015 |
|---|---|---|---|---|
| Notes and accounts payable | Associates | $ | 1,586,829 | 1,214,640 |
| Notes and accounts payable | Other related parties | | 350,199 | 247,766 |
| Notes and accounts payable | Joint venture | | 21,183 | 11,354 |
| | | $ | **1,958,211** | **1,473,760** |

**(8) Pledged assets:**

The carrying values of pledged assets were as follows:

| Pledged Assets | Subject | | December 31, 2016 | December 31, 2015 |
|---|---|---|---|---|
| Accounts receivable | Guarantee for short-term borrowings | $ | - | 830,074 |
| Other current assets – time deposits | Guarantee of administrative litigation | | 220,097 | 186,971 |
| Other current assets | Bail for court mandatory execution | | 26,510 | 26,510 |
| Property, plant and equipment | Long-term borrowings (including current portion, note) | | 1,410,724 | 1,112,573 |
| Other non-current assets | Guarantee of post-release duty payment to the customs | | 15,086 | 518 |
| | | $ | **1,672,417** | **2,156,646** |

Note: Part of long-term borrowings had been settled in 2015, but the assets of property-land still were pledged as collaterals.

**(9) Commitments and contingencies:**

The details of commitments and contingencies were as follows:

(a) The Group entered into various patent license agreements with third parties, and was required to make royalty payments of a predetermined amount periodically.

(b) As of December 31, 2016 and 2015, the unused balance of the Group's letters of credit was $0 and $126,549, respectively.

(c) As of December 31, 2016 and 2015, the Group's signed commitments to purchase property, plant and equipment amounted to $880,942 and $1,210,478, respectively.

**COMPAL ELECTRONICS, INC. AND ITS SUBSIDIARIES**
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(d) Please refer to note (6)(r) for the rental payables in the future years, which are calculated based on the agreements signed by the Group for the office areas and plants under operating leases.

### (10) Losses Due to Major Disasters:None

### (11) Subsequent Events:

(a) The appeal between of the Group and Tatung in respect of the CPT shares obtained via the private placement was final dismissed on January 11, 2017. The Group had sold the entire shares of CPT to Tatung on February 9, 2017. Please refer to note (6)(d).

(b) The Group is optimistic about the future growth of IoT, SmartCloud and the smart products market, and to deepen customer relationship, the Board of Directors of CIT, a 100% subsidiary of the Company, decided to purchase the newly issued shares of Leshi Zhixin Electronic Technology(Tianjin) Limited on March 28, 2017. The total amount of the investment is CNY 700,000 thousands, and the expected ownership interest will be 2.1507%. The investment will be completed by June 21, 2017 (or other date with mutual consent).

### (12) Other:

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

| By function | 2016 | | | 2015 | | |
|---|---|---|---|---|---|---|
| By item | Cost of sales | Operating expenses | Total | Cost of sales | Operating expenses | Total |
| Employee benefits | | | | | | |
| Salary | 14,450,121 | 11,007,230 | 25,457,351 | 16,889,186 | 11,162,252 | 28,051,438 |
| Labor and health insurance | 790,687 | 706,079 | 1,496,766 | 729,980 | 693,781 | 1,423,761 |
| Pension | 1,040,401 | 442,823 | 1,483,224 | 967,909 | 431,752 | 1,399,661 |
| Others | 2,202,094 | 561,588 | 2,763,682 | 1,965,565 | 551,249 | 2,516,814 |
| Depreciation | 4,677,171 | 526,084 | 5,203,255 | 4,809,422 | 543,778 | 5,353,200 |
| Amortization | 21,052 | 443,805 | 464,857 | 25,774 | 545,636 | 571,410 |

### (13) Other disclosures:

(a) Information on significant transactions:

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group:

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

(i) Loans to other parties:

(In Thousands of New Taiwan Dollars)

| No | Name of lender | Name of borrower | Account name | Related party | Highest balance of financing to other parties during the period | Ending balance | Actual usage amount during the period | Range of interest rates during the period | Purposes of fund financing for the borrower | Transaction amount for business between two parties | Reasons for short-term financing | Allowance for bad debt | Collateral | | Individual funding loan limits | Maximum limit of fund financing |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | | | Item | Value | | |
| 0 | The Company | HengHao | Other receivables | Y | 426,987 | 209,594 | 209,594 | 1.50% | Short-term financing | - | Operating demand | - | - | - | 1,718,585 | 42,321,755 (Note 1) |
| 1 | CIH | CEP | 〃 | Y | 117,075 | 112,875 | 64,500 | 2.50% | 〃 | - | 〃 | - | - | - | 31,760,261 | 31,760,261 (Note 2) |
| 2 | CPI | CEB | 〃 | Y | 498,600 | 483,750 | 483,750 | 2.50% | 〃 | - | 〃 | - | - | - | 945,164 | 945,164 (Note 3) |
| 3 | Bizcom | CEP | 〃 | Y | 50,175 | - | - | 2.00% | 〃 | - | 〃 | - | - | - | 442,853 | 442,853 (Note 4) |
| 4 | CPC | CDE | 〃 | Y | 915,120 | - | - | 3.00% | 〃 | - | 〃 | - | - | - | 2,713,573 | 2,713,573 (Note 5) |
| 5 | CIC | CWCN | 〃 | Y | 2,491,160 | - | - | 3.00% | 〃 | - | 〃 | - | - | - | 6,576,827 | 6,576,827 (Note 6) |
| 6 | CEC | CCI Nanjing | 〃 | Y | 4,599,000 | 2,257,500 | - | 2.50% | 〃 | - | 〃 | - | - | - | 3,596,144 | 3,596,144 (Note 7) |
| 7 | CIT | CCI Nanjing | 〃 | Y | 2,257,500 | 2,257,500 | 2,257,500 | 2.50% | 〃 | - | 〃 | - | - | - | 18,478,884 | 18,478,884 (Note 8) |
| 8 | Arcadyan Holding | CNC | 〃 | Y | 567,120 | - | - | 1.00% | 〃 | - | Cash flow demand | - | - | - | 873,126 | 873,126 (Note 9) |
| 9 | Arcadyan | Acradyan Brasil | 〃 | Y | 261,000 | 258,000 | 29,025 | 1.00% | Transaction for business between two parties | 322,500 | - | - | - | - | 258,000 | 3,480,511 (Note 10) |
| 10 | Mactech | WINTEK Corporation | 〃 | Y | 60,000 | 60,000 | 60,000 | 2.41% | 〃 | 78,626 | - | 60,000 | - | - | 62,900 | 227,828 (Note 11) |

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

Note 2. According to CIH's Procedures for Lending Funds to Other Parties, the total amount of loans to others shall not exceed 40% of the net worth of CIH. When a short-term financing facility with CIH is necessary, the total amount for lending the borrower shall not exceed 80% of the borrower's net worth, nor shall it exceed 50% of CIH's total amount of lendable capital, and shall be combined with the company's endorsements/guarantees for calculation. In addition, when lending to the ultimate parent company's 100% directly or indirectly owned overseas subsidiaries, the total amount of loans is not limited by the two aforesaid restrictions, but the maximum amount shall not exceed the net worth of CIH, and shall be combined with the company's endorsements/guarantees for the borrower when calculating.

Note 3. According to CPI's Procedures for Lending Funds to Other Parties, the total amount of loans to others shall not exceed 40% of the net worth of CPI. When a short-term financing facility with CPI is necessary, the total amount for lending the borrower shall not exceed 80% of the borrower's net worth, nor shall it exceed 50% of CPI's total amount of lendable capital, and shall be combined with the company's endorsements/guarantees for calculation. In addition, when lending to the ultimate parent company's 100% directly or indirectly owned overseas subsidiaries, the total amount of loans is not limited by the two aforesaid restrictions, but the maximum amount shall not exceed the net worth of CPI, and shall be combined with the company's endorsements/guarantees for the borrower when calculating.

Note 4. According to Bizcom's Procedures for Lending Funds to Other Parties, the total amount of loans to others shall not exceed 40% of the net worth of Bizcom. When a short-term financing facility with Bizcom is necessary, the total amount for lending the borrower shall not exceed 80% of the borrower's net worth, nor shall it exceed 50% of Bizcom's total amount of lendable capital, and shall be combined with the company's endorsements/guarantees for calculation. In addition, when lending to the ultimate parent company's 100% directly or indirectly owned overseas subsidiaries, the total amount of loans is not limited by the two aforesaid restrictions, but the maximum amount shall not exceed the net worth of Bizcom, and shall be combined with the company's endorsements/guarantees for the borrower when calculating.

Note 5. According to CPC's Procedures for Lending Funds to Other Parties, the total amount of loans to others shall not exceed 40% of the net worth of CPC. When a short-term financing facility with CPC is necessary, the total amount for lending the borrower shall not exceed 80% of the borrower's net worth, nor shall it exceed 50% of CPC's total amount of lendable capital, and shall be combined with the company's endorsements/guarantees for calculation. In addition, when lending to the ultimate parent company's 100% directly or indirectly owned overseas subsidiaries, the total amount of loans is not limited by the two aforesaid restrictions, but the maximum amount shall not exceed the net worth of CPC, and shall be combined with the company's endorsements/guarantees for the borrower when calculating.

Note 6. According to CIC's Procedures for Lending Funds to Other Parties, the total amount of loans to others shall not exceed 40% of the net worth of CIC. When a short-term financing facility with CIC is necessary, the total amount for lending the borrower shall not exceed 80% of the borrower's net worth, nor shall it exceed 50% of CIC's total amount of capital lent, and shall be combined with the company's endorsements/guarantees for calculation. In addition, when lending to the ultimate parent company's 100% directly or indirectly owned overseas subsidiaries, the total amount of loans is not limited by the two aforesaid restrictions, but the maximum amount shall not exceed the net worth of CIC, and shall be combined with the company's endorsements/guarantees for the borrower when calculating.

Note 7. According to CEC's Procedures for Lending Funds to Other Parties, the total amount of loans to others shall not exceed 40% of the net worth of CEC. When a short-term financing facility with CEC is necessary, the total amount for lending the borrower shall not exceed 80% of the borrower's net worth, nor shall it exceed 50% of CEC's total amount of capital lent, and shall be combined with the company's endorsements/guarantees for calculation. In addition, when lending to the ultimate parent company's 100% directly or indirectly owned overseas subsidiaries, the total amount of loans is not limited by the two aforesaid restrictions, but the maximum amount shall not exceed the net worth of CEC, and shall be combined with the company's endorsements/guarantees for the borrower when calculating.

Note 8. According to CIT's Procedures for Lending Funds to Other Parties, the total amount of loans to others shall not exceed 40% of the net worth of CIT. When a short-term financing facility with CIT is necessary, the total amount for lending the borrower shall not exceed 80% of the borrower's net worth, nor shall it exceed 50% of CIT's total amount of capital lent, and shall be combined with the company's endorsements/guarantees for calculation. In addition, when lending to the ultimate parent company's 100% directly or indirectly owned overseas subsidiaries, the total amount of loans is not limited by the two aforesaid restrictions, but the maximum amount shall not exceed the net worth of CIT, and shall be combined with the company's endorsements/guarantees for the borrower when calculating.

Note 9. According to Arcadyan Holding's Procedures for Lending Funds to Other Parties, the total amount of loans to others shall not exceed 40% of the net worth of Arcadyan Holding. When a short-term financing facility with Arcadyan Holding is necessary, the borrower should be its investee. The total amount for lending the borrower shall not exceed the net worth of Arcadyan Holding, and shall be combined with the Arcadyan's endorsements/guarantees for the borrower when calculating.

(Continued)

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

Note 10. According to Arcadyan's Procedures for Lending Funds to Other Parties, the total amount of loans to others shall not exceed 40% of the net worth of Arcadyan. To borrowers having business relationship with Arcadyan, the total amount for lending the borrower shall not exceed 80% of the transaction amount in the last fiscal year or the expecting amount for the current year, nor shall it exceed 20% of the net worth of Arcadyan. Also, the amount shall be combined with the Arcadyan's endorsements/guarantees for the borrower when calculating. When a short-term financing facility is necessary, the borrower should be Arcadyan's investee. The total amount for lending the borrower shall not exceed 80% of the net worth of the borrower, nor shall it exceed 20% of the net worth of Arcadyan, and shall be combined with the Arcadyan's endorsements/guarantees for the borrower when calculating.

Note 11: According to Mactech's Procedures for Lending of Funds to Other Parties and Endorsements/Guarantees, the amount of loans to others shall not exceed 10% of the net worth of Mactech as of the last fiscal year. To companies having business relationship with Mactech, the total amount for lending the borrower shall not exceed 80% of the transaction amount in the last fiscal year or the expecting amount for the current year, nor shall it exceed 50% of the net worth of the borrower. Also, the amount shall be combined with the Mactech's endorsements/guarantees for the borrower when calculating.

Note 12: The transactions No 1 to No 9 had been eliminated in the consolidated financial statements.

(ii) Guarantees and endorsements for other parties:

(In Thousands of New Taiwan Dollars)

| No. | Name of guarantor | Counter-party of guarantee and endorsement: Name | Counter-party of guarantee and endorsement: Relationship with the Company | Limitation on amount of guarantees and endorsements for a specific enterprise | Highest balance for guarantees and endorsements during the period | Balance of guarantees and endorsements as of reporting date | Actual usage amount during the period | Property pledged for guarantees and endorsements (Amount) | Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements | Maximum amount for guarantees and endorsements | Parent company endorsements/ guarantees to third parties on behalf of subsidiary | Subsidiary endorsements/ guarantees to third parties on behalf of parent company | Endorsements/ guarantees to third parties on behalf of companies in Mainland China |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 0 | The Company | CEB | (Note 3) | 26,451,097 | 5,723,445 | 64,500 | 64,500 | - | 0.06 % | 52,902,194 (Note 1) | Y | - | - |
| 0 | 〃 | CEP | (Note 2) | 26,451,097 | 94,644 | 66,759 | 66,759 | - | 0.06 % | 52,902,194 (Note 1) | Y | - | - |
| 1 | Arcadyan | Arcadyan Brasil | (Note 2) | 1,160,170 | 261,000 | 258,000 | - | - | 2.97 % | 3,480,511 (Note 4) | Y | - | - |

Note 1: According to the Company's Procedures for Endorsement and Guarantee, the total amount of endorsements/ guarantees the Company or the Group is permitted to make shall not exceed 50% of the Company's net worth. Endorsements/ guarantees the Company and the Group are permitted to make for a single company shall not exceed 25% of the Company's net worth. For entities having business relationship with the Company, the amount of endorsements/ guarantees for a single company shall not exceed 80% of the transaction amount in the last fiscal year or the expecting amount of the current year, and shall be combined with the amount lend to others when calculating. The amount of endorsements/ guarantees permitted to make between subsidiaries whose over 90% of its voting shares are owned, directly or indirectly, by the Company shall be no more than 10% of the net worth of the Company. The amount of endorsements/ guarantees permitted to make between directly or indirectly wholly owned subsidiaries is not limited by the aforementioned restriction, only the maximum amount shall be no more than 25% of the net worth of the Company.

Note 2: Subsidiary whose over 50% common stock is directly owned.

Note 3: Subsidiary whose over 50% common stock is indirectly owned.

Note 4: According to Arcadyan's Procedures for Endorsement and Guarantee, the total amount shall not exceed 40% of the net worth for latest financial statements audited or reviewed by Certified Public Accountants, and the amount for a single company shall not exceed 1/3 of the total amount.

(iii) Securities held as of December 31, 2016 (excluding investment in subsidiaries, associates and joint ventures):

(In Thousands of New Taiwan Dollars)

| Name of holder | Category and name of security | Relationship with security issuer | Account name | Ending balance: Shares/Units (thousands) | Ending balance: Carrying value | Ending balance: Holding percentage (%) | Ending balance: Fair value | The highest holding in the period: Shares/ Units (thousands) | The highest holding in the period: Holding percentage (%) | Note |
|---|---|---|---|---|---|---|---|---|---|---|
| The Company | Common bond-Taiwan Star | – | Bond investments without an active market-current and non-current | - | 1,050,000 | - | - | - | - | |
| | Taiwan Star | – | Available- for-sale financial assets, non-current | 98,046 | 980,465 | 3% | 980,465 | 98,046 | 3% | |
| | CPT | – | 〃 | 394,086 | 811,000 | 6% | 811,000 | 394,086 | 6% | |
| | Kinpo Electronics, Inc. ("Kinpo") | The same chairman of the board of the Company | 〃 | 124,044 | 1,476,121 | 9% | 1,476,121 | 124,044 | 9% | |
| | Cal-Comp Electronics (Thailand) Public Co., Ltd. | 〃 | 〃 | 239,631 | 582,303 | 5% | 582,303 | 239,631 | 5% | |
| | Innolux Corporation ("Innolux") | – | 〃 | 134,877 | 1,564,577 | 1% | 1,564,577 | 134,877 | 1% | |
| | Chipbond Technology Corp. ("Chippond") | – | 〃 | 13,542 | 622,257 | 2% | 622,257 | 13,542 | 2% | |
| | HWA VI Venture Capital Corp. | – | 〃 | 290 | 28,330 | 10% | 28,330 | 290 | 10% | |
| | HWA Chi Venture Capital Corp. | – | 〃 | 1,053 | 29,916 | 11% | 29,916 | 1,789 | 11% | |

(Continued)

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

| Name of holder | Category and name of security | Relationship with security issuer | Account name | Ending balance | | | | The highest holding in the period | | Note |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Shares/Units (thousands) | Carrying value | Holding percentage (%) | Fair value | Shares/ Units (thousands) | Holding percentage (%) | |
| The Company | Global BioPharma, Inc. | － | Available- for-sale financial assets, non-current | 2,000 | 40,000 | 3% | 40,000 | 2,000 | 3% | |
| | Chen Feng Optoelectronics | － | 〃 | 5,829 | 41,329 | 13% | 41,329 | 5,829 | 13% | |
| | Primesensor Technology Inc. | － | Financial assets at cost －non-current | 233 | 2,333 | 1% | - | 659 | 3% | (Note 1) |
| | Macroblock, Inc. | － | Available- for-sale financial assets－current | 682 | 48,631 | 2% | 48,631 | 682 | 2% | |
| | Others | | | | 172,904 | | | | | |
| | Total | | | | 6,400,166 | | | | | |
| Panpal | Compal Electronics, Inc. | The parent company | Available- for-sale financial assets－non-current | 31,648 | 583,907 | 1% | 583,907 | 31,648 | 1% | (Note 2) |
| | Kinpo | With the same chairman of the board | 〃 | 23,172 | 275,753 | 2% | 275,753 | 23,172 | 2% | |
| | CDIB Partners Investment Holding Corp. | － | 〃 | 54,000 | 711,180 | 5% | 711,180 | 54,000 | 5% | |
| | Innolux | － | 〃 | 11,836 | 137,296 | - | 137,296 | 11,836 | - | |
| | AcBel Polytech Inc.(“AcBel”) | With the same chairman of the board | 〃 | 5,677 | 136,524 | 1% | 136,524 | 5,677 | 1% | |
| | Chipbond | － | 〃 | 5,251 | 241,282 | 1% | 241,282 | 5,251 | 1% | |
| | Taiwan Biotech Co., Ltd. | － | 〃 | 4,897 | 46,537 | 3% | 46,537 | 4,897 | 3% | |
| | Others | | | | 112,263 | | | | | |
| | Total | | | | 2,244,742 | | | | | |
| Gempal | Compal Electronics, Inc. | The parent company | Available- for-sale financial assets－non-current | 18,369 | 338,914 | - | 338,914 | 18,369 | - | (Note 2) |
| | Lian Hong Art. Co., Ltd. | － | 〃 | 2,140 | 44,101 | 8% | 44,101 | 2,140 | 8% | |
| | Global BioPharma, Inc. | － | 〃 | 2,000 | 40,000 | 3% | 40,000 | 2,000 | 3% | |
| | Others | | | | 2,981 | | | | | |
| | Total | | | | 425,996 | | | | | |
| Hong Ji | SUYIN Optronics Co., Ltd. (“SUYIN Optronics”) | － | Available-for-sale financial assets－non-current | 380 | 182 | 1% | 182 | 1,835 | 2% | |
| Hong Jin | SUYIN Optronics | － | Available-for-sale financial assets－non-current | 332 | 160 | 1% | 160 | 1,606 | 2% | |
| Zhaopal | CPT | － | Available-for-sale financial assets－non-current | 315,269 | 648,000 | 5% | 648,000 | 315,269 | 5% | |
| Yongpal | CPT | － | Available-for-sale financial assets－non-current | 275,860 | 568,000 | 4% | 568,000 | 275,860 | 4% | |
| Kaipal | CPT | － | Available-for-sale financial assets－non-current | 118,226 | 243,000 | 2% | 243,000 | 118,226 | 2% | |
| Arcadyan | GeoThings Inc. | － | Financial assets carried at cost－non-current | 200 | - | 9% | - | 200 | 9% | (Note 1) |
| | AirHop Communication Inc. | － | 〃 | 1,152 | - | 7% | - | 1,152 | 7% | 〃 |
| | Adant Technologies Inc. | － | 〃 | 349 | 12,960 | 6% | - | 349 | 6% | 〃 |
| | IOT EYE, Inc. | － | 〃 | 60 | 4,878 | 6% | - | 60 | 6% | 〃 |
| | TIEF Fund, L.P | － | 〃 | - | 48,709 | - | - | - | - | 〃 |
| | Total | | | | 66,547 | | | | | |

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

| Name of holder | Category and name of security | Relationship with security issuer | Account name | Ending balance: Shares/Units (thousands) | Ending balance: Carrying value | Ending balance: Holding percentage (%) | Ending balance: Fair value | The highest holding in the period: Shares/Units (thousands) | The highest holding in the period: Holding percentage (%) | Note |
|---|---|---|---|---|---|---|---|---|---|---|
| Mactech | Taichung International Golf Country Club | – | Financial assets carried at cost－non-current | - | 2,940 | - | - | - | - | (Note 1) |
| CET | Changchun Trarrii Electronic Technology Co., Ltd | – | Financial assets carried at cost－non-current | 1,000 | - | 17% | - | 1,000 | 17% | (Note 1) |
| HHB | HWALLAR OPTRONICS(FUZHOU) CO.,LTD. | – | Available- for-sale financial assets－non-current | - | - | 19% | - | - | 19% | |

Note 1: The carrying value is the remaining amount after deducting accumulated impairment.
Note 2: The transactions had been eliminated in the consolidated financial statements.

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

| Name of company | Category and name of security | Account name | Name of counter-party | Relationship with the company | Beginning Balance: Shares | Beginning Balance: Amount | Purchases: Shares | Purchases: Amount | Sales: Shares | Sales: Price | Sales: Cost | Sales: Gain (loss) on disposal (Note 2) | Others: Shares | Others: Amount (Note 1) | Ending Balance: Shares | Ending Balance: Amount |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Panpal | Compliance Certification Services Inc. | Investments accounted for using equity method | SGS Taiwan | - | 13,217 | 256,028 | - | - | 13,217 | 345,026 | 221,385 | 71,882 | - | (34,643) | - | - |

Note 1: Others are cash dividends, capital reserve, and adjustments of foreign currency exchange, and investment income (losses) accounted for using equity method.
Note 2: Excluding unrecognized gains on disposals amounting to $51,754 and others.

(v) Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock: None

(vi) Disposal of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock: None

(vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT$300 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

| Company Name | Counter party | Nature of relationship | Transaction details: Purchase/ (Sale) | Transaction details: Amount | Transaction details: Percentage of total purchases/ (sales) | Transaction details: Payment terms | Transactions with terms different from others: Unit price | Transactions with terms different from others: Payment Terms | Notes/Accounts receivable (payable): Ending Balance | Notes/Accounts receivable (payable): Percentage of total notes/ accounts receivable (payable) | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|
| The Company | CIH and its subsidiaries | Subsidiaries wholly owned by the Company | Sale | (6,531,355) | (0.9)% | 120 days | Similar to non-related parties | There is no significant difference, and adjustments will be made based on demand for funding if necessary | 161,599 | 0.1 % | (Note 2) |
| | UCGI | 〃 | Sale | (144,517) | - | 〃 | 〃 | 〃 | 118,056 | 0.1 % | 〃 |
| | CBN | The Company's subsidiary | Sale | (6,676,590) | (0.9)% | 90 days | 〃 | There is no significant difference | 1,863,084 | 1.1 % | 〃 |

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

| Company Name | Counter party | Nature of relationship | Transaction details | | | | Transactions with terms different from others | | Notes/Accounts receivable (payable) | | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Purchase/ (Sale) | Amount | Percentage of total purchases/ (sales) | Payment terms | Unit price | Payment Terms | Ending Balance | Percentage of total notes/ accounts receivable (payable) | |
| The Company | CIH and its subsidiaries | Subsidiaries wholly owned by the Company | Purchase | 106,575,472 | 15.1 % | 120 days | Similar to non-related parties | There is no significant difference, and adjustments will be made based on demand for funding if necessary | (55,486,861) | (37.9)% | (Note 2) |
| | Just and its subsidiaries | 〃 | Purchase | 2,863,979 | 0.4 % | 〃 | 〃 | 〃 | (545,751) | (0.4)% | (Note 2) |
| | BCI and its subsidiaries | 〃 | Purchase | 371,809 | 0.1 % | 〃 | 〃 | 〃 | (165,944) | (0.1)% | 〃 |
| | CEE | The Company's subsidiary | Purchase | 490,666 | 0.1 % | 90 days | 〃 | 〃 | - | - | 〃 |
| | Webtek | Subsidiary wholly owned by the Company | Purchase | 35,190,480 | 5.0 % | Net 60 days from purchase | Markup based on Webtek's cost | 〃 | (4,569,577) | (3.1)% | 〃 |
| | Forever | 〃 | Purchase | 60,596,643 | 8.6 % | 〃 | Markup based on Forever's cost | 〃 | (13,093,945) | (8.9)% | 〃 |
| Just and its subsidiaries | Compal Electronic, Inc. | Parent company | Sale | (2,767,997) | (13.1)% | 120 days | Similar to non-related parties | There is no significant difference, and adjustments will be made based on demand for funding if necessary | 545,751 | 16.1 % | 〃 |
| | Forever | With the same ultimate parent company | Sale | (18,216,812) | (86.4)% | Net 60 days from delivery | 〃 | Adjustments will be made based on demand for funding | 1,504,592 | 45.5 % | 〃 |
| CIH and its subsidiaries | Compal Electronic, Inc. | Parent company | Sale | (106,842,119) | (70.4)% | 120 days | 〃 | 〃 | 55,486,861 | 87.2 % | 〃 |
| | Forever | With the same ultimate parent company | Sale | (42,288,665) | (28.0)% | Net 60 days from delivery | According to markup pricing | Adjustments will be made based on demand for funding | 6,862,123 | 10.8 % | 〃 |
| CBN | Compal Electronic, Inc. | Parent company | Purchase | 4,035,219 | 62.0 % | 90 days | Similar to non-related parties | There is no significant difference | (1,871,773) | (81.0)% | 〃 |
| BCI and its subsidiaries | Compal Electronic, Inc. | 〃 | Sale | (368,550) | (5.0)% | 120 days | Similar to non-related parties | There is no significant difference, and adjustments will be made based on demand for funding if necessary | 165,944 | 3.0 % | 〃 |
| | CIH and its subsidiaries | With the same ultimate parent company | Sale | (6,538,895) | (87.9)% | 〃 | 〃 | 〃 | 4,577,855 | 83.0 % | 〃 |
| | CEB | 〃 | Sale | (504,831) | (7.1)% | 〃 | 〃 | 〃 | 254,936 | 14.0 % | 〃 |
| CEE | Compal Electronic, Inc. | Parent company | Sale | (373,335) | (23.5)% | 90 days | 〃 | 〃 | - | - | 〃 |
| Webtek | Compal Electronic, Inc. | 〃 | Sale | (35,190,480) | (100.0)% | Net 60 days from delivery | According to markup pricing | Adjustments will be made based on demand for funding | 4,569,567 | 100.0 % | 〃 |
| | CWCN | With the same ultimate parent company | Purchase | 35,190,480 | 100.0 % | Net 60 days from delivery | 〃 | 〃 | (3,938,080) | (100.0)% | 〃 |

(Continued)

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

| | | | Transaction details | | | | Transactions with terms different from others | | Notes/Accounts receivable (payable) | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Company Name | Counter party | Nature of relationship | Purchase/ (Sale) | Amount | Percentage of total purchases/ (sales) | Payment terms | Unit price | Payment Terms | Ending Balance | Percentage of total notes/ accounts receivable (payable) | Note |
| CEB | BCI and its subsidiaries | Parent company | Purchase | 507,200 | 9.9 % | 120 days | Similar to non-related parties | There is no significant difference | (243,656) | (42.7)% | (Note 2) |
| CIH and its subsidiaries | Compal Electronic, Inc. | Parent company | Purchase | 6,567,047 | 4.9 % | 〃 | 〃 | 〃 | (159,998) | (0.4)% | 〃 |
| | BCI and its subsidiaries | With the same ultimate parent company | Purchase | 6,538,895 | 4.9 % | 〃 | 〃 | 〃 | (4,577,855) | (10.6)% | 〃 |
| | AcBel and its subsidiaries | The same chairman of the board of the ultimate parent company | Purchase | 703,441 | 0.5 % | Net 60 days from purchase | 〃 | 〃 | (345,946) | (0.8)% | |
| | Wan Yuen Technology Holding Ltd. and its subsidiaries | Investee which FGH accounted for using equity method | Purchase | 4,427,581 | 3.3 % | Net 60 days from purchase | Similar to non-related parties | There is no significant difference | (1,321,702) | (3.1)% | |
| CWCN | Webtek | With the same ultimate parent company | Sale | (35,190,480) | (100.0)% | Net 60 days from delivery | According to markup pricing | Adjustments will be made based on demand for funding | 3,938,080 | 100.0 % | (Note 2) |
| Forever | Compal Electronic, Inc. | Parent company | Sale | (60,596,643) | (86.2)% | 〃 | 〃 | 〃 | 15,459,779 | 84.4 % | 〃 |
| | CIH and its subsidiaries | With the same ultimate parent company | Purchase | 42,288,665 | 60.2 % | Net 60 days from purchase | Similar to non-related parties | 〃 | (6,861,091) | (42.2)% | 〃 |
| | Just and its subsidiaries | 〃 | Purchase | 18,216,812 | 26.0 % | 〃 | 〃 | 〃 | (1,504,237) | (9.3)% | 〃 |
| UCGI | Compal Electronic, Inc. | Parent company | Purchase | 151,443 | 100.0 % | Net 120 days from delivery | 〃 | There is no significant difference | (40,843) | (100.0)% | 〃 |
| THAC | TTI | With the same ultimate parent company | Sale | (438,749) | (77.0)% | Net 60 days from invoice date | According to markup pricing | − | 77,193 | 88.0 % | 〃 |
| TTI | THAC | 〃 | Purchase | 438,749 | 14.0 % | 〃 | 〃 | − | (77,193) | (8.0)% | 〃 |
| THAC | TTI | 〃 | Purchase | 127,045 | 36.0 % | Net 90 days from the end of the month of delivery | 〃 | − | (13,809) | (12.0)% | 〃 |
| TTI | THAC | 〃 | Sale | (127,045) | (4.0)% | 〃 | According to markup pricing | − | 13,809 | 1.0 % | 〃 |
| Arcadyan | Arcadyan Germany | Arcadyan's subsidiaries | Sale | (1,533,209) | (7.0)% | Net 120 days from delivery | 〃 | − | 415,593 | 10.0 % | 〃 |
| | Arcadyan USA | 〃 | Sale | (426,175) | (2.0)% | Net 60 days from the end of the month of delivery | 〃 | − | 125,458 | 3.0 % | 〃 |
| Sinoprime | Arcadyan | The Company's subsidiaries | Sale | (10,340,227) | (100.0)% | Net 45 days from the end of the month of delivery | According to markup pricing | − | 1,515,688 | 65.0 % | (Notes 1 and 2) |
| CNC | Sinoprime | With the same ultimate parent company | Sale | (10,340,227) | (100.0)% | 〃 | 〃 | − | 1,439,174 | 31.0 % | 〃 |
| Arcadyan Germany | Arcadyan | The Company's subsidiaries | Purchase | 1,533,209 | 100.0 % | Net 120 days from delivery | 〃 | − | (415,593) | (100.0)% | (Note 2) |
| Arcadyan USA | Arcadyan | 〃 | Purchase | 426,175 | 100.0 % | Net 60 days from the end of the month of delivery | 〃 | − | (125,458) | (100.0)% | 〃 |
| Arcadyan | Sinoprime | Arcadyan's subsidiaries | Purchase | 10,340,227 | 40.0 % | Net 45 days from the end of the month of delivery | According to markup pricing | − | (1,515,688) | (42.0)% | (Notes 1 and 2) |
| Sinoprime | CNC | With the same ultimate parent company | Purchase | 10,340,227 | 100.0 % | 〃 | 〃 | − | (1,439,174) | (100.0)% | 〃 |

Note 1: The remaining balance is the net value of commissioned processing and sales of raw material.
Note 2: The transactions had been eliminated in the consolidated financial statements.

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

(viii) Receivables from related parties with amounts exceeding the lower of NT$100 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

| Name of company | Counter-party | Nature of relationship | Ending balance | Turnover rate | Overdue | | Amounts received in subsequent period | Allowance for bad debts | Note |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | Amount | Action taken | | | |
| The Company | CBN | The Company's subsidiary | 1,863,084 | 5.16 | - | - | 472,274 (Note 1) | - | |
| 〃 | CIH and its subsidiaries | The Company's subsidiary | 161,599 | 39.53 | - | - | 728 (Note 1) | - | |
| 〃 | UCGI | The Company's subsidiary | 118,056 | 1.22 | - | - | - (Note 1) | - | |
| Just and its subsidiaries | Compal Electronic, Inc. | The parent company | 545,751 | 2.27 | - | - | - (Note 1) | - | |
| 〃 | Forever | With the same ultimate parent | 1,504,592 | 12.11 | - | - | 1,493,498 (Note 1) | - | |
| CIH and its subsidiaries | Compal Electronic, Inc. | Parent company | 55,486,861 | 2.28 | - | - | 35,091,024 (Note 1) | - | |
| 〃 | Forever | With the same ultimate parent | 6,862,123 | 4.49 | - | - | 6,862,123 (Note 1) | - | |
| BCI and its subsidiaries | Compal Electronic, Inc. | Parent company | 165,944 | 1.66 | - | - | 54,252 (Note 1) | - | |
| 〃 | CIH and its subsidiaries | With the same ultimate parent company | 4,577,855 | 1.61 | - | - | 2,069,546 (Note 1) | - | |
| 〃 | CEB | With the same ultimate parent company | 254,936 | 1.75 | - | - | 90,360 (Note 1) | - | |
| Forever | Compal Electronic, Inc. | Parent company | 15,459,779 | 4.07 | - | - | 13,034,160 (Note 1) | - | |
| CWCN | Webtek | With the same ultimate parent company | 3,938,080 | 6.66 | - | - | 3,937,725 (Note 1) | - | |
| Webtek | Compal Electronic, Inc. | Parent company | 4,569,567 | 5.93 | - | - | 4,569,212 (Note 1) | - | |
| Arcadyan | Arcadyan Germany | Arcadyan's subsidiary | 415,593 | 2.62 | - | - | - (Note 2) | - | |
| 〃 | Arcadyan USA | Arcadyan's subsidiary | 125,458 | 3.40 | - | - | 29,589 (Note 2) | - | |
| 〃 | TTI | Arcadyan's subsidiary | 163,745 | 0.03 | - | - | - (Note 2) | - | |
| Sinoprime | Arcadyan | The Company's subsidiary | 1,515,688 | 6.97 | - | - | 891,527 (Note 2) | - | |
| CNC | Sinoprime | With the same ultimate parent company | 1,439,174 | 7.32 | - | - | 891,527 (Note 2) | - | |
| CBN | Speedlink | With the same ultimate parent company | 751,288 | - | 48,288 | - | 751,288 (Note 1) | - | |
| Speedlink | Just and its subsidiaries | With the same ultimate parent company | 751,288 | - | 48,288 | Enhanced the collection | 751,288 (Note 1) | - | |

Note 1: Balance as of March 17, 2017.
Note 2: Balance as of February 9, 2017.

(ix) Trading in derivative instruments: Please refer to notes 6(2) and 6(3)

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

(x) Business relationships and significant intercompany transactions:

(In Thousands of New Taiwan Dollars)

| No. (Note 1) | Company name | Counter party | Relationship (Note 2) | Intercompany transactions | | | |
|---|---|---|---|---|---|---|---|
| | | | | Accounts name | Amount | Terms | Percentage of the consolidated net revenue or total assets |
| 0 | The Company | CIH and its subsidiaries | 1 | Sales Revenue | 6,531,355 | There is no significant difference of price to non-related parties. The credit period is net 120 days from delivery, and will be adjusted if necessary. | 0.9 % |
| | | | | Accounts Receivable | 161,599 | 〃 | - |
| 0 | The Company | CEP | 1 | Product warranty service expenses | 229,406 | There is no significant difference of price to non-related parties. The credit period is net 120 days from delivery, and will be adjusted if necessary. | - |
| 0 | The Company | Auscom | 1 | Technical service expense | 171,795 | The price is based on the operating cost of Auscom. The credit period is net 120 days from invoice date, and will be adjusted if necessary. | - |
| | | | | Accrued expenses payable | 178,884 | 〃 | 0.1 % |
| 0 | The Company | CBN | 1 | Sales Revenue | 6,676,590 | There is no significant difference of price to non-related parties. The credit period is net 90 days from delivery. | 0.9 % |
| | | | | Accounts Receivable | 1,863,084 | 〃 | 0.5 % |
| 0 | The Company | UCGI | 1 | Sales Revenue | 144,517 | There is no significant difference of price to non-related parties. The credit period is net 120 days from delivery, and will be adjusted if necessary. | - |
| | | | | Accounts Receivable | 118,056 | 〃 | - |
| 1 | CIH and its subsidiaries | The Company | 2 | Sales Revenue | 106,842,119 | There is no significant difference of price to non-related parties. The credit period is net 120 days from delivery, and will be adjusted if necessary. | 13.9 % |
| | | | | Accounts Receivable | 55,486,861 | 〃 | 16.0 % |

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

| No. (Note 1) | Company name | Counter party | Relationship (Note 2) | Intercompany transactions | | | |
|---|---|---|---|---|---|---|---|
| | | | | Accounts name | Amount | Terms | Percentage of the consolidated net revenue or total assets |
| 1 | CIH and its subsidiaries | Forever | 3 | Sales Revenue | 42,288,665 | The price is based on the operating cost. The credit period is 60 days from delivery, and will be adjusted if necessary. | 5.5 % |
| | | | | Accounts Receivable | 6,862,123 | 〃 | 2.0 % |
| 2 | Just and its subsidiaries | The Company | 2 | Sales Revenue | 2,767,997 | There is no significant difference of price to non-related parties. The credit period is net 120 days from delivery, and will be adjusted if necessary. | 0.4 % |
| | | | | Accounts Receivable | 545,751 | 〃 | 0.2 % |
| 2 | Just and its subsidiaries | Forever | 3 | Sales Revenue | 18,216,812 | There is no significant difference of price to non-related parties. The credit period is net 60 days from delivery, and will be adjusted if necessary. | 2.4 % |
| | | | | Accounts Receivable | 1,504,592 | 〃 | 0.4 % |
| 3 | BCI and its subsidiaries | The Company | 3 | Sales Revenue | 368,550 | There is no significant difference of price to non-related parties. The credit period is net 120 days from delivery, and will be adjusted if necessary. | - |
| | | | | Accounts Receivable | 165,944 | 〃 | - |
| 3 | BCI and its subsidiaries | CIH and its subsidiaries | 3 | Sales Revenue | 6,538,895 | There is no significant difference of price to non-related parties. The credit period is net 120 days from delivery, and will be adjusted if necessary. | 0.9 % |
| | | | | Accounts Receivable | 4,577,855 | 〃 | 1.3 % |
| 3 | BCI and its subsidiaries | CEB | 3 | Sales Revenue | 504,831 | There is no significant difference of price to non-related parties. The credit period is net 120 days from delivery, and will be adjusted if necessary. | 0.1 % |
| | | | | Accounts Receivable | 254,936 | 〃 | 0.1 % |
| 4 | CEE | The Company | 2 | Sales Revenue | 373,335 | There is no significant difference of price to non-related parties. The credit period is net 90 days from delivery, and will be adjusted if necessary. | - |

(Continued)

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

| No. (Note 1) | Company name | Counter party | Relationship (Note 2) | Intercompany transactions: Accounts name | Amount | Terms | Percentage of the consolidated net revenue or total assets |
|---|---|---|---|---|---|---|---|
| 5 | Arcadyan | Arcadyan Germany | 3 | Sales Revenue | 1,533,209 | There is no significant difference of price to non-related parties. The credit period is net 120 days from delivery, and will be adjusted if necessary. | 0.2 % |
| | | | | Accounts Receivable | 415,593 | 〃 | 0.1 % |
| 5 | Arcadyan | TTI | 3 | Accounts Receivable | 163,745 | There is no significant difference of price to non-related parties. The credit period is net 90 days from delivery, and will be adjusted if necessary. | - |
| 5 | Arcadyan | Arcadyan USA | 3 | Sales Revenue | 426,175 | There is no significant difference of price to non-related parties. The credit period is net 60 days from the end of the month of delivery. | 0.1 % |
| | | | | Accounts Receivable | 125,458 | 〃 | - |
| 6 | Sinoprime | Arcadyan | 3 | Sales Revenue | 10,340,227 | The price is based on the operating cost. The credit period is net 45 days from the end of the month of delivery and depended on funding demand. | 1.3 % |
| | | | | Accounts Receivable | 1,515,688 | 〃 | 0.4 % |
| 7 | CNC | Sinoprime | 3 | Sales Revenue | 10,340,227 | The price is based on the operating cost. The credit period is net 45 days from the end of the month of delivery and depended on funding demand. | 1.3 % |
| | | | | Accounts Receivable | 1,439,174 | 〃 | 0.4 % |
| 8 | SVA | Sinoprime | 3 | Sales Revenue | 58,784 | The price is based on the operating cost. The credit period is net 45 days from the end of the month of delivery and depended on funding demand. | - |
| | | | | Accounts Receivable | 58,784 | 〃 | - |
| 8 | SVA | CNC | 3 | Other Accounts Receivable | 43,099 | The receivables depend on funding demand. | - |

(Continued)

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

| No. (Note 1) | Company name | Counter party | Relationship (Note 2) | Intercompany transactions | | | |
|---|---|---|---|---|---|---|---|
| | | | | Accounts name | Amount | Terms | Percentage of the consolidated net revenue or total assets |
| 9 | TTI | THAC | 3 | Sales Revenue | 127,045 | There is no significant difference of price between non-related parties. The credit period is net 90 days from the end of the month of delivery and depended on funding demand. | - |
| | | | | Accounts Receivable | 13,809 | 〃 | - |
| 10 | THAC | TTI | 3 | Processing Revenue | 438,749 | The price is based on the operating cost. The credit period is net 60 days from invoice date | 0.1 % |
| | | | | Accounts Receivable | 77,193 | 〃 | - |
| 11 | Forever | The Company | 2 | Sales Revenue | 60,596,643 | There is no significant difference of price to non-related parties. The credit period is net 60 days from delivery and depended on funding demand. | 7.9 % |
| | | | | Accounts Receivable | 15,459,779 | 〃 | 4.5 % |
| 12 | Webtek | The Company | 2 | Sales Revenue | 35,190,480 | There is no significant difference of price to non-related parties. The credit period is net 60 days from delivery and depended on funding demand. | 4.6 % |
| | | | | Accounts Receivable | 4,569,567 | 〃 | 1.3 % |
| 13 | CWCN | Webtek | 3 | Sales Revenue | 35,190,480 | There is no significant difference of price to non-related parties. The credit period is net 60 days from delivery and depended on funding demand. | 4.6 % |
| | | | | Accounts Receivable | 3,938,080 | 〃 | 1.1 % |
| 14 | CBN | Speedlink | 3 | Other Accounts Receivable | 751,288 | The credit period is net 60 days | 0.2 % |
| 15 | Speedlink | Just and its subsidiaries | 3 | Other Accounts Receivable | 751,288 | The credit period is net 60 days | 0.2 % |

Note 1: The numbers filled in as follows:
1.0 represents the Company.
2. Subsidiaries are sorted in a numerical order starting from 1.

Note 2: Transactions labeled as follows:
1 represents transactions between the parent company and its subsidiaries.
2 represents transactions between the subsidiaries and the parent company.
3 represents transactions between subsidiaries.

(Continued)

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

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2016 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollars)

| Investor Company | Investee Company | Location | Main Businesses and Products | Original Investment Amount | | Ending Balance | | | The highest holdings in the period | | Net income (losses) of investee | Share of profits/losses of investee | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | December 31, 2016 | December 31, 2015 | Shares | Percentage of Ownership | Carrying Value | Shares/ Units (thousands) | Holding percentage (%) | | | |
| The Company | Bizcom | Milpitas, USA | Warranty services and marketing of LCD TV s and notebook PCs | 36,369 | 36,369 | 100 | 100% | 442,854 | 100 | 100% | 19,092 | 23,529 | (Note 2) |
| | Just | British Virgin Islands | Manufacturing, sales and maintenance of monitors and LCD TVs, and investment | 1,480,509 | 1,480,509 | 48,010 | 100% | 8,572,543 | 48,010 | 100% | 768,478 | 768,478 | 〃 |
| | CIH | British Virgin Islands | Sales and manufacturing of notebook PCs and investments | 1,606,780 | 1,603,518 | 47,001 | 100% | 31,773,109 | 47,001 | 100% | 2,335,151 | 2,335,151 | 〃 |
| | Panpal | Taipei City | Investment | 5,171,837 | 5,171,837 | 500,000 | 100% | 4,958,913 (Note 1) | 500,000 | 100% | 130,900 | 92,905 | 〃 |
| | Gempal | Taipei City | Investment | 900,036 | 900,036 | 90,000 | 100% | 1,586,168 (Note 1) | 90,000 | 100% | 97,287 | 75,234 | 〃 |
| | Kinpo Group management consultant company ("Kinpo Group management") | Taipei City | Consultation, training services, etc. | 3,000 | 3,000 | 300 | 38% | 4,291 | 300 | 38% | 182 | 69 | |
| | Ripal | Tainan City | Manufacturing of electric appliance and audiovisual electric products | 60,000 | 60,000 | 6,000 | 100% | 21,489 | 6,000 | 100% | (8,073) | (8,112) | (Note 2) |
| | Avalue Technology, Inc. | New Taipei City | Manufacturing, processing, and import and export business of industrial motherboards | 522,361 | 519,996 | 14,600 | 21% | 552,125 | 14,600 | 21% | 323,864 | 68,995 | |
| | Gallery Management Ltd. ("Gallery") | British Virgin Islands | Investments in high-tech business in Taiwan and other regions or countries | - | 116,354 | - | - | - | 3,829 | 41% | - | (409) | |
| | CEH | British Virgin Islands | Investment | 34 | 34 | 1 | 100% | 3,800,619 | 1 | 100% | - | - | (Note 2) |
| | Allied Circuit | Taoyuan City | Production and sales of PCB boards | 395,388 | 395,388 | 10,158 | 20% | 279,405 | 10,158 | 20% | 162,631 | 33,201 | |
| | Maxima Ventures I, Inc. ("Maxima") | Taipei City | Investment | 1,260 | 1,260 | 126 | 23% | 12,514 | 126 | 23% | (14,002) | (2,749) | |
| | Lipo Holding Co., Ltd. ("Lipo") | Cayman Islands | Investment | 489,450 | 489,450 | 98 | 49% | 353,821 | 98 | 49% | 75,051 | 36,775 | |
| | CPE | Netherlands | Investment | 197,463 | 197,463 | 6,427 | 100% | 711,972 | 6,427 | 100% | 398,853 | 229,413 | (Note 2) |
| | ATK | Hsinchu City | Design, research & development, and selling of DVD, Combo, CD-RW Drives | 202,908 | 202,908 | 899 | 28% | 10,307 | 899 | 28% | 80 | 23 | 〃 |
| | Crownpo Technology Inc. ("Crownpo") | Taipei City | Manufacturing, processing, and selling resistor chips, networking chips, diodes, multilayer ceramic capacitors, semiconductor devices, and selling electronic products | 149,547 | 149,547 | 3,739 | 33% | 51,174 | 3,739 | 33% | 10,383 | 3,451 | |
| | Hong Ji | Taipei City | Investment | 1,000,000 | 1,000,000 | 100,000 | 100% | 1,033,943 | 100,000 | 100% | 63,243 | 63,228 | (Note 2) |
| | Hong Jin | Taipei City | Investment | 295,000 | 295,000 | 29,500 | 100% | 338,563 | 29,500 | 100% | 31,699 | 31,699 | 〃 |
| | Auscom | Austin, TX USA | R&D of notebook PC related products and components | 101,747 | 101,747 | 3,000 | 100% | 117,873 | 3,000 | 100% | 1,820 | 1,866 | 〃 |
| | Arcadyan | Hsinchu City | R&D, manufacturing and sales of wireless network, integrated household electronics, and mobile office products | 1,325,132 | 1,325,132 | 41,305 | 22% | 2,028,833 | 41,305 | 22% | 1,357,473 | 296,450 | 〃 |
| | FGH | British Virgin Islands | Investment | 2,754,741 | 2,754,741 | 89,755 | 100% | 4,027,226 | 89,755 | 100% | 384,469 | 384,469 | 〃 |
| | HSI | British Virgin Islands | Investment | 1,346,814 | 1,346,814 | 42,700 | 100% | 854,609 | 42,700 | 100% | (44,935) | (44,935) | 〃 |
| | CEP | Poland | Maintenance and warranty services of notebook PCs | 90,156 | 90,156 | 136 | 100% | 1,813 | 136 | 100% | 38,427 | 38,005 | 〃 |
| | Zhaopal | Taipei City | Investment | 2,001,000 | 2,001,000 | 200,100 | 100% | 648,049 | 200,100 | 100% | (76) | (76) | 〃 |
| | Yongpal | Taipei City | Investment | 1,751,000 | 1,751,000 | 175,100 | 100% | 568,106 | 175,100 | 100% | (76) | (76) | 〃 |
| | Kaipal | Taipei City | Investment | 751,000 | 751,000 | 75,100 | 100% | 243,334 | 75,100 | 100% | (76) | (76) | 〃 |

(Continued)

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

| Investor Company | Investee Company | Location | Main Businesses and Products | Original Investment Amount December 31, 2016 | Original Investment Amount December 31, 2015 | Ending Balance Shares | Ending Balance Percentage of Ownership | Ending Balance Carrying Value | The highest holdings in the period Shares/ Units (thousands) | The highest holdings in the period Holding percentage (%) | Net income (losses) of investee | Share of profits/losses of investee | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| The Company | Lead-Honor Optronics. Co., Ltd. (“Lead-Honor”) | Taoyuan City | Manufacturing of electric appliance and audiovisual electric products | 42,000 | 42,000 | 2,772 | 42% | - | 2,772 | 42% | (30,358) | (12,409) | |
| | Infinno Technology Corporation (“Infinno”) | Hsinchu County | Manufacturing of electronic components, wholesale and retail sale of precision instruments and electronic materials | 109,837 | 109,837 | 10,984 | 41% | 10,409 | 10,984 | 41% | (32,494) | (13,333) | |
| | HengHao | Taipei City | Manufacturing of PCs, computer periphery devices, and electronic components | 5,304,554 | 5,304,554 | 205,795 | 97% | 1,306,267 | 317,310 | 97% | (784,892) | (778,578) | (Note 2) |
| | Mactech | Taichung City | Manufacturing of equipment and lighting, retailing of equipment and international trading | 219,601 | 219,601 | 21,756 | 53% | 186,698 | 21,756 | 53% | (31,325) | (22,607) | 〃 |
| | BCI | British Virgin Islands | Investment | 2,636,051 | 2,636,051 | 90,820 | 100% | 5,565,388 | 90,820 | 100% | 133,413 | 133,413 | 〃 |
| | CBN | Hsinchu County | R&D and sales of communication and electronic components | 284,827 | 52,000 | 26,418 | 50% | 663,964 | 26,418 | 51% | 133,949 | 68,475 | 〃 |
| | Rayonnant | Taipei City | Manufacturing and sales of PCs, computer periphery devices, and electronic components | 295,000 | 295,000 | 29,500 | 100% | 133,685 | 29,500 | 100% | (5,500) | (15,481) | 〃 |
| | CRH | British Virgin Islands | Investment | 377,328 | 377,328 | 12,500 | 100% | 235,107 | 12,500 | 100% | (8,781) | (8,781) | 〃 |
| | Ascendant Private Equity Investment Ltd. (“APE”) | British Virgin Islands | Investment | 943,922 | 943,922 | 31,253 | 35% | 1,089,920 | 31,253 | 35% | 478,720 | 166,220 | |
| | CORE | British Virgin Islands | Investment | 4,318,860 | 4,318,860 | 147,000 | 100% | 5,147,628 | 147,000 | 100% | 400,455 | 400,455 | (Note 2) |
| | Etrade | British Virgin Islands | Investment | 1,532,029 | 1,532,029 | 46,900 | 90% | (344,710) | 46,900 | 100% | (436,731) | (418,623) | 〃 |
| | Webtek | British Virgin Islands | Selling of mobile phones | 3,340 | 3,340 | 100 | 100% | 1,395,496 | 100 | 100% | (18,108) | (18,108) | 〃 |
| | Forever | British Virgin Islands | Selling of mobile phones | 1,575 | 1,575 | 50 | 100% | 1,558,155 | 50 | 100% | 587 | 587 | 〃 |
| | UCGI | Taipei City | Manufacturing and retail sale of computers and electronic components | 100,000 | 100,000 | 10,000 | 100% | (122,677) | 10,000 | 100% | (147,223) | (140,950) | 〃 |
| | Palcom | Taipei City | Selling of mobile phones | 100,000 | 100,000 | 10,000 | 100% | 110,837 | 10,000 | 100% | 4,001 | 4,001 | 〃 |
| | GLB | New Taipei City | Manufacturing and wholesale of medical equipment | 246,860 | 246,860 | 15,000 | 50% | 236,743 | 15,000 | 50% | (11,447) | (4,576) | 〃 |
| | | | | | | | | 80,166,563 | | | | 3,766,213 | |
| Webtek | Etrade | British Virgin Islands | Investment | 161,250 (US$5,000) | - | 5,000 | 10% | (35,426) (US$(1,098)) | 5,000 | 10% | (436,731) (US$(14,204)) | Investment gain(losses) recognized by Webtek | (Note 2) |
| Forever | GIA | British Virgin Islands | Selling of mobile phones | - | - | - | 100% | - | - | 100% | - | Investment gain(losses) recognized by Forever | 〃 |
| Panpal | Arcadyan | Hsinchu City | Telecommunication equipment and apparatus manufacturing, electronic parts and components manufacturing, restrained telecom radio frequency equipments and materials import and manufacturing | 180,968 | 180,968 | 6,827 | 4% | 383,533 | 6,827 | 4% | 1,357,473 | Investment gain(losses) recognized by Panpal | 〃 |
| | Allied Circuit | Taoyuan City | Production and selling of PCB boards | 148,263 | 148,263 | 2,927 | 6% | 80,513 | 2,927 | 6% | 162,631 | 〃 | |
| | Others | | | | | | | 849,306 | | | | | |
| Gempal | Arcadyan | Hsinchu City | Telecommunication equipment and apparatus manufacturing, electronic parts and components manufacturing, restrained telecom radio frequency equipments and materials import and manufacturing | 203,500 | 203,500 | 7,846 | 4% | 464,689 | 7,846 | 4% | 1,357,473 | Investment gain(losses) recognized by Gempal | (Note 2) |
| | Allied Circuit | Taoyuan City | Production and selling of PCB boards | 53,645 | 53,645 | 3,220 | 6% | 88,564 | 3,220 | 6% | 162,631 | 〃 | |
| | Others | | | | | | | 4,218 | | | | | |
| Just | CDH (HK) | Hong Kong | Investment | 2,009,094 (US$62,298) | 2,009,094 (US$62,298) | 62,298 | 100% | 6,093,612 (US$188,949) | 62,298 | 100% | 771,300 (US$23,911) | Investment gain(losses) recognized by Just | (Note 2) |
| | CII | British Virgin Islands | Investment | 298,151 (US$9,245) | 298,151 (US$9,245) | 9,245 | 100% | 281,609 (US$8,732) | 9,245 | 100% | (15,416) (US$(478)) | 〃 | 〃 |

(Continued)

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

| Investor Company | Investee Company | Location | Main Businesses and Products | Original Investment Amount December 31, 2016 | Original Investment Amount December 31, 2015 | Ending Balance Shares | Ending Balance Percentage of Ownership | Ending Balance Carrying Value | The highest holdings in the period Shares/ Units (thousands) | The highest holdings in the period Holding percentage (%) | Net income (losses) of investee | Share of profits/losses of investee | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Just | CPI | British Virgin Islands | Sales of monitors, LCD TVs and related components. | 16,125 (US$500) | 16,125 (US$500) | 500 | 100% | 942,102 (US$29,212) | 500 | 100% | - (US$-) | Investment gain(losses) recognized by Just | (Note 2) |
| CII | AEI | U.S.A | Sales and maintenance of LCD TVs | 32,250 (US$1,000) | 32,250 (US$1,000) | 1,000 | 100% | 67,290 (US$2,087) | 1,000 | 100% | 10,579 (US$328) | Investment gain(losses) recognized by CII | 〃 |
| | MEL | U.S.A | Investment | 265,547 (US$8,234) | 265,547 (US$8,234) | - | 100% | 287,366 (US$8,911) | - | 100% | (12,203) (US$(378)) | 〃 | 〃 |
| | MTL | U.S.A | Investment | 32 (US$1) | 32 (US$1) | - | 100% | 32 (US$1) | - | 100% | - (US$-) | 〃 | 〃 |
| | Smart | British Virgin Islands | Sales of electronic products and related components | 32 (US$1) | 32 (US$1) | 1 | 100% | 442 (US$14) | 1 | 100% | (11) (US$-) | 〃 | 〃 |
| MEL and MTL | CMX | Mexico | Manufacturing, sales and maintenance of LCD TVs | 259,613 (US$8,050) | 259,613 (US$8,050) | 32,903 | 100% | 287,366 (US$8,911) | 32,903 | 100% | (12,203) (US$(378)) | Investment gain(losses) recognized by MEL and MTL | 〃 |
| CIH | CIH (HK) | Hong Kong | Investment | 2,412,381 (US$74,803) | 2,412,381 (US$74,803) | 74,803 | 100% | 29,952,501 (US$928,760) | 74,803 | 100% | 2,325,033 (US$72,077) | Investment gain(losses) recognized by CIH | 〃 |
| | Jenpal | British Virgin Islands | Investment | 237,038 (US$7,350) | 237,038 (US$7,350) | 7,350 | 100% | 105,849 (US$3,282) | 7,350 | 100% | 1,496 (US$46) | 〃 | 〃 |
| | CCM | British Virgin Islands | Investment | 164,475 (US$5,100) | 164,475 (US$5,100) | 5,100 | 51% | 62,571 (US$1,940) | 5,100 | 51% | 2,834 (US$88) | 〃 | 〃 |
| | PFG | British Virgin Islands | Sales of notebook PCs and related components | 32 (US$1) | 32 (US$1) | 1 | 100% | 442,880 (US$13,733) | 1 | 100% | - (US$-) | 〃 | 〃 |
| | FWT | British Virgin Islands | Investment | 287,025 (US$8,900) | 283,800 (US$8,800) | 8,900 | 100% | 287,025 (US$8,900) | 8,900 | 100% | - (US$-) | 〃 | 〃 |
| Hong Ji | Arcadyan | Hsinchu City | Telecommunication equipment and apparatus manufacturing, electronic parts and components manufacturing, restrained telecom radio frequency equipments and materials import and manufacturing | 203,500 | 203,500 | 7,846 | 4% | 464,689 | 7,846 | 4% | 1,357,473 | Investment gain(losses) recognized by Hong Ji | 〃 |
| | Allied Circuit | Taoyuan City | Production and selling of PCB boards | 12,274 | 12,274 | 1,041 | 2% | 22,673 | 1,041 | 2% | 162,631 | 〃 | |
| Hong Jin | Arcadyan | Hsinchu City | Telecommunication equipment and apparatus manufacturing, electronic parts and components manufacturing, restrained telecom radio frequency equipments and materials import and manufacturing | 112,569 | 112,569 | 4,340 | 2% | 236,456 | 4,340 | 2% | 1,357,473 | Investment gain(losses) recognized by Hong Jin | (Note 2) |
| Arcadyan | Arcadyan Holding | British Virgin Islands | Investment | 962,291 | 1,479,091 | 23,780 | 100% | 837,009 | 40,780 | 100% | 125,946 | Investment gain(losses) recognized by Arcadyan | 〃 |
| | Arcadyan USA | U.S.A | Sales of wireless network products | 23,055 | 23,055 | 1 | 100% | 56,477 | 1 | 100% | 5,145 | 〃 | 〃 |
| | Arcadyan Germany | Germany | Technology support of wireless network products | 1,125 | 1,125 | 0.5 | 100% | 47,254 | 0.5 | 100% | 5,599 | 〃 | 〃 |
| | Arcadyan Korea | Korea | Sales of wireless network products | 2,879 | 2,879 | 20 | 100% | 2,225 | 20 | 100% | 863 | 〃 | 〃 |
| | Zhi-Bao | Taipei City | Investment | 48,000 | 48,000 | 30,000 | 100% | 399,508 | 30,000 | 100% | 63,276 | 〃 | 〃 |
| | TTI | Taipei City | R&D and sales of household digital products | 296,429 | 287,786 | 24,474 | 60% | 519,049 | 24,474 | 60% | 19,242 | 〃 | 〃 |
| | AcBel Telecom | Taipei City | Investment | 23,000 | 23,000 | 3,652 | 51% | 40,281 | 3,652 | 51% | 15,822 | Investment gain(losses) recognized by Arcadyan | 〃 |
| | Golden Smart Home Technology Corp. | Taipei City | Selling of hardware and software integration of high-tech systems | 15,692 | 6,961 | 1,229 | 22% | 5,738 | 1,229 | 22% | (3,185) | 〃 | |
| | Arcadyan Brasil | Brazil | Sales of wireless network products | 81,265 | 81,265 | 965 | 99% | 65,710 | 965 | 99% | (29,851) | 〃 | (Note 2) |
| | Arcadyan UK | UK | Technical support of wireless network products | 1,980 | - | 50 | 100% | 2,052 | 50 | 100% | 73 | 〃 | 〃 |
| | CBN | Hsinchu county | R&D and sales of communication and electronic components | 214,875 | - | 8,735 | 16% | 219,723 | 8,735 | 16% | 133,949 | 〃 | 〃 |
| Arcadyan Holding | Sinoprime | British Virgin Islands | Sales of wireless network products | 1,613 (US$50) | 1,613 (US$50) | 50 | 100% | 1,547 (US$48) | 50 | 100% | 19 (US$1) | Investment gain(losses) recognized by Arcadyan Holding | 〃 |

(Continued)

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

| Investor Company | Investee Company | Location | Main Businesses and Products | Original Investment Amount | | Ending Balance | | | The highest holdings in the period | | Net income (losses) of investee | Share of profits/losses of investee | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | December 31, 2016 | December 31, 2015 | Shares | Percentage of Ownership | Carrying Value | Shares/ Units (thousands) | Holding percentage (%) | | | |
| Arcadyan Holding | Arch Holding | British Virgin Islands | Investment | 355,105 (US$11,011) | 355,105 (US$11,011) | 35 | 100% | 741,934 (US$23,006) | 35 | 100% | 117,466 (US$3,641) | Investment gain(losses) recognized by Arcadyan Holding | (Note 2) |
| TTI | Quest | Samoa | Investment | 38,700 (US$1,200) | 38,700 (US$1,200) | 1,200 | 100% | 49,999 | 1,200 | 100% | 1,714 | Investment gain(losses) recognized by TTI | 〃 |
| Quest | Exquisite | Samoa | Investment | 37,733 (US$1,170) | 37,733 (US$1,170) | 1,170 | 100% | 49,149 (US$1,524) | 1,170 | 100% | 1,742 (US$54) | Investment gain(losses) recognized by Quest | 〃 |
| AcBel Telecom | Leading Images | British Virgin Islands | Investment | 1,613 (US$50) | 1,613 (US$50) | 50 | 100% | 74,577 | 50 | 100% | 15,101 | Investment gain(losses) recognized byAcBel Telecom | (Note 2) |
| | Great Arch | British Virgin Islands | Sales of wireless network products | 1,613 (US$50) | 1,613 (US$50) | 50 | 100% | 1,601 | 50 | 100% | 66 | 〃 | 〃 |
| Leading Images | Astoria GmbH | Germany | Sales of wireless network products | 848 (EUR25) | 848 (EUR25) | 25 | 100% | 74,219 (US$2,301) | 25 | 100% | 15,101 (US$468) | Investment gain(losses) recognized by Leading Images | 〃 |
| Zhi-pal | CBN | Hsinchu county | R&D and sales of communication and electronic components | 48,000 | 48,000 | 15,650 | 29% | 393,669 | 15,650 | 29% | 133,949 | Investment gain(losses) recognized by Zhi-pal | 〃 |
| | Arcadyan Brasil | Brazil | Sales of wireless network products | 328 | 328 | 4 | 1% | 328 | 4 | 1% | (29,851) | 〃 | 〃 |
| HSI | IUE | British Virgin Islands | Investment | 967,500 (US$30,000) | 967,500 (US$30,000) | 30,000 | 100% | 569,716 (US$17,666) | 30,000 | 100% | (44,735) (US$(1,387)) | Investment gain(losses) recognized by H SI | 〃 |
| | Goal | British Virgin Islands | Investment | 409,575 (US$12,700) | 409,575 (US$12,700) | 12,700 | 100% | 312,855 (US$9,701) | 12,700 | 100% | (924) (US$(29)) | 〃 | 〃 |
| IUE | CVC | Vietnam | R&D, manufacturing, sales, and maintenance of notebook PCs, computer monitors, LCD TVs and electronic components | 967,500 (US$30,000) | 967,500 (US$30,000) | 30,000 | 100% | 595,637 (US$18,469) | 30,000 | 100% | (44,735) (US$(1,387)) | Investment gain(losses) recognized by IUE | 〃 |
| Goal | CDM | Vietnam | Construction of and investment in infrastructure in Ba-Thien industrial district of Vietnam | 409,575 (US$12,700) | 409,575 (US$12,700) | 12,700 | 100% | 374,361 (US$11,608) | 12,700 | 100% | (924) (US$(29)) | Investment gain(losses) recognized by Goal | 〃 |
| Rayonnant | APH | British Virgin Islands | Investment | 312,318 | 312,318 | 8,651 | 41% | 156,380 | 8,651 | 41% | (14,857) | Investment gain(losses) recognized by Rayonnant | 〃 |
| | Forming Co., Ltd. | Taoyuan City | R&D and manufacturing of electronic materials | 27,300 | 27,300 | 1,820 | 21% | - | 1,820 | 21% | (24,331) | 〃 | |
| CRH | APH | British Virgin Islands | Investment | 403,125 (US$12,500) | 403,125 (US$12,500) | 12,500 | 59% | 235,106 (US$7,290) | 12,500 | 59% | (14,857) (US$(461)) | Investment gain(losses) recognized by CRH | (Note 2) |
| HHT | HHA | British Virgin Islands | Investment | 1,429,235 | 1,429,235 | 46,882 | 100% | 632,079 | 46,882 | 100% | 67,843 | Investment gain(losses) recognized by HHT | 〃 |
| HHA | HHB | British Virgin Islands | Investment | 1,511,945 (US$46,882) | 1,511,945 (US$46,882) | 46,882 | 100% | 650,526 (US$20,171) | 46,882 | 100% | 67,831 (US$2,103) | Investment gain(losses) recognized by HHA | 〃 |
| HHB | HengHao Trading Co., Ltd. | British Virgin Islands | Marketing and international trade | 323 (US$10) | 323 (US$10) | 10 | 100% | 338 (US$10) | 10 | 100% | 8 (US$-) | Investment gain(losses) recognized by HHB | 〃 |
| CPE | CEE | Poland | Manufacturing, sales and maintenance of LCD TVs | - | 206,288 (US$6,397) | - | - | - | 2,227 | 100% | 26,152 (US$811) | Investment gain(losses) recognized by CPE | (Notes 2 and 3) |
| CBN | Speedlink | British Virgin Islands | Import and export business | 1,514 | 1,514 | 50 | 100% | 1,656 | 50 | 100% | 29 | Investment gain(losses) recognized by CBN | (Note 2) |
| FGH | Wah Yuen Technology Holding Ltd. and its subsidiaries | Mauritius | Investment | 2,894,615 (US$89,755) | 2,894,615 (US$89,755) | 95,862 | 37% | 4,101,571 (US$127,180) | 95,862 | 37% | 1,049,954 (US$32,549) | Investment gain(losses) recognized by FGH | |
| CORE | BSH | British Virgin Islands | Investment | 4,740,750 (US$147,000) | 4,740,750 (US$147,000) | 147,000 | 100% | 5,147,629 (US$159,616) | 147,000 | 100% | 400,455 (US$12,414) | Investment gain(losses) recognized by CORE | (Note 2) |

(Continued)

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

| Investor Company | Investee Company | Location | Main Businesses and Products | Original Investment Amount | | Ending Balance | | | The highest holdings in the period | | Net income (losses) of investee | Share of profits/losses of investee | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | December 31, 2016 | December 31, 2015 | Shares | Percentage of Ownership | Carrying Value | Shares/ Units (thousands) | Holding percentage (%) | | | |
| BSH | LCFC | Hong Kong | Investment and trading | 4,630,133 (US$143,570) | 4,630,133 (US$143,570) | 147,000 | 49% | 5,147,629 (US$159,616) | 147,000 | 49% | 854,934 (US$26,503) | Investment gain(losses) recognized by BSH | |
| APH | PEL | British Virgin Islands | Investment | 101,620 (US$3,151) | 101,620 (US$3,151) | 3,151 | 100% | 56,371 (US$1,748) | 3,151 | 100% | 42,241 (US$1,309) | Investment gain(losses) recognized by APH | (Note 2) |
| | Rayonnant (HK) | Hong Kong | Investment | 580,500 (US$18,000) | 580,500 (US$18,000) | 18,000 | 100% | 326,422 (US$10,122) | 18,000 | 100% | (57,038) (US$(1,768)) | 〃 | 〃 |
| BCI | CMI | British Virgin Islands | Investment | 2,606,445 (US$80,820) | 2,606,445 (US$80,820) | 80,820 | 100% | 3,628,463 (US$112,510) | 80,820 | 100% | (45,908) (US(1,423)) | Investment gain(losses) recognized by BCI | 〃 |
| | PRI | British Virgin Islands | Investment | 322,500 (US$10,000) | 322,500 (US$10,000) | 10,000 | 100% | 1,936,924 (US$60,060) | 10,000 | 100% | 179,320 (US$5,559) | 〃 | 〃 |
| GLB | Rapha | New Taipei City | Detectors and test strip | 15,000 | - | 1,275 | 100% | 13,865 | 1,275 | 100% | (2,112) | Investment gain(losses) recognized by GLB | 〃 |

Note 1: The carrying value had been deducted $559, 812 and $321, 435 of the Company's stock held by Panpal and Gempal, respectively.
Note 2: The transactions had been eliminated in the consolidated financial statements.
Note 3: CEE had been sold in December 2016.

(c) Information on investment in mainland China:

(i) The names of investees in Mainland China, the main businesses and products, and other information:

(In Thousands of New Taiwan Dollars)

| Name of investee | Main businesses and products | Total amount of paid-in capital (Note 2) | Method of investment | Accumulated outflow of investment from Taiwan as of January 1, 2015 (Note 2) | Investment flows | | Accumulated outflow of investment from Taiwan as of December 31, 2016 (Note 2) | Net income (losses) of the investee | Percentage of ownership | The highest holding in the period | | Investment income (losses) | Book value | Accumu-latedremittance of earnings in current period |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Outflow | Inflow | | | | Shares/ Units (thousands) | Holding percentage (%) | | | |
| CPC | Manufacturing and sales of monitors | 1,193,250 (US$37,000) | (Note 1) | 1,193,250 (US$37,000) | - | - | 1,193,250 (US$37,000) | 257,840 (US$7,993) | 100 % | - | 100 % | 257,840 (US$7,993) | 2,722,494 (US$84,418) | - |
| CDT | Manufacturing and sales of notebook PCs, mobile phones, and Digital products | 645,000 (US$20,000) | (Note 2) | 645,000 (US$20,000) | - | - | 645,000 (US$20,000) | (25,162) (US$(780)) | 100 % | - | 100 % | (25,162) (US$(780)) | 269,241 (US$8,349) | - |
| CET | Manufacturing of notebook PCs | 387,000 (US$12,000) | (Note 2) | 387,000 (US$12,000) | - | - | 387,000 (US$12,000) | (420,026) (US$(13,021)) | 100 % | - | 100 % | (394,884) (US$(12,242)) | 4,505,789 (US$139,714) | - |
| BT | Manufacturing of notebook PCs | 32,250 (US$1,000) | (Note 2) | 32,250 (US$1,000) | - | - | 32,250 (US$1,000) | (52,203) (US$(1,618)) | 100 % | - | 100 % | (52,203) (US$(1,618)) | (32,437) (US$(1,006)) | - |
| CGS | Maintenance and warranty service of notebook PCs | 9,272 (RMB2,000) | (Note 2) | (Note 3) | - | - | - | (22,605) (US$(701)) | 100 % | - | 100 % | (22,605) (US$(701)) | (32,624) (US$(1,012)) | - |
| LIZ Electronics (Kunshan) Co., Ltd. | Production and processing chip-resistors, ceramic capacitors, diodes, and other latest electronic components and related precision electronic equipment; selling self-produced products | 1,032,000 (US$32,000) | (Note 1) | 429,893 (US$13,330) | - | - | 429,893 (US$13,330) | 85,776 (US$2,659) | 43 % | - | 43 % | 37,038 (US$1,148) | 308,891 (US$9,578) | - |
| LIZ Electronics (Nantong) Co., Ltd. | Research & development, and manufacturing chip components( chip resistors, ceramic chip diode ; selling self-produced products and providing after-sales service. Performing wholesale and trading business of electronic components, semiconductors, special materials for electronic components, and spare parts | 338,883 (US$10,508) | (Note 1) | 47,408 (US$1,470) | - | - | 47,408 (US$1,470) | (4,805) (US$(149)) | 48 % | - | 48 % | (2,300) (US$(71)) | 151,317 (US$4,692) | - |
| Zheng Ying Electronics (Chongqing) Co., Ltd. | Research & development, and manufacturing latest electronic components, precision cavity mold, design and manufacturing for standard parts for molds, and selling self-produced products | 73,139 (RMB15,776) | (Note 2) | (Note 3) | - | - | - | (31,842) (RMB(6,556)) | 51 % | - | 51 % | (16,239) (RMB(3,343)) | (13,495) (RMB(2,911)) | - |

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

| Name of investee | Main businesses and products | Total amount of paid-in capital (Note 2) | Method of investment | Accumulated outflow of investment from Taiwan as of January 1, 2015 (Note 2) | Investment flows: Outflow | Investment flows: Inflow | Accumulated outflow of investment from Taiwan as of December 31, 2016 (Note 2) | Net income (losses) of the investee | Percentage of ownership | The highest holding in the period: Shares/ Units (thousands) | The highest holding in the period: Holding percentage (%) | Investment income (losses) | Book value | Accumu-latedremittance of earnings in current period |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| CIC | Manufacturing of notebook PCs | 387,000 (US$12,000) | (Note 2) | 387,000 (US$12,000) | - | - | 387,000 (US$12,000) | 527,719 (US$16,360) | 100 % | - | 100 % | 600,742 (US$18,623) | 6,576,827 (US$203,933) | - |
| CPO | Manufacturing and sales of LCD TVs | 390,225 (US$12,100) | (Note 1) | 390,225 (US$12,100) | - | - | 390,225 (US$12,100) | 47,797 (US$1,482) | 100 % | - | 100 % | 47,797 (US$1,482) | 2,845,189 (US$88,223) | - |
| CIT | Manufacturing of notebook PCs | 774,000 (US$24,000) | (Note 2) | 774,000 (US$24,000) | - | - | 774,000 (US$24,000) | 1,958,735 (US$60,722) | 100 % | - | 100 % | 2,045,770 (US$63,420) | 18,478,884 (US$572,989) | - |
| LCFC (Hefei) Electronics Technology Co., Ltd. | Manufacturing and selling of personal computers and related components, and providing related maintenance and after-sales service | 8,546,250 (US$265,000) | (Note 1) | 4,187,663 (US$129,850) | - | - | 4,187,663 (US$129,850) | 780,148 (US$24,185) | 49 % | - | 49 % | 382,272 (US$11,851) | 4,522,885 (US$140,244) | - |
| CST | International trade and distribution of computers and electronic components | 45,150 (US$1,400) | (Note 2) | 45,150 (US$1,400) | - | - | 45,150 (US$1,400) | (2,296) (US$(71)) | 100 % | - | 100 % | (2,296) (US$(71)) | 50,370 (US$1,562) | - |
| CIN | Software and hardware R&D of computers, mobile phones and electronic components | 64,500 (US$2,000) | (Note 2) | 64,500 (US$2,000) | - | - | 64,500 (US$2,000) | (58) (US$(2)) | 100 % | - | 100 % | (58) (US$(2)) | 917 (US$28) | - |
| Sheng Bao Precision Electronics (Taicang) Co., Ltd. | Research & development, and manufacturing latest electronic components, precision cavity mold, design and manufacturing for standard parts for molds, and selling self-produced products" | 322,500 (US$10,000) | (Note 2) | 164,475 (US$5,100) | - | - | 164,475 (US$5,100) | 2,501 (US$78) | 51 % | - | 51 % | 1,276 (US$40) | 60,680 (US$1,882) | - |
| CIJ | Investment and consulting services | 503,100 (US$15,600) | (Note 2) | 503,100 (US$15,600) | - | - | 503,100 (US$15,600) | 618,788 (US$19,183) | 100 % | - | 100 % | 618,788 (US$19,183) | 628,839 (US$19,499) | - |
| CDE | Manufacturing and sales of LCD TVs | 483,750 (US$15,000) | (Note 2) | (Note 3) | - | - | - | 494,019 (US$15,315) | 100 % | - | 100 % | 494,019 (US$15,315) | 346,454 (US$10,743) | - |
| CIS | Outward investment and consulting services | 2,606,445 (US$80,820) | (Note 1) | 2,606,445 (US$80,820) | - | - | 2,606,445 (US$80,820) | (45,908) (US$(1,423)) | 100 % | - | 100 % | (45,908) (US$(1,423)) | 3,628,463 (US$112,510) | - |
| CEC | R&D and manufacturing of notebook PCs, tablet PCs, digital products, network switches, wireless AP, and automobile electronic products | 2,580,000 (US$80,000) | (Note 2) | (Note 3) | - | - | - | 204,365 (US$6,335) | 100 % | - | 100 % | 204,365 (US$6,335) | 3,571,593 (US$110,747) | - |
| CMC | Corporate management consulting, financial and tax consulting, investment consulting, and investment management consulting services | 25,800 (US$800) | (Note 2) | (Note 3) | - | - | - | 1,412 (US$44) | 100 % | - | 100 % | 1,412 (US$44) | 25,414 (US$788) | - |
| CEQ | R&D, manufacturing and sales of notebook PCs and related components. Also provides related maintenance and warranty services | 322,500 (US$10,000) | (Note 1) | 322,500 (US$10,000) | - | - | 322,500 (US$10,000) | 179,320 (US$5,559) | 100 % | - | 100 % | 179,320 (US$5,559) | 1,936,924 (US$60,060) | - |
| Compal Precision Module (Jiangsu) Co., Ltd. | Manufacturing and selling of magnesium alloy injection molding | 13,222,500 (US$410,000) | (Note 2) | 2,664,721 (US$82,627) | - | - | 2,664,721 (US$82,627) | 397,391 (US$12,319) | 37 % | - | 37 % | 145,525 (US$4,511) | 5,366,670 (US$166,408) | - |
| Changbao Electronic Technology (Chongqing) Co., Ltd. | Production and marketing of magnesium alloy molding | 1,935,000 (US$60,000) | (Note 2) | 369,456 (US$11,456) | - | - | 369,456 (US$11,456) | 461,486 (US$14,306) | 37 % | - | 37 % | 168,996 (US$5,239) | 901,025 (US$27,939) | - |
| Rayonnant (Taicang) | Manufacturing and sales of aluminum alloy and magnesium alloy products | 580,500 (US$18,000) | (Note 2) | 403,125 (US$12,500) | - | - | 403,125 (US$12,500) | (56,902) (US$(1,764)) | 100 % | - | 100 % | (56,902) (US$(1,764)) | 327,049 (US$10,141) | - |
| CCI Nanjing | Manufacturing and processing of mobile phones and tablet PCs | 709,500 (US$22,000) | (Note 1) | 709,500 (US$22,000) | - | - | 709,500 (US$22,000) | (318,802) (US$(9,883)) | 100 % | - | 100 % | (318,802) (US$(9,883)) | (969,596) (US$(30,065)) | - |
| CDCN | Manufacturing and processing of mobile phones and tablet PCs | 187,050 (US$5,800) | (Note 1) | 187,050 (US$5,800) | - | - | 187,050 (US$5,800) | (22,193) (US$(688)) | 100 % | - | 100 % | (22,193) (US$(688)) | 83,044 (US$2,575) | - |
| CWCN | Manufacturing and processing of mobile phones and tablet PCs | 935,250 (US$29,000) | (Note 1) | 612,750 (US$19,000) | - | - | 612,750 (US$19,000) | (119,063) (US$(3,691)) | 100 % | - | 100 % | (119,063) (US$(3,691)) | 486,298 (US$15,079) | - |
| Hanlelt | R&D and manufacturing of electronic communication equipment | 64,500 (US$2,000) | (Note 1) | 64,500 (US$2,000) | - | - | 64,500 (US$2,000) | 452 (US$14) | 100 % | - | 100 % | 452 (US$14) | (935) (US$(29)) | - |

(Continued)

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

| Name of investee | Main<br>Main businesses and products | Total amount of paid-in capital (Note 2) | Method of investment | Accumulated outflow of investment from Taiwan as of January 1, 2015 (Note 2) | Investment flows | | Accumulated outflow of investment from Taiwan as of December 31, 2016 (Note 2) | Net income (losses) of the investee | Percentage of ownership | The highest holding in the period | | Investment income (losses) | Book value | Accumu-latedremittance of earnings in current period |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Outflow | Inflow | | | | Shares/ Units (thousands) | Holding percentage (%) | | | |
| Arcadyan | | | | | | | | | | | | | | |
| SVA Arcadyan | R&D and sales of wireless network products | 422,475 (US$13,100) | (Note 1) | 594,045 (US$18,420) (Note 7) | - | - | 594,045 (US$18,420) | 3,566 (US$111) | 100 % | - | 100 % | 3,566 (US$111) | 119,185 (US$3,696) | - |
| CNC | Manufacturing and wireless network products | 401,513 (US$12,450) | (Note 1) | 355,105 (US$11,011) (Note 8) | - | - | 355,105 (US$11,011) | 117,466 (US$3,641) | 100 % | - | 100 % | 117,466 (US$3,641) | 741,928 (US$23,006) | - |
| THAC | Manufacturing of household electronics products | 108,038 (US$3,350) | (Notes 1、10) | 37,088 (US$1,150) | - | - | 37,088 (US$1,150) | 1,774 (US$55) | 100 % | - | 100 % | 1,774 (US$55) | 48,601 (US$1,507) | - |
| HengHao | | | | | | | | | | | | | | |
| HengHao Optoelectronic Technology (Kunshan) Co., Ltd. ("Heng Hao Kunshan") | Production of touch panels and related components | 1,290,000 (US$40,000) | (Note 1) | 1,283,647 (US$39,803) | - | - | 1,283,647 (US$39,803) | 93,224 (US$2,890) | 100 % | - | 100 % | 93,224 (US$2,890) | 490,565 (US$15,211) | - |
| Lucom Display Technolgy (Kunshan) Limited ("Lucom") | Manufacturing of notebook PCs and related modules | 483,750 (US$15,000) | (Note 2) | 209,593 (US$6,499) (Note 12) | - | - | 209,593 (US$6,499) | (25,401) (US$(787)) | 100 % | - | 100 % | (25,401) (US$(787)) | 141,498 (US$4,388) | - |

(ii) Limitation on investment in Mainland China:

| Names of Company | Accumulated Investment in Mainland China as of December 31, 2016 | Investment Amounts Authorized by Investment Commission of Ministry of Economic Affairs | Limitation on investment in Mainland China by Investment Commission of Ministry of Economic Affairs |
|---|---|---|---|
| The Company | 17,561,318 (USD 544,537) (Note 5) | 24,019,994 (USD 744,806) | (Note 6) |
| Arcadyan | 986,237 (USD 30,581) | 986,237 (USD 30,581) | 5,220,767 |
| HengHao | 1,511,623 (USD 46,872) | 1,608,373 (USD 49,872) | 1,288,939 |

Note 1: Indirectly investment in Mainland China through companies registered in the third region.

Note 2: Indirectly investment in Mainland China through an existing company registered in the third region.

Note 3: Investees held by Kunshan Botai Electronics Co., Ltd. ("BT"), Compal Investment (Jiansu) Co., Ltd. ("CIJ"), Compal Electronic (Sichuan) Co., Ltd. ("CIS"), Compal Electronics Technology (Kunshan) Co., Ltd.("CET"), and Compal Electronics (China) Co., Ltd. ("CPC") through their own funds.

Note 4: The investment income (loss) was determined based on the financial report audited by CPA.

Note 5: Including the investment amount of sold or dissolved Beijing Compower Xuntong Electronic Technology CO., LTD, VAP Optoelectronics (NanJing) Corp., Flextronics Technology (Shanghai) Ltd, Lucom and the increased investment amount form merging with Ltd., Compal Communication Co., Ltd.

Note 6: As the Company has obtained the certificate of being qualified for operating headquarters, issued by Industrial Development Bureau, MOEA, the upper limit on investment in mainland China is not applicable.

Note 7: Arcadyan paid US$18,420 thousands and acquired 100% shares of SVA Arcadyan from Accton Asia through Arcadyan Holding in 2010.

Note 8: Arcadyan paid US$8,561 thousands and acquired 100% shares of CNC from Just through Arcadyan Holding in 2007.

Note 9: SVA Arcadyan decreased its capital amounting to US$15,000 thousands to offset accumulated losses in March 2009.

Note 10: Arcadyan's subsidiary TTI obtained the control over THAC with US$1,150 thousands on February 28, 2013 (the date of stock transferring).

Note 11: The amounts in New Taiwan Dollars were translated at the exchange rates at the balance sheet date or the average exchange rate.

Note 12: The Company had an accumulated investment amounting to US$7,350 thousands in the previous years. In the first half of 2014, HengHao paid the Company and LG US$3,184 thousands and US$3,315 thousands, respectively, for organization restructure, to obtain 100% ownership of Lucom.

(Continued)

(iii) Significant transactions:

The significant inter-company transactions with the subsidiary in Mainland China, which were eliminated in the preparation of consolidated financial statements, are disclosed in "Information on significant transactions".

**(14) Segment information:**

(a) General information

The Group's information technology product segment is primarily engaged in the development, manufacture and sale of information technology products and mobile communication products. The strategy integrate product segment is primarily engaged in the research, development, manufacture and sale of networking products.

(b) Reportable segments and operating segment information

Accounting policies for the operating segments correspond to those stated in note 4. The profit and loss of the operating segment of the Group is measured by earnings before taxes and as the basis for performance measurement. The amount of the Group's reportable segments consistent with the report that the operating decision maker used, and the Group does not allocate assets and liabilities to the reportable segments for the purpose of operating decisions to measure assets and liabilities of segments.

The operating segment information was as follows:

| | For the year ended December 31, 2016 | | | |
|---|---|---|---|---|
| | **Information technology product segment** | **Strategy Integrate product segment** | **Adjustment and elimination** | **Total** |
| **Revenue** | | | | |
| Revenue from external customers | $ 742,899,556 | 23,910,479 | - | 766,810,035 |
| Interest revenue | 554,641 | 7,256 | - | 561,897 |
| Total revenue | **$ 743,454,197** | **23,917,735** | **-** | **767,371,932** |
| Interest expense | $ 937,996 | 8,897 | - | 946,893 |
| Depreciation and amortization | 5,426,590 | 241,522 | - | 5,668,112 |
| Investment gain (loss) | 1,075,170 | (3,185) | - | 1,071,985 |
| Other significant non-cash items: | | | | |
| Impairment of assets | (175,129) | (64,860) | - | (239,989) |
| **Reportable segment profit** | **$ 10,178,581** | **1,634,764** | **-** | **11,813,345** |

(Continued)

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

| | For the year ended December 31, 2016 | | | |
|---|---|---|---|---|
| | Information technology product segment | Strategy Integrate product segment | Adjustment and elimination | Total |
| **Reportable segment assets** | | | | $ 347,016,111 |
| **Reportable segment liabilities** | | | | $ 234,732,296 |

| | For the year ended December 31, 2015 | | | |
|---|---|---|---|---|
| | Information technology product segment | Strategy Integrate product segment | Adjustment and elimination | Total |
| **Revenue** | | | | |
| Revenue from external customers | $ 827,330,697 | 19,975,001 | - | 847,305,698 |
| Interest revenue | 588,495 | 11,269 | - | 599,764 |
| Total revenue | **$ 827,919,192** | **19,986,270** | **-** | **847,905,462** |
| Interest expense | $ 882,470 | 17,232 | - | 899,702 |
| Depreciation and amortization | 5,688,264 | 236,346 | - | 5,924,610 |
| Investment gain (loss) | 370,201 | (3,039) | - | 367,162 |
| Other significant non-cash items: | | | | |
| Impairment of assets | (121,574) | - | - | (121,574) |
| **Reportable segment profit** | **$ 11,116,893** | **675,200** | **-** | **11,792,093** |
| **Reportable segment assets** | | | | $ 327,925,575 |
| **Reportable segment liabilities** | | | | $ 218,327,459 |

(c) Products information

The information of revenue from external customers:

| **Products and services** | **2016** | **2015** |
|---|---|---|
| 5C products | $ 762,538,095 | 843,231,397 |
| Others | 4,271,940 | 4,074,301 |
| | **$ 766,810,035** | **847,305,698** |

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

(d) Geographic information

Stated below are the geographic information on the Group's sales presented by destination of sales and non-current assets presented by location.

(i) Revenue from external customers:

| Country | 2016 | 2015 |
|---|---|---|
| United States | $ 257,667,548 | 268,176,190 |
| China | 136,216,019 | 131,853,704 |
| Netherlands | 70,496,473 | 68,073,245 |
| United Kingdom | 31,448,362 | 36,653,893 |
| Japan | 27,706,341 | 37,584,412 |
| Others | 243,275,292 | 304,964,254 |
| | **$ 766,810,035** | **847,305,698** |

(ii) Non-current assets:

| Country | 2016 | 2015 |
|---|---|---|
| China | $ 13,482,424 | 15,823,532 |
| Taiwan | 8,498,444 | 9,235,234 |
| Others | 1,248,599 | 1,700,858 |
| | **$ 23,229,467** | **26,759,624** |

Non-current assets include plant, property, and equipment, intangible assets, and other assets, excluding deferred tax assets.

(e) The details of sales revenue from external customers more than 10% of the amount of consolidated statement of comprehensive income are as follows:

| | 2016 | 2015 |
|---|---|---|
| D Company | $ 306,571,029 | 288,523,817 |
| A Company | 119,219,545 | 133,830,636 |
| F Company | 95,357,708 | 97,984,283 |
| E Company | 93,254,993 | 103,644,690 |
| | **$ 614,403,275** | **623,983,426** |