

## 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)(f) 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)(e) of the parent company only 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 corporations. Therefore, valuation of accounts receivable has been identified as a key audit matter.

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

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

2. Provision of sales returns and allowances

Please refer to Note (4)(o) and Note (5) for the policy of the estimation of sales returns and allowance provisions, as well as the estimation and assumption uncertainty of sales returns and allowances provisions, respectively. Information on sales returns and allowances provisions are shown in Note (6)(m) of the parent company only financial statements.

Description of key audit matters:

Part of the sales need to provide allowance and return to the customers, 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 report 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)(g) and Note (5) for the accounting policy of inventory valuation, as well as the estimation and assumption uncertainty of the valuation of inventory, respectively. Information of estimation of the valuation of inventory are shown in Note (6)(f) of the parent company only 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 report of the above area included the following:

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

**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**

The 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 individual 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 individual 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

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.

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

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)  
**COMPAL ELECTRONICS, INC. AND ITS SUBSIDIARIES**

**Consolidated Balance Sheets**

**December 31, 2016 and 2015**

(Expressed in Thousands of New Taiwan Dollars)

|                            |  | December 31, 2016     |             | December 31, 2015  |             |   |  | Amount                | %            | Amount             | %            |
|----------------------------|--|-----------------------|-------------|--------------------|-------------|---|--|-----------------------|--------------|--------------------|--------------|
|                            |  | Amount                | %           | Amount             | %           |   |  |                       |              |                    |              |
| <b>Assets</b>              |  |                       |             |                    |             | <b>Liabilities and Equity</b>                   |  |                       |              |                    |              |
| <b>Current assets:</b>     |  |                       |             |                    |             | <b>Current liabilities:</b>                     |  |                       |              |                    |              |
| 1100                       | Cash and cash equivalents (note (6)(a))  | \$ 72,950,596         | 21.0        | 62,751,542         | 19.1        | 2100  | Short-term borrowings (note (6)(o))  | \$ 43,480,777         | 12.5         | 29,481,176         | 9.0          |
| 1110                       | Current financial assets at fair value through profit or loss (note (6)(b))      | 86,440                | -           | 25,412             | -           | 2120  | Current financial liabilities at fair value through profit or loss (note (6)(b)) | 137,489               | -            | 29,215             | -            |
| 1125                       | Current available-for-sale financial assets (note (6)(d))                        | 48,631                | -           | 29,738             | -           | 2170  | Notes and accounts payable   | 127,523,732           | 36.7         | 127,152,784        | 38.8         |
| 1135                       | Current derivative financial assets used for hedging (note (6)(c))               | -                     | -           | 21,360             | -           | 2180  | Notes and accounts payable to related parties (note (7))                         | 1,958,211             | 0.6          | 1,473,760          | 0.4          |
| 1147                       | Current bond investments without active market (note (6)(f))                     | 350,000               | 0.1         | 350,000            | 0.1         | 2200  | Other payables   | 17,853,264            | 5.1          | 18,141,188         | 5.5          |
| 1170                       | Notes and accounts receivable, net (notes (6)(g) and 8)                          | 175,318,313           | 50.5        | 164,799,743        | 50.3        | 2230  | Current tax liabilities  | 3,795,925             | 1.1          | 4,196,978          | 1.3          |
| 1180                       | Notes and accounts receivable due from related parties, net (notes (6)(g) and 8) | 70,972                | -           | 62,245             | -           | 2250  | Current provisions (note (6)(q))   | 1,842,094             | 0.5          | 2,388,710          | 0.7          |
| 1200                       | Other receivables, net (notes (6)(g) and 8)                                      | 1,082,607             | 0.3         | 824,160            | 0.3         | 2300  | Other current liabilities  | 2,899,674             | 0.9          | 3,929,073          | 1.2          |
| 1310                       | Inventories (note (6)(h))  | 48,105,125            | 13.9        | 46,520,021         | 14.2        | 2313  | Unearned revenue   | 1,774,158             | 0.5          | 1,747,574          | 0.5          |
| 1470                       | Other current assets (note 8)  | 2,456,323             | 0.7         | 2,399,255          | 0.7         | 2320  | Long-term borrowings, current portion (note (6)(f))                              | 7,966,875             | 2.3          | 14,216,617         | 4.3          |
|                            |  | <u>300,469,007</u>    | <u>86.5</u> | <u>277,783,476</u> | <u>84.7</u> |   |  | <u>209,232,199</u>    | <u>60.2</u>  | <u>202,757,075</u> | <u>61.7</u>  |
| <b>Non-current assets:</b> |  |                       |             |                    |             | <b>Non-Current liabilities:</b>                 |  |                       |              |                    |              |
| 1550                       | Investments accounted for using equity method (note (6)(i))                      | 11,726,370            | 3.4         | 11,788,042         | 3.6         | 2540  | Long-term borrowings (note (6)(p))   | 23,954,688            | 7.0          | 14,356,563         | 4.4          |
| 1523                       | Non-current available-for-sale financial assets (note (6)(d))                    | 9,556,461             | 2.8         | 9,063,101          | 2.8         | 2570  | Deferred tax liabilities (note (6)(t))   | 746,962               | 0.2          | 481,497            | 0.2          |
| 1543                       | Non-current financial assets at cost (note (6)(e))                               | 71,820                | -           | 103,867            | -           | 2640  | Non-current net defined benefit liabilities (note (6)(s))                        | 631,821               | 0.2          | 545,460            | 0.2          |
| 1546                       | Non-current investments without active market (note (6)(f))                      | 700,000               | 0.2         | 1,050,000          | 0.3         | 2670  | Non-current liabilities  | 166,626               | -            | 186,864            | 0.1          |
| 1600                       | Property, plant and equipment (notes (6)(n) and (8))                             | 20,952,677            | 6.0         | 24,308,631         | 7.4         |   |  | <u>25,500,097</u>     | <u>7.4</u>   | <u>15,570,384</u>  | <u>4.9</u>   |
| 1780                       | Intangible assets  | 1,291,281             | 0.4         | 1,194,193          | 0.4         |   |  | <u>234,732,296</u>    | <u>67.6</u>  | <u>218,327,459</u> | <u>66.6</u>  |
| 1840                       | Deferred tax assets (note (6)(t))  | 1,262,986             | 0.4         | 1,377,465          | 0.4         | <b>Total liabilities</b>                        |  |                       |              |                    |              |
| 1985                       | Long-term prepaid rents (note (6)(r))  | 594,520               | 0.2         | 747,066            | 0.2         | <b>Equity attributable to owners of parent:</b> |  |                       |              |                    |              |
| 1990                       | Other non-current assets (note (6)(s))   | 390,989               | 0.1         | 509,734            | 0.2         | 3110  | Ordinary share (notes (6)(u) and (t))  | 44,241,606            | 12.8         | 44,711,266         | 13.6         |
|                            |  | <u>46,547,104</u>     | <u>13.5</u> | <u>50,142,099</u>  | <u>15.3</u> | 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 (note (6)(u))  | (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)        |
|                            |  |                       |             |                    |             |   |  | <u>(5,505,900)</u>    | <u>(1.6)</u> | <u>(5,651,620)</u> | <u>(1.7)</u> |
|                            |  |                       |             |                    |             |   |  | <u>105,804,389</u>    | <u>30.5</u>  | <u>103,775,795</u> | <u>31.6</u>  |
|                            |  |                       |             |                    |             | 36XX  | <b>Non-controlling interests</b>   | 6,479,426             | 1.9          | 5,822,321          | 1.8          |
|                            |  |                       |             |                    |             |   | <b>Total equity</b>  | 112,283,815           | 32.4         | 109,598,116        | 33.4         |
| <b>Total assets</b>        |  | <u>\$ 347,016,111</u> | <u>100.</u> | <u>327,925,575</u> | <u>100.</u> |   | <b>Total liabilities and equity</b>  | <u>\$ 347,016,111</u> | <u>100.</u>  | <u>327,925,575</u> | <u>100.</u>  |

December 31, 2016      December 31, 2015

See accompanying notes to financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)  
**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 Common 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), (s), 7 and 12)  | 733,973,065         | 95.7         | 813,927,341       | 96.1       |
|      | <b>Gross profit</b>  | <b>32,836,970</b>   | <b>4.3</b>   | <b>33,378,357</b> | <b>3.9</b> |
|      | <b>Operating expenses: (notes (6)(r), (s) and 12)</b>  |                     |              |                   |            |
| 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        |
|      |  | <b>21,773,325</b>   | <b>2.9</b>   | <b>22,065,905</b> | <b>2.6</b> |
|      | <b>Net operating income</b>  | <b>11,063,645</b>   | <b>1.4</b>   | <b>11,312,452</b> | <b>1.3</b> |
|      | <b>Non-operating income and expenses:</b>  |                     |              |                   |            |
| 7020 | Other gains and losses (notes (6)(d), (i), (l) and (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 (z))  | 1,961,554           | 0.3          | 1,495,156         | 0.2        |
| 7590 | Miscellaneous disbursements  | (54,672)            | -            | (37,562)          | -          |
| 7670 | Impairment loss (notes(6)(d), (e) and (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           | -          |
|      | <b>Total non-operating income and expenses</b>   | <b>749,700</b>      | <b>0.2</b>   | <b>479,641</b>    | <b>0.1</b> |
| 7900 | <b>Profit before tax</b>   | <b>11,813,345</b>   | <b>1.6</b>   | <b>11,792,093</b> | <b>1.4</b> |
| 7950 | <b>Less: Tax expense (note (6)(t))</b>   | <b>2,845,339</b>    | <b>0.4</b>   | <b>2,784,946</b>  | <b>0.3</b> |
|      | <b>Profit</b>  | <b>8,968,006</b>    | <b>1.2</b>   | <b>9,007,147</b>  | <b>1.1</b> |
| 8300 | <b>Other comprehensive income:</b>   |                     |              |                   |            |
| 8310 | <b>Items that will not be reclassified subsequently to profit or loss</b>                                  |                     |              |                   |            |
| 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 | <b>Items that will be reclassified subsequently to profit or loss</b>                                      |                     |              |                   |            |
| 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 | <b>Other comprehensive income, net</b>   | <b>(1,265,546)</b>  | <b>(0.2)</b> | <b>(101,970)</b>  | <b>-</b>   |
| 8500 | <b>Comprehensive income</b>  | <b>\$ 7,702,460</b> | <b>1.0</b>   | <b>8,905,177</b>  | <b>1.1</b> |
|      | <b>Profit, attributable to:</b>  |                     |              |                   |            |
| 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           | -          |
|      |  | <b>\$ 8,968,006</b> | <b>1.2</b>   | <b>9,007,147</b>  | <b>1.1</b> |
|      | <b>Comprehensive income attributable to:</b>   |                     |              |                   |            |
| 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           | -          |
|      |  | <b>\$ 7,702,460</b> | <b>1.0</b>   | <b>8,905,177</b>  | <b>1.0</b> |
|      | <b>Earnings per share (note 6(w))</b>  |                     |              |                   |            |
| 9750 | <b>Basic earnings per share</b>  | <b>\$ 1.88</b>      |              | <b>2.01</b>       |            |
| 9850 | <b>Diluted earnings per share</b>  | <b>\$ 1.84</b>      |              | <b>1.97</b>       |            |

See accompanying notes to financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)  
**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 |                 |               |                 |                                     |                            |  |   |   |                                |                    |  | Non-control<br>interests | Total equity |
|---|---|-----------------|---------------|-----------------|-------------------------------------|----------------------------|--|---|---|--------------------------------|--------------------|--|--------------------------|--------------|
|   | Retained earnings                       |                 |               |                 |                                     |                            | Other equity interest  |   |   |                                |                    |  |                          |              |
|   | Ordinary<br>shares                      | Capital surplus | Legal reserve | Special reserve | Unappropriated<br>retained earnings | Total retained<br>earnings | Exchange<br>differences on<br>translation of<br>foreign<br>financial<br>statements | Unrealized<br>gains<br>on<br>available-for-sa<br>le financial<br>assets | Unearned<br>employee<br>benefit and<br>others | Total other<br>equity interest | Treasury<br>shares | Total equity<br>attributable<br>to owners of<br>parent |                          |              |
| <b>Balance at January 1, 2015</b>   | \$ 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      |
| <b>Balance at December 31, 2015</b>   | 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            | -  | -                        | -            |
| <b>Balance at December 31, 2016</b>   | \$ 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  | 6,479,426                | 112,283,815  |

See accompanying notes to financial statements.

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

**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)**

|  | <u>2016</u>          | <u>2015</u>         |
|--|----------------------|---------------------|
| <b>Cash flows from (used in) operating activities:</b>   |                      |                     |
| <b>Profit before tax</b>   | \$ 11,813,345        | 11,792,093          |
| <b>Adjustments:</b>  |                      |                     |
| <b>Adjustments to reconcile profit (loss):</b>   |                      |                     |
| 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              |
| <b>Adjustments to reconcile profit (loss)</b>  | <u>5,885,171</u>     | <u>6,271,039</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   | (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)            |
| <b>Total changes in operating assets</b>   | <u>(13,342,746)</u>  | <u>35,465,714</u>   |
| <b>Changes in operating liabilities:</b>   |                      |                     |
| 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              |
| <b>Total changes in operating liabilities</b>  | <u>79,260</u>        | <u>(42,863,008)</u> |
| <b>Total changes in operating assets and liabilities</b>   | <u>(13,263,486)</u>  | <u>(7,397,294)</u>  |
| <b>Total adjustments</b>   | <u>(7,378,315)</u>   | <u>(1,126,255)</u>  |
| 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)         |
| <b>Net cash flows from (used in) operating activities</b>  | <u>1,287,662</u>     | <u>9,534,256</u>    |
| <b>Cash flows from (used in) investing activities:</b>   |                      |                     |
| 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)            |
| <b>Net cash flows from (used in) investing activities</b>  | <u>(3,181,966)</u>   | <u>(3,821,735)</u>  |
| <b>Cash flows from (used in) financing activities:</b>   |                      |                     |
| 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              |
| <b>Net cash flows from (used in) financing activities</b>  | <u>11,913,185</u>    | <u>(19,232,562)</u> |
| <b>Effect of exchange rate changes on cash and cash equivalents</b>  | <u>180,173</u>       | <u>1,563,453</u>    |
| 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   | <u>\$ 72,950,596</u> | <u>62,751,542</u>   |

See accompanying notes to financial statements.



