

## **Independent Auditors' Report**

To the Board of Directors  
Compal Electronics, Inc.:

We have reviewed the accompanying consolidated balance sheets of Compal Electronics, Inc. and subsidiaries as of March 31, 2014, and 2013, the consolidated statements of comprehensive income, changes in stockholders' equity and cash flows for the three months ended March 31, 2014 and 2013. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these consolidated financial statements based on our review.

Except as described in the following two paragraphs, we conducted our review in accordance with the guidelines of ROC Statement on Auditing Standards No. 36, "Engagements to Review Financial Statements". Those guidelines require that we plan and perform the review, consisting principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Republic of China and with the objective of expressing an opinion regarding the consolidated financial statements taken as a whole. Accordingly, we do not express such an opinion.

Also included in the accompanying consolidated financial statements are the financial statements of certain consolidated subsidiaries, which were not reviewed by independent auditors. These consolidated subsidiaries reflect total assets amounting to \$ 31,321,016,000 and \$72,659,594,000, constituting 9.7% and 23.8% of consolidated totals, as of March 31, 2014 and 2013, respectively. The total liabilities of these subsidiaries amounting to \$ 10,133,098,000 and \$53,851,961,000, constituting 4.5% and 28.8% of the consolidated totals, as of March 31, 2014 and 2013, respectively. The comprehensive income (loss) of these subsidiaries amounting to \$502,621,000 and \$382,053,000, constituting (57.7) % and 10.3% of the consolidated totals, for the three months ended March 31, 2014 and 2013, respectively.

Except as described in the third paragraph, the investments accounted for using equity method amounting to \$3,271,492,000 as of March 31, 2013, and the related share of loss of associates and joint ventures accounted for using equity method amounting to 442,120,000 recognized for the three months ended March 31, 2013, were based on the investees' financial statements without review procedures conducted by independent auditors.

Based on our review, we are not aware of any modifications that should be made, in any material respects, except for the effects of the adjustments, if any, that might have emerged had the financial statements of the said consolidated subsidiaries and the investees accounted for using equity method been reviewed by independent auditors, to the accompanying consolidated financial statements described in the first paragraph for them to be in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standards No. 34, "Interim Financial Reporting" which are endorsed by the Financial Supervisory Commission.

As stated in note 6(c) of the consolidated financial statements, Compal Electronics, Inc. and its subsidiaries recognized an impairment loss of \$4,730,000,000 on the equity investment in Chunghwa Picture Tube, Ltd. for the three months ended March 31, 2014.

May 13, 2014

The accompanying financial statements are intended only to present the financial position, results of operations, and cash flows in accordance with the International Financial Reporting Standards, International Accounting Standards and interpretations endorsed by the Financial Supervisory Commissions in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in the Republic of China.

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

**COMPAL ELECTRONICS, INC. AND SUBSIDIARIES**

**Consolidated Balance Sheets (the amounts as of March 31, 2014 and 2013 are unaudited)**

**March 31, 2014, and December 31 and March 31, 2013  
(expressed in thousands of New Taiwan dollars)**

Assets	March 31, 2014		December 31, 2013		March 31, 2013		Liabilities and equity	December 31, 2014		December 31, 2013		January 1, 2012	
	Amount	%	Amount	%	Amount	%		Amount	%	Amount	%	Amount	%
<b>Current assets:</b>							<b>Current liabilities:</b>						
Cash and cash equivalents	\$ 49,841,243	15.5	46,965,852	14.0	43,498,383	14.2	Short-term borrowings	\$ 45,938,736	14.3	51,971,767	15.5	31,214,020	10.2
Current financial assets at fair value through profit or loss	151,934	0.1	83,772	-	40,009	-	Current financial liabilities at fair value through profit or loss	69,742	-	11,382	-	15,208	-
Current available-for-sale financial assets	91,674	-	80,275	-	105,592	-	Notes and accounts payable	133,722,448	41.5	143,514,698	42.7	130,546,758	42.7
Current bond investment without active market	1,745,000	0.5	1,745,000	0.5	-	-	Notes and accounts payable to related parties	1,742,476	0.5	1,944,703	0.6	2,380,148	0.8
Notes and accounts receivable, net	161,697,049	50.1	183,481,024	54.6	155,303,196	50.8	Other payables	15,776,296	4.9	15,601,065	4.6	11,854,534	3.9
Notes and accounts receivable due from related parties, net	221,443	0.1	214,854	0.1	231,712	0.1	Current tax liabilities	1,623,844	0.5	1,006,058	0.3	1,549,044	0.5
Other receivables	1,290,023	0.4	830,638	0.3	660,395	0.2	Current provisions	1,702,768	0.5	1,675,765	0.5	1,897,849	0.6
Inventories, net	58,699,909	18.2	51,219,127	15.2	50,746,355	16.6	Other current liabilities	3,288,556	1.0	2,559,650	0.8	3,697,242	1.2
Non-current assets classified as held for sale	1,000,000	0.3	1,000,000	0.3	-	-	Unearned revenue	2,015,962	0.6	1,889,019	0.6	1,704,355	0.6
Other current assets	2,358,272	0.7	1,760,278	0.5	1,593,653	0.5	Long-term borrowings, current portion	541,795	0.2	423,154	0.1	113,880	-
	<u>277,096,547</u>	<u>85.9</u>	<u>287,380,820</u>	<u>85.5</u>	<u>252,179,295</u>	<u>82.4</u>		<u>206,422,623</u>	<u>64.0</u>	<u>220,597,261</u>	<u>65.7</u>	<u>184,973,038</u>	<u>60.5</u>
<b>Non-current assets:</b>							<b>Non-current liabilities:</b>						
Investments accounted for using equity method	9,539,919	3.0	9,301,877	2.8	11,614,403	3.8	Long-term borrowings	17,783,406	5.5	14,107,367	4.2	627,380	0.2
Non-current available-for-sale financial assets	10,224,561	3.2	14,695,637	4.4	15,806,777	5.2	Deferred tax liabilities	689,229	0.2	678,587	0.2	639,958	0.2
Non-current financial assets at cost	6,588	-	6,588	-	15,000	-	Accrued pension liabilities	653,553	0.2	658,410	0.2	633,405	0.2
Non-current bond investment without active market	-	-	-	-	1,745,000	0.6	Other non-current liabilities	131,222	0.1	98,917	-	243,643	0.1
Property, plant and equipment	22,109,195	6.8	21,209,228	6.3	20,956,307	6.9		<u>19,257,410</u>	<u>6.0</u>	<u>15,543,281</u>	<u>4.6</u>	<u>2,144,386</u>	<u>0.7</u>
Intangible assets	1,214,052	0.4	1,293,643	0.4	1,355,815	0.5	<b>Total liabilities</b>	<u>225,680,033</u>	<u>70.0</u>	<u>236,140,542</u>	<u>70.3</u>	<u>187,117,424</u>	<u>61.2</u>
Deferred tax assets	1,208,164	0.4	1,174,203	0.3	959,241	0.3	<b>Equity attributable to owners of parent:</b>						
Other non-current financial assets	-	-	-	-	67,108	-	Ordinary shares	44,136,301	13.7	44,134,467	13.1	44,126,526	14.4
Long-term prepaid rents	719,059	0.2	707,261	0.2	709,803	0.2	Capital surplus	16,193,084	5.0	16,193,087	4.8	16,183,651	5.3
Other non-current assets	369,831	0.1	333,557	0.1	406,666	0.1	Retained earnings	40,421,160	12.5	44,260,834	13.2	56,410,284	18.5
	<u>45,391,369</u>	<u>14.1</u>	<u>48,721,994</u>	<u>14.5</u>	<u>53,636,120</u>	<u>17.6</u>	Other equity interest	(6,453,831)	(2.0)	(7,707,518)	(2.3)	(6,103,211)	(2.0)
							Treasury shares	(2,007,725)	(0.6)	(2,007,725)	(0.6)	(881,247)	(0.3)
								<u>92,288,989</u>	<u>28.6</u>	<u>94,873,145</u>	<u>28.2</u>	<u>109,736,003</u>	<u>35.9</u>
							<b>Non-controlling interests</b>	4,518,894	1.4	5,089,127	1.5	8,961,988	2.9
							<b>Total equity</b>	<u>96,807,883</u>	<u>30.0</u>	<u>99,962,272</u>	<u>29.7</u>	<u>118,697,991</u>	<u>38.8</u>
<b>Total assets</b>	<b>\$ <u>322,487,916</u></b>	<b><u>100.0</u></b>	<b><u>336,102,814</u></b>	<b><u>100.0</u></b>	<b><u>305,815,415</u></b>	<b><u>100.0</u></b>	<b>Total liabilities and equity</b>	<b>\$ <u>322,487,916</u></b>	<b><u>100.0</u></b>	<b><u>336,102,814</u></b>	<b><u>100.0</u></b>	<b><u>305,815,415</u></b>	<b><u>100.0</u></b>

See accompanying notes to the consolidated financial statements.

## COMPAL ELECTRONICS, INC. AND SUBSIDIARIES

### Consolidated statements of comprehensive income (Unaudited)

For the three months ended March 31, 2014 and 2013  
(expressed in thousands of New Taiwan dollars, except net income per share amounts)

	2014		2013	
	Amount	%	Amount	%
<b>Net sales revenue</b>	\$ 170,634,865	100.0	167,555,905	100.0
<b>Cost of sales</b>	<u>163,290,486</u>	<u>95.7</u>	<u>160,972,872</u>	<u>96.1</u>
<b>Gross profit</b>	<u>7,344,379</u>	<u>4.3</u>	<u>6,583,033</u>	<u>3.9</u>
<b>Operating expenses</b>				
Selling expenses	900,905	0.5	763,287	0.5
Administrative expenses	1,175,032	0.7	1,002,200	0.6
Research and development expenses	<u>2,964,320</u>	<u>1.8</u>	<u>2,731,664</u>	<u>1.6</u>
	<u>5,040,257</u>	<u>3.0</u>	<u>4,497,151</u>	<u>2.7</u>
<b>Net operating income</b>	<u>2,304,122</u>	<u>1.3</u>	<u>2,085,882</u>	<u>1.2</u>
<b>Non-operating income and expenses:</b>				
Other gains and losses	674,845	0.4	(73,743)	-
Finance costs	(238,668)	(0.1)	(130,188)	(0.1)
Other income	255,781	0.1	310,603	0.2
Miscellaneous disbursements	(2,131)	-	(2,905)	-
Impairment loss	(4,732,121)	(2.8)	-	-
Share of gain (loss) of associates and joint ventures accounted for using equity method	<u>270,225</u>	<u>0.2</u>	<u>(421,522)</u>	<u>(0.3)</u>
<b>Total non-operating income and expenses</b>	<u>(3,772,069)</u>	<u>(2.2)</u>	<u>(317,755)</u>	<u>(0.2)</u>
<b>Profit (loss) before tax</b>	(1,467,947)	(0.9)	1,768,127	1.0
<b>Less: tax expense</b>	<u>656,938</u>	<u>0.4</u>	<u>379,694</u>	<u>0.2</u>
<b>Profit (loss)</b>	<u>(2,124,885)</u>	<u>(1.3)</u>	<u>1,388,433</u>	<u>0.8</u>
<b>Other comprehensive income:</b>				
Other comprehensive income, before tax, exchange differences on translation	1,020,108	0.6	1,217,709	0.7
Other comprehensive income, before tax, available-for-sale financial assets	279,400	0.2	989,278	0.6
Share of other comprehensive income of associates and joint ventures accounted for using equity method	(43,877)	-	167,391	0.1
Less: income tax relating to components of other comprehensive income	<u>1,516</u>	<u>-</u>	<u>53,185</u>	<u>-</u>
Other comprehensive income, net	<u>1,254,115</u>	<u>0.8</u>	<u>2,321,193</u>	<u>1.4</u>
<b>Comprehensive income</b>	<u>\$ (870,770)</u>	<u>(0.5)</u>	<u>3,709,626</u>	<u>2.2</u>
<b>Profit, attributable to:</b>				
Profit, attributable to owners of parent	\$ (2,263,546)	(1.4)	1,356,343	0.8
Profit, attributable to non-controlling interests	<u>138,661</u>	<u>0.1</u>	<u>32,090</u>	<u>-</u>
	<u>\$ (2,124,885)</u>	<u>(1.3)</u>	<u>1,388,433</u>	<u>0.8</u>
<b>Comprehensive income attributable to:</b>				
Comprehensive income, attributable to owners of parent	\$ (1,016,709)	(0.6)	3,635,529	2.2
Comprehensive income, attributable to non-controlling interests	<u>145,939</u>	<u>0.1</u>	<u>74,097</u>	<u>-</u>
	<u>\$ (870,770)</u>	<u>(0.5)</u>	<u>3,709,626</u>	<u>2.2</u>
<b>Earnings per share:</b>				
<b>Basic net income per share</b>	<u>\$ (0.53)</u>		<u>0.31</u>	
<b>Diluted net income per share</b>	<u>\$ (0.53)</u>		<u>0.31</u>	

See accompanying notes to the consolidated financial statements.

**COMPAL ELECTRONICS, INC. AND SUBSIDIARIES**

**Consolidated statements of changes in equity (Unaudited)  
For the three-month ended March 31, 2014 and 2013  
(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	Total other equity interest	Treasury shares	Total equity attributable to owners of parent	Non controlling interests	Total equity
<b>Balance on January 1, 2013</b>	\$ 44,126,526	16,122,810	14,980,079	8,713,018	31,360,844	55,053,941	(3,134,266)	(5,248,131)	(8,382,397)	(881,247)	106,039,633	8,753,637	114,793,270
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	69,823	-	-	-	-	-	-	-	-	69,823	98,151	167,974
Changes in equity of associates and joint ventures accounted for using equity method	-	(8,982)	-	-	-	-	-	-	-	-	(8,982)	-	(8,982)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	36,103	36,103
	<u>44,126,526</u>	<u>16,183,651</u>	<u>14,980,079</u>	<u>8,713,018</u>	<u>31,360,844</u>	<u>55,053,941</u>	<u>(3,134,266)</u>	<u>(5,248,131)</u>	<u>(8,382,397)</u>	<u>(881,247)</u>	<u>106,100,474</u>	<u>8,887,891</u>	<u>114,988,365</u>
Profit for the three-month ended March 31, 2013	-	-	-	-	1,356,343	1,356,343	-	-	-	-	1,356,343	32,090	1,388,433
Other comprehensive income	-	-	-	-	-	-	1,287,259	991,927	2,279,186	-	2,279,186	42,007	2,321,193
Comprehensive income	-	-	-	-	1,356,343	1,356,343	1,287,259	991,927	2,279,186	-	3,635,529	74,097	3,709,626
<b>Balance on March 31, 2013</b>	\$ <u>44,126,526</u>	<u>16,183,651</u>	<u>14,980,079</u>	<u>8,713,018</u>	<u>32,717,187</u>	<u>56,410,284</u>	<u>(1,847,007)</u>	<u>(4,256,204)</u>	<u>(6,103,211)</u>	<u>(881,247)</u>	<u>109,736,003</u>	<u>8,961,988</u>	<u>118,697,991</u>
<b>Balance on January 1, 2014</b>	\$ 44,134,467	16,193,087	15,621,182	8,818,725	19,820,927	44,260,834	(1,846,674)	(5,860,844)	(7,707,518)	(2,007,725)	94,873,145	5,089,127	99,962,272
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	(1,928)	-	-	(1,576,128)	(1,576,128)	6,763	87	6,850	-	(1,571,206)	(725,878)	(2,297,084)
Issuance of shares for employee share options exercised	1,834	1,925	-	-	-	-	-	-	-	-	3,759	-	3,759
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	9,706	9,706
	<u>44,136,301</u>	<u>16,193,084</u>	<u>15,621,182</u>	<u>8,818,725</u>	<u>18,244,799</u>	<u>42,684,706</u>	<u>(1,839,911)</u>	<u>(5,860,757)</u>	<u>(7,700,668)</u>	<u>(2,007,725)</u>	<u>93,305,698</u>	<u>4,372,955</u>	<u>97,678,653</u>
Loss for the three-month ended March 31, 2014	-	-	-	-	(2,263,546)	(2,263,546)	-	-	-	-	(2,263,546)	138,661	(2,124,885)
Other comprehensive income	-	-	-	-	-	-	975,632	271,205	1,246,837	-	1,246,837	7,278	1,254,115
Comprehensive income	-	-	-	-	(2,263,546)	(2,263,546)	975,632	271,205	1,246,837	-	(1,016,709)	145,939	(870,770)
<b>Balance on March 31, 2014</b>	\$ <u>44,136,301</u>	<u>16,193,084</u>	<u>15,621,182</u>	<u>8,818,725</u>	<u>15,981,253</u>	<u>40,421,160</u>	<u>(864,279)</u>	<u>(5,589,552)</u>	<u>(6,453,831)</u>	<u>(2,007,725)</u>	<u>92,288,989</u>	<u>4,518,894</u>	<u>96,807,883</u>

See accompanying notes to the consolidated financial statements.

**COMPAL ELECTRONICS, INC. AND SUBSIDIARIES**

**Consolidated statements of cash flows (Unaudited)**

**For the three months ended March 31, 2014 and 2013**

**(expressed in thousands of New Taiwan dollars)**

	<b>2014</b>	<b>2013</b>
<b>Cash flows from (used in) operating activities:</b>		
<b>Profit (loss) before tax</b>	\$ <u>(1,467,947)</u>	<u>1,768,127</u>
<b>Adjustments:</b>		
Depreciation and amortization	1,457,621	1,593,177
Increase (decrease) in allowances for uncollectible accounts and allowance for sales returns and discounts	(11,210)	(36,156)
Interest expense	238,668	130,188
Interest income	(209,946)	(144,186)
Compensation cost of employee share options	13,904	47,284
Share of loss (profit) of associates and joint ventures accounted for using equity method	(270,225)	421,522
Gain on disposal of property, plant and equipment	(30,817)	(46,627)
Gain on disposal of investments	-	(118,545)
Impairment loss on financial assets	4,732,121	-
Long-term prepaid rents	<u>4,172</u>	<u>3,910</u>
<b>Adjustments to reconcile profit</b>	<u>5,924,288</u>	<u>1,850,567</u>
<b>Changes in operating assets and liabilities:</b>		
<b>Changes in operating assets:</b>		
Changes in financial assets at fair value through profit or loss	(68,162)	41,377
Decrease (increase) in notes and accounts receivable	26,315,238	5,328,446
Decrease (increase) in other receivable	(399,782)	163,399
Decrease (increase) in inventories	(7,455,045)	961,113
Decrease (increase) in other current assets	<u>(553,051)</u>	<u>(113,311)</u>
<b>Total changes in operating assets</b>	<u>17,839,198</u>	<u>6,381,024</u>
<b>Changes in operating liabilities:</b>		
Changes in financial liabilities at fair value through profit or loss	58,360	(24,755)
Increase (decrease) in notes and accounts payable	(16,284,832)	(6,126,761)
Increase (decrease) in other payable	(838,369)	(182,943)
Increase (decrease) in provisions	27,003	6,278
Increase (decrease) in unearned revenue	126,943	6,843
Increase (decrease) in other current liabilities	509,513	1,168,139
Other	<u>84,835</u>	<u>146,025</u>
<b>Total changes in operating liabilities</b>	<u>(16,316,547)</u>	<u>(5,007,174)</u>
<b>Total changes in operating assets and liabilities</b>	<u>1,522,651</u>	<u>1,373,850</u>
<b>Total adjustments</b>	<u>7,446,939</u>	<u>3,224,417</u>
Cash flows from (used in) operations	5,978,992	4,992,544
Interest received	168,120	124,148
Interest paid	(197,892)	(109,183)
Income taxes paid	<u>(145,492)</u>	<u>(92,523)</u>
<b>Net Cash flows from (used in) operating activities</b>	<u>5,803,728</u>	<u>4,914,986</u>
<b>Cash flows from (used in) investing activities:</b>		
Acquisition of investments accounted for using equity method and available-for-sale financial assets	(1,000)	(521,001)
Proceeds from disposal of investments accounted for using equity method and available-for-sale financial assets	-	439,389
Net cash flow from acquisition of subsidiaries	2,257,789	-
Proceeds from capital reduction and liquidation of investments	8,416	6,667
Acquisition of property, plant and equipment	(1,335,959)	(1,421,609)
Proceeds from disposal of property, plant and equipment	75,175	216,069
Acquisition of intangible assets	(21,599)	(49,058)
Other	<u>7,735</u>	<u>(6,321)</u>
<b>Net cash flows from (used in) investing activities</b>	<u>990,557</u>	<u>(1,335,864)</u>
<b>Cash flows from (used in) financing activities:</b>		
Increase (decrease) in short-term loans	(6,068,797)	(5,319,773)
Proceeds from long-term debt	3,805,930	143,274
Repayments of long-term debt	(11,250)	-
Exercise of employee share options	3,759	-
Acquisition of non-controlling interests	(2,304,824)	-
Disposal of ownership interests in subsidiaries (without losing control)	-	141,517
Changes in non-controlling interests	(4,081)	86,931
Other	<u>32,305</u>	<u>161,067</u>
<b>Net cash flows from (used in) financing activities</b>	<u>(4,546,958)</u>	<u>(4,786,984)</u>
Effect of exchange rate changes on cash and cash equivalents	628,064	551,663
Net increase (decrease) in cash and cash equivalents	2,875,391	(656,199)
Cash and cash equivalents at beginning of period	46,965,852	44,154,582
Cash and cash equivalents at end of period	\$ <u><b>49,841,243</b></u>	<u><b>43,498,383</b></u>

See accompanying notes to the consolidated financial statements.