

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

CONSOLIDATED INTERIM FINANCIAL STATEMENTS

September 30, 2017 and 2016
(With Independent Auditor's Review Report Thereon)

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Independent Auditors' Report

To Compal Electronics, Inc.:

We have reviewed the accompanying consolidated balance sheets of Compal Electronics, Inc. and its subsidiaries as of September 30, 2017 and 2016, and the related consolidated statements of comprehensive income for the three months and nine months ended September 30, 2017 and 2016, changes in equity and cash flows for the nine months ended September 30, 2017 and 2016. These consolidated interim financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these consolidated interim financial statements based on our review.

Except as described in the following paragraph, 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 the 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.

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 the total assets amounting to NT\$24,237,086,000 and NT\$22,572,413,000, constituting 6.5% and 6.7% of the total consolidated assets as of September 30, 2017 and 2016, respectively. The total liabilities of these subsidiaries amounted to NT\$4,354,583,000 and NT\$3,688,847,000, constituting 1.6% and 1.6% of the total consolidated liabilities, respectively. The comprehensive income (loss) of these subsidiaries amounted to NT\$226,456,000, NT\$150,230,000, NT\$293,730,000 and NT\$520,934,000, constituting 10.8%, 31.6%, 49.2% and 15.3% of the total consolidated comprehensive income (loss) for the three months and nine months ended September 30, 2017 and 2016, respectively.

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 been reviewed by independent auditors, to the accompanying consolidated financial statements described in the first paragraph for them to be in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standards No. 34, "Interim Financial Reporting" which were endorsed by the Financial Supervisory Commission.

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KPMG

Taipei, Taiwan (Republic of China)

November 9, 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 review such consolidated financial statements are those generally accepted and applied in the Republic of China.

Reviewed only, not audited in accordance with the generally accepted auditing standards

COMPAL ELECTRONICS, INC. AND ITS SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the nine months ended September 30, 2017 and 2016

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

	For the three months ended September 30				For the nine months ended September 30				
	2017		2016		2017		2016		
	Amount	%	Amount	%	Amount	%	Amount	%	
4000	Net sales revenue (notes (6)(x) and (7))								
	\$ 231,608,520	100.0	197,886,564	100.0	632,816,467	100.0	547,471,119	100.0	
5000	Cost of sales (notes (6)(h), (s), (7) and (12))								
	<u>223,668,179</u>	<u>96.6</u>	<u>189,193,478</u>	<u>95.6</u>	<u>609,243,288</u>	<u>96.3</u>	<u>523,670,510</u>	<u>95.7</u>	
	Gross profit								
	<u>7,940,341</u>	<u>3.4</u>	<u>8,693,086</u>	<u>4.4</u>	<u>23,573,179</u>	<u>3.7</u>	<u>23,800,609</u>	<u>4.3</u>	
	Operating expenses: (notes (6)(r), (s), (7) and (12))								
6100	Selling expenses	876,518	0.4	1,116,927	0.6	5,917,386	0.9	3,219,730	0.6
6200	Administrative expenses	1,012,687	0.4	1,083,036	0.5	2,853,606	0.5	3,343,746	0.6
6300	Research and development expenses	<u>3,130,615</u>	<u>1.4</u>	<u>3,030,555</u>	<u>1.5</u>	<u>8,040,052</u>	<u>1.3</u>	<u>8,582,262</u>	<u>1.6</u>
		<u>5,019,820</u>	<u>2.2</u>	<u>5,230,518</u>	<u>2.6</u>	<u>16,811,044</u>	<u>2.7</u>	<u>15,145,738</u>	<u>2.8</u>
	Net operating income	<u>2,920,521</u>	<u>1.2</u>	<u>3,462,568</u>	<u>1.8</u>	<u>6,762,135</u>	<u>1.0</u>	<u>8,654,871</u>	<u>1.5</u>
	Non-operating income and expenses:								
7020	Other gains and losses (notes (6)(d) and (z))	(55,107)	-	(823,243)	(0.4)	(1,811,825)	(0.3)	(1,689,889)	(0.3)
7050	Finance costs	(297,505)	(0.1)	(222,849)	(0.1)	(863,995)	(0.1)	(676,203)	(0.1)
7190	Other income (note (6)(z))	294,140	0.1	343,873	0.1	1,186,079	0.2	1,504,429	0.3
7590	Miscellaneous disbursements	(1,662)	-	(17,020)	-	(58,961)	-	(46,406)	-
7770	Share of profit of subsidiaries associates and joint ventures accounted for using equity method (note 6(i))	<u>117,728</u>	<u>0.1</u>	<u>102,017</u>	<u>0.1</u>	<u>314,166</u>	<u>-</u>	<u>320,597</u>	<u>-</u>
	Total non-operating income and expenses	<u>57,594</u>	<u>0.1</u>	<u>(617,222)</u>	<u>(0.3)</u>	<u>(1,234,536)</u>	<u>(0.2)</u>	<u>(587,472)</u>	<u>(0.1)</u>
7900	Profit before tax	2,978,115	1.3	2,845,346	1.5	5,527,599	0.8	8,067,399	1.4
7950	Less: Tax expense (note (6)(t))	<u>531,459</u>	<u>0.2</u>	<u>466,302</u>	<u>0.2</u>	<u>1,555,563</u>	<u>0.2</u>	<u>1,885,568</u>	<u>0.3</u>
	Profit	<u>2,446,656</u>	<u>1.1</u>	<u>2,379,044</u>	<u>1.3</u>	<u>3,972,036</u>	<u>0.6</u>	<u>6,181,831</u>	<u>1.1</u>
8300	Other comprehensive income:								
8360	Items that may be reclassified subsequently to profit or loss								
8361	Other comprehensive income, before tax, exchange differences on translation of foreign financial statements	(249,629)	(0.1)	(1,754,787)	(0.9)	(3,778,116)	(0.6)	(2,636,590)	(0.5)
8362	Other comprehensive income, before tax, unrealized gain on valuation of available-for-sale financial assets	(210,063)	(0.1)	71,104	-	510,863	0.1	339,940	0.1
8363	Gains (losses) on effective portion of cash flow hedges (note (6)(aa))	31,475	-	(19,533)	-	(25,419)	-	(879)	-
8370	Other components of other comprehensive income that will be reclassified to profit or loss	97,161	-	(204,978)	(0.1)	(45,476)	-	(505,630)	(0.1)
8399	Income tax relating to items that may be reclassified to profit or loss (note 6(t))	<u>(20,815)</u>	<u>-</u>	<u>4,720</u>	<u>-</u>	<u>(36,874)</u>	<u>-</u>	<u>24,521</u>	<u>-</u>
8300	Other comprehensive income, net of tax	<u>(351,871)</u>	<u>(0.2)</u>	<u>(1,903,474)</u>	<u>(1.0)</u>	<u>(3,375,022)</u>	<u>(0.5)</u>	<u>(2,778,638)</u>	<u>(0.5)</u>
8500	Total comprehensive income	<u>\$ 2,094,785</u>	<u>0.9</u>	<u>475,570</u>	<u>0.3</u>	<u>597,014</u>	<u>0.1</u>	<u>3,403,193</u>	<u>0.6</u>
	Profit, attributable to:								
8610	Profit, attributable to owners of parent	\$ 2,323,844	1.0	2,179,674	1.2	3,651,541	0.5	5,517,963	1.0
8620	Profit, attributable to non-controlling interests	<u>122,812</u>	<u>0.1</u>	<u>199,370</u>	<u>0.1</u>	<u>320,495</u>	<u>0.1</u>	<u>663,868</u>	<u>0.1</u>
		<u>\$ 2,446,656</u>	<u>1.1</u>	<u>2,379,044</u>	<u>1.3</u>	<u>3,972,036</u>	<u>0.6</u>	<u>6,181,831</u>	<u>1.1</u>
	Comprehensive income attributable to:								
8710	Comprehensive income, attributable to owners of parent	\$ 1,949,221	0.8	314,736	0.2	324,931	0.1	2,770,266	0.6
8720	Comprehensive income, attributable to non-controlling interests	<u>145,564</u>	<u>0.1</u>	<u>160,834</u>	<u>0.1</u>	<u>272,083</u>	<u>-</u>	<u>632,927</u>	<u>-</u>
		<u>\$ 2,094,785</u>	<u>0.9</u>	<u>475,570</u>	<u>0.3</u>	<u>597,014</u>	<u>0.1</u>	<u>3,403,193</u>	<u>0.6</u>
	Earnings per share (note 6(w))								
9750	Basic earnings per share	<u>\$ 0.53</u>		<u>0.50</u>		<u>0.84</u>		<u>1.27</u>	
9850	Diluted earnings per share	<u>\$ 0.53</u>		<u>0.50</u>		<u>0.83</u>		<u>1.25</u>	

See accompanying notes to the consolidated interim financial statements.

Reviewed only, not audited in accordance with generally accepted auditing standards

COMPAL ELECTRONICS, INC. AND ITS SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the nine months ended September 30, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent														
	Retained earnings						Other equity interest						Total equity attributable to owners of parent	Non-controlling interests	Total equity
	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				
Balance on January 1, 2016	\$ 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 nine months ended September 30, 2016	-	-	-	-	5,517,963	5,517,963	-	-	-	-	-	5,517,963	663,868	6,181,831	
Other comprehensive income	-	-	-	-	-	-	(3,066,362)	320,037	(1,372)	(2,747,697)	-	(2,747,697)	(30,941)	(2,778,638)	
Total comprehensive income	-	-	-	-	5,517,963	5,517,963	(3,066,362)	320,037	(1,372)	(2,747,697)	-	2,770,266	632,927	3,403,193	
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)	
Retirement of treasury stock	(438,160)	(194,977)	-	-	(210,355)	(210,355)	-	-	-	-	843,492	-	-	-	
Changes in ownership interests in subsidiaries	-	321	-	-	-	-	-	-	-	-	-	321	-	321	
Changes in equity of associates and joint ventures accounted for using equity method	-	(2,510)	-	-	(5,164)	(5,164)	-	-	-	-	-	(7,674)	-	(7,674)	
Share-based payments transaction	(28,000)	(36,366)	-	-	2,970	2,970	-	-	340,535	340,535	-	279,139	-	279,139	
Adjustments of capital surplus for the Company's cash dividends received by subsidiaries	-	60,048	-	-	-	-	-	-	-	-	-	60,048	-	60,048	
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(193,853)	(193,853)	
Balance on September 30, 2016	\$ 44,245,106	11,779,820	17,439,772	3,199,674	32,116,808	52,756,254	(263,301)	(5,690,395)	(380,347)	(6,334,043)	(881,247)	101,565,890	6,261,395	107,827,285	
Balance on January 1, 2017	\$ 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	
Profit for the nine months ended September 30, 2017	-	-	-	-	3,651,541	3,651,541	-	-	-	-	-	3,651,541	320,495	3,972,036	
Other comprehensive income	-	-	-	-	-	-	(3,792,657)	473,005	(6,958)	(3,326,610)	-	(3,326,610)	(48,412)	(3,375,022)	
Total comprehensive income	-	-	-	-	3,651,541	3,651,541	(3,792,657)	473,005	(6,958)	(3,326,610)	-	324,931	272,083	597,014	
Appropriation and distribution of retained earnings:															
Legal reserve appropriated	-	-	813,089	-	(813,089)	-	-	-	-	-	-	-	-	-	
Special reserve appropriated	-	-	-	1,139,875	(1,139,875)	-	-	-	-	-	-	-	-	-	
Cash dividends of ordinary share	-	-	-	-	(4,422,153)	(4,422,153)	-	-	-	-	-	(4,422,153)	-	(4,422,153)	
Stock dividends from capital surplus	-	(884,431)	-	-	-	-	-	-	-	-	-	(884,431)	-	(884,431)	
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	16,038	-	-	-	-	-	-	-	-	-	16,038	-	16,038	
Changes in ownership interests in subsidiaries	-	57	-	-	(359)	(359)	-	-	-	-	-	(302)	-	(302)	
Changes in equity of associates and joint ventures accounted for using equity method	-	14,176	-	-	-	-	-	-	-	-	-	14,176	-	14,176	
Share-based payments transaction	(38,800)	(49,346)	-	-	9,352	9,352	-	-	160,868	160,868	-	82,074	-	82,074	
Adjustments of capital surplus for the Company's cash dividends received by subsidiaries	-	60,027	-	-	-	-	-	-	-	-	-	60,027	-	60,027	
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(264,284)	(264,284)	
Balance on September 30, 2017	\$ 44,202,806	10,935,795	18,252,861	4,339,549	31,935,380	54,527,790	(2,468,375)	(5,190,825)	(131,195)	(7,790,395)	(881,247)	100,994,749	6,487,225	107,481,974	

See accompanying notes to the consolidated interim financial statements.

Reviewed only, not audited in accordance with generally accepted auditing standards**COMPAL ELECTRONICS, INC. AND ITS SUBSIDIARIES****Consolidated Statements of Cash Flows****For the nine months ended September 30, 2017 and 2016****(Expressed in Thousands of New Taiwan Dollars)**

	For the nine months ended September 30	
	2017	2016
Cash flows from (used in) operating activities:		
Profit before tax	\$ 5,527,599	8,067,399
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation and amortization	4,046,905	4,144,980
Increase (decrease) in allowance for uncollectible accounts	3,014,172	(91,068)
Finance cost	863,995	676,203
Interest income	(617,437)	(426,632)
Dividend income	(169,837)	(191,332)
Compensation cost of share-based payment	89,006	283,282
Share of profit of associates and joint ventures accounted for using equity method	(314,166)	(320,597)
Loss (gain) on disposal of property, plant and equipment	(82,134)	2,151
Loss (gain) on disposal of investments	(6,525)	(61,949)
Impairment loss on financial assets	-	104,622
Long-term prepaid rents	9,815	10,786
Adjustments to reconcile profit (loss)	6,833,794	4,130,446
Changes in operating assets and liabilities:		
Changes in operating assets:		
Changes in financial assets at fair value through profit or loss	79,760	(58,019)
Decrease (increase) in notes and accounts receivable	(4,924,611)	(17,294,892)
Decrease (increase) in other receivables	(989,021)	293,529
Decrease (increase) in inventories	(27,619,537)	(8,171,096)
Decrease (increase) in other current assets	(746,084)	(45,994)
Decrease (increase) in other non-current assets	(27,851)	89,696
Total changes in operating assets	(34,227,344)	(25,186,776)
Changes in operating liabilities:		
Changes in financial liabilities at fair value through profit or loss	(77,793)	97,972
Increase (decrease) in notes and accounts payable	31,107,868	(1,630,261)
Increase (decrease) in other payables	(1,408,188)	202,149
Increase (decrease) in provisions	(171,934)	(216,517)
Increase (decrease) in unearned revenue	(90,873)	92,562
Increase (decrease) in other current liabilities	114,298	(419,681)
Others	52,246	53,960
Total changes in operating liabilities	29,525,624	(1,819,816)
Total changes in operating assets and liabilities	(4,701,720)	(27,006,592)
Total adjustments	2,132,074	(22,876,146)
Cash flows from (used in) operations	7,659,673	(14,808,747)
Interest received	641,934	365,408
Dividends received	313,736	313,079
Interest paid	(843,775)	(648,699)
Income taxes paid	(1,430,129)	(2,787,188)
Net cash flows from (used in) operating activities	6,341,439	(17,566,147)
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	(97,009)	(168,440)
Proceeds from disposal of investments accounted for using equity method and available-for-sale financial assets	2,276,522	333,334
Redemption from bond investment without active market	350,000	350,000
Net cash flow from disposal of subsidiary	129,000	-
Proceeds from capital reduction and liquidation of investments	26,080	41,751
Acquisition of property, plant and equipment	(2,305,928)	(2,600,948)
Proceeds from disposal of property, plant and equipment	127,224	228,730
Acquisition of intangible assets	(318,973)	(447,059)
Others	4,453	63,416
Net cash flows from (used in) investing activities	191,369	(2,199,216)
Cash flows from (used in) financing activities:		
Increase (decrease) in short-term borrowings	2,533,548	14,474,576
Proceeds from long-term borrowings	8,578,598	16,105,000
Repayments of long-term borrowings	(11,139,820)	(19,224,274)
Cash dividends paid	(5,246,557)	(5,251,957)
Acquisition of non-controlling interests	(6,675)	(8,438)
Change in non-controlling interests	(248,802)	(189,195)
Others	(26,959)	(16,906)
Net cash flows from (used in) financing activities	(5,556,667)	5,888,806
Effect of exchange rate changes on cash and cash equivalents	(2,293,245)	(1,623,719)
Net increase (decrease) in cash and cash equivalents	(1,317,104)	(15,500,276)
Cash and cash equivalents at beginning of period	72,950,596	62,751,542
Cash and cash equivalents at end of period	\$ 71,633,492	47,251,266

See accompanying notes to the consolidated interim financial statements.

AS OF SEPTEMBER 30, 2017 AND 2016 REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH THE GENERALLY ACCEPTED AUDITING STANDARDS

COMPAL ELECTRONICS, INC. AND ITS SUBSIDIARIES

Notes to the Consolidated Interim Financial Statements

September 30, 2017 and 2016

(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 is 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 statements were authorized for issuance by the Board of Directors and issued on November 9, 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”).

The Group conforms to the IFRSs which were endorsed by the FSC on January 1, 2017 in preparing their financial statements. The related new standards, interpretations and amendments are as follows:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
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

(Continued)

COMPAL ELECTRONICS, INC. AND ITS SUBSIDIARIES
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<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
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 to IFRSs Standards 2010-2012 Cycle and 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs Standards 2012-2014 Cycle	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 interim financial statements.

(i) 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 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) The impact of IFRS endorsed by FSC but not yet effective

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2018 in accordance with Ruling No. 1060025773 issued by the FSC on July 14, 2017:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendment to IFRS 2 “Classification and Measurement of Share based Payment Transactions”	January 1, 2018
Amendments to IFRS 4 “Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts”	January 1, 2018
IFRS 9 “Financial Instruments”	January 1, 2018
IFRS 15 “Revenue from Contracts with Customers”	January 1, 2018

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COMPAL ELECTRONICS, INC. AND ITS SUBSIDIARIES
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<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendment to IAS 7 “Statement of Cash Flows -Disclosure Initiative”	January 1, 2017
Amendment to IAS 12 “Income Taxes- Recognition of Deferred Tax Assets for Unrealized Losses”	January 1, 2017
Amendments to IAS 40 “Transfers of Investment Property”	January 1, 2018
Annual Improvements to IFRS Standards 2014–2016 Cycle:	
Amendments to IFRS 12	January 1, 2017
Amendments to IFRS 1 and Amendments to IAS 28	January 1, 2018
IFRIC 22 “Foreign Currency Transactions and Advance Consideration”	January 1, 2018

Except for the following items, the Group believes that the adoption of the above IFRSs would not have any material impact on its consolidated interim financial statements. The extent and impact of signification changes are as follows:

(i) IFRS 9 “Financial Instruments”

IFRS 9 replaces IAS 39 “Financial Instruments: Recognition and Measurement” which contains classification and measurement of financial instruments, impairment and hedge accounting. The actual impact of adopting IFRS 9 on the Group’s consolidated financial statements in 2018 can only be determined and reliably estimated depending on the financial instruments that the Group holds and economic conditions at that time, as well as the accounting elections and judgments that it will make in the future. The new standard will require the Group to revise its accounting processes and internal controls related to reporting financial instruments. However, the Group has performed a preliminary assessment of the potential impact of the adoption of IFRS 9 based on its positions at September 30, 2017 and hedging relationships designated during the nine months ended September 30, 2017 under IAS 39.

1) Classification—Financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (“FVOCI”) and fair value through profit or loss (“FVTPL”). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification. In addition, IAS 39 has an exception to the measurement requirements for investments in unquoted equity instruments that do not have a quoted market price in an active market (and derivatives on such an instrument) and for which fair value cannot therefore be measured reliable. Such financial instruments are measured at cost. IFRS 9 removes this exception, requiring all equity investments (and derivatives on them) to be measured at fair value.

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COMPAL ELECTRONICS, INC. AND ITS SUBSIDIARIES
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Based on its preliminary assessment, the Group does not believe that the new classification requirements, if applied at September 30, 2017, would have had a material impact on its accounting for trade receivables, investments in debt securities and investments in equity securities that are managed on a fair value basis. At September 30, 2017, the Group had equity investments classified as available-for-sale with a fair value of \$7,838,876 thousand and financial assets measured at cost of \$71,820 thousand that are held for long-term strategic purposes. If these investments continue to be held for the same purpose at initial application of IFRS 9, the Group may elect then to classify them as FVOCI or FVTPL. The Group has not yet made a decision in this regard. In the former case, all fair value gains and losses would be reported in other comprehensive income, no impairment losses would be recognized in profit or loss and no gains or losses would be reclassified to profit or loss on disposal. In the latter case, all fair value gains and losses would be recognized in profit or loss as they arise, increasing volatility in the Group's profits.

2) Impairment – Financial assets and contract assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' ("ECL") model. This will require considerable judgment as to how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to financial assets measured at amortized cost or FVOCI, except for investments in equity instruments, and to contract assets.

Under IFRS 9, loss allowances will be measured on either of the following bases:

- 12-month ECLs. These are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs. These are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component; an entity may choose to apply this policy also for trade receivables and contract assets with a significant financing component.

Based on its preliminary assessment, the Group does not believe that the application of IFRS 9 will have a material impact. However, the Group has not yet finalized the impairment methodologies that it will apply under IFRS 9.

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COMPAL ELECTRONICS, INC. AND ITS SUBSIDIARIES
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3) Hedge accounting

When initially applying IFRS 9, the Group may choose as its accounting policy to continue to apply the hedge accounting requirements of IAS 39 instead of the requirements in IFRS 9. The Group has not yet made a decision in this regard.

4) Disclosures

IFRS 9 will require extensive new disclosures, in particular about hedge accounting, credit risk and expected credit losses. The Group's preliminary assessment included an analysis to identify data gaps against current processes and the Group plans to implement the system and controls changes that it believes will be necessary to capture the required data.

5) Transition

Changes in accounting policies resulting from the adoption of IFRS 9 will generally be applied retrospectively, except as described below.

- The Group plans to take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 generally will be recognized in retained earnings and reserves as at 1 January 2018.
- New hedge accounting requirements should generally be applied prospectively. However the Group may elect to apply the expected change in accounting for forward points retrospectively. The Group has not made a decision in relation to this election.
- The following assessments have to be made on the basis of the facts and circumstances that exist at the date of initial application.
 - The determination of the business model within which a financial asset is held.
 - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.
 - The designation of certain investments in equity instruments not held for trading as at FVOCI.

(ii) IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 "Revenue" and IAS 11 "Construction Contracts".

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COMPAL ELECTRONICS, INC. AND ITS SUBSIDIARIES
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For the sale of the Group's products, revenue is currently recognized when the goods are delivered to the customers' premises, which is taken to be the point in time at which the customer accepts the goods and the related risks and rewards of ownership transfer. Revenue is recognized at this point provided that the revenue and costs can be measured reliably, the recovery of the consideration is probable and there is no continuing management involvement with the goods. Under IFRS 15, revenue will be recognized when a customer obtains control of the goods.

The Group has completed an initial assessment that the point of related risks and rewards of ownership transfer to the customer, and the point of control transfer are similar, there is not a significant impact on consolidated financial statements.

(iii) Amendments to IAS 7 "Disclosure Initiative"

The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

To satisfy the new disclosure requirements, the Group intends to present a reconciliation between the opening and closing balances for liabilities with changes arising from financing activities.

(c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

As of the date the following IFRSs that have been issued by the IASB, but not yet endorsed by the FSC:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
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 16 "Leases"	January 1, 2019
IFRS 17 "Insurance Contracts"	January 1, 2021
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019
Amendments to IFRS 9 "Prepayment features with negative compensation"	January 1, 2019
Amendments to IAS 28 "Long-term interests in associates and joint ventures"	January 1, 2019

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COMPAL ELECTRONICS, INC. AND ITS SUBSIDIARIES
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Those which may be relevant to the Group are set out below:

<u>Issuance / Release Dates</u>	<u>Standards or Interpretations</u>	<u>Content of amendment</u>
January 13, 2016	IFRS 16 “Leases”	<p>The new standard of accounting for lease is amended as follows:</p> <ul style="list-style-type: none"> · 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. · A lessor classifies a lease as either a finance lease or an operating lease, and therefore, the accounting remains similar to IAS 17.
June 7, 2017	IFRIC 23 “Uncertainty over Income Tax Treatments”	<ul style="list-style-type: none"> · In assessing whether and how an uncertain tax treatment affects the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, an entity shall assume that a taxation authority will examine the amounts it has the right to examine and have a full knowledge on all related information when making those examinations. · If an entity concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the entity shall determine the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment used or planned to be used in its income tax filings. Otherwise, an entity shall reflect the effect of uncertainty for each uncertain tax treatment by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty.

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

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COMPAL ELECTRONICS, INC. AND ITS SUBSIDIARIES
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(4) Summary of significant accounting policies:

(a) Statement of compliance

These consolidated interim 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) and the guidelines of IAS 34 Interim Financial Reporting which are endorsed by the FSC. These consolidated interim financial statements do not include all of the information required by the Regulations and by 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) for annual financial statements.

Except as described in the following paragraph, the significant accounting policies used in the interim financial statement are consistent with the consolidated financial statement for the year ended December 31, 2016. For related information, please refer to note (4) of the consolidated financial statement for the year ended December 31, 2016.

(b) Basis of consolidation

Principles of preparation of the consolidated financial statements are consistent with the consolidated financial statements for the year ended December 31, 2016. For related information, please refer to note (4)(c) of the consolidated financial statements for the year ended December 31, 2016.

To list subsidiaries in the consolidated financial statements as below:

Investor	Name of Subsidiary	Nature of Operation	Percentage of ownership			Description
			September 30, 2017	December 31, 2016	September 30, 2016	
The Company	Panpal Technology Corp. ("Panpal")	Investment	100%	100%	100%	Panpal held 31,648 thousand shares of the Company as of September 30, 2017, which represented 0.7% of the Company's outstanding shares.
"	Gempal Technology Corp. ("Gempal")	"	100%	100%	100%	Gempal held 18,369 thousand shares of the Company as of September 30, 2017, which represented 0.4% of the Company's outstanding shares.
"	Hong Ji Capital Co., Ltd. ("Hong Ji")	"	100%	100%	100%	
"	Hong Jin Investment Co., Ltd. ("Hong Jin")	"	100%	100%	100%	
"	Zhaopal Investment Co., Ltd. ("Zhaopal")	"	100%	100%	100%	
"	Yongpal Investment Co., Ltd. ("Yongpal")	"	100%	100%	100%	
"	Kaipal Investment Co., Ltd. ("Kaipal")	"	100%	100%	100%	

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COMPAL ELECTRONICS, INC. AND ITS SUBSIDIARIES
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Investor	Name of Subsidiary	Nature of Operation	Percentage of ownership			Description
			September 30, 2017	December 31, 2016	September 30, 2016	
The Company, Panpal, et al.	Accesstek, Inc. ("ATK")	Design, manufacturing and sales of optical disk drives and components	38%	38%	38%	The Group had the ability to control ATK. ATK was dissolved on June 30, 2009. The liquidation process has not been completed.
"	Arcadyan Technology Corp. ("Arcadyan")	R&D, manufacturing and sales of wireless network, integrated household electronics, and mobile office products	36%	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%	100%	
"	HengHao Technology Co., Ltd. ("HengHao")	"	97%	97%	97%	
"	Ripal Optoelectronics Co., Ltd. ("Ripal")	Manufacturing of electric appliance and audiovisual electric products	100%	100%	100%	
"	Mactech Co., Ltd. ("Mactech")	Manufacturing of equipment and lighting, retailing of equipment and international trading	53%	53%	53%	
"	General Life Biotechnology Co., Ltd. ("GLB")	Manufacturing and sales of medical equipment	50%	50%	50%	
"	Unicore BioMedical Co., Ltd. ("Unicore")	Sales of veterinary drugs and leasing	100%	-	-	Unicore was established in January 2017.
"	Auscom Engineering Inc. ("Auscom")	R&D of notebook PC related products and components	100%	100%	100%	
"	Just International Ltd. ("Just")	Manufacturing, sales and maintenance of monitors and LCD TVs, and investment	100%	100%	100%	
"	Compal International Holding Co., Ltd. ("CIH")	Sales and manufacturing of notebook PCs and investments	100%	100%	100%	
"	Compal Electronics (Holding) Ltd. ("CEH")	Investment	100%	100%	100%	
"	Bizcom Electronics, Inc. ("Bizcom")	Warranty services and marketing of monitors and notebook PCs	100%	100%	100%	
"	Flight Global Holding Inc. ("FGH")	Investment	100%	100%	100%	
"	High Shine Industrial Corp. ("HSI")	"	100%	100%	100%	
"	Compal Europe (Poland) Sp. z o.o. ("CEP")	Maintenance and warranty services of notebook PCs	100%	100%	100%	

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Investor	Name of Subsidiary	Nature of Operation	Percentage of ownership			Description
			September 30, 2017	December 31, 2016	September 30, 2016	
The Company	Big Chance International Co., Ltd. ("BCI")	Investment	100%	100%	100%	
"	Compal Rayonnant Holdings Limited ("CRH")	"	100%	100%	100%	
"	Core Profit Holdings Limited ("CORE")	"	100%	100%	100%	
"	Compalead Electronics B.V. ("CPE")	"	100%	100%	100%	
Panpal and Gempal	Compalead Eletronica do Brasil Industria e Comercio Ltda. ("CEB")	Manufacturing of notebook PCs	100%	100%	100%	
"	Compal Electronics India Private Limited ("CEIN")	Manufacturing and warranty service of mobile phone	100%	100%	-	CEIN was established in December 2016.
Just	Compal Display Holding (HK) Limited ("CDH (HK)")	Investment	100%	100%	100%	
"	Compal Electronics International Ltd. ("CII")	"	100%	100%	100%	
"	Compal International Ltd. ("CPI")	Sales of monitors, LCD TVs and related components	100%	100%	100%	
CDH (HK)	Compal Electronics (China) Co., Ltd. ("CPC")	Manufacturing and sales of monitors	100%	100%	100%	
"	Compal Optoelectronics (Kunshan) Co., Ltd. ("CPO")	Manufacturing and sales of LCD TVs	100%	100%	100%	
"	Compal System Trading (Kunshan) Co., Ltd. ("CST")	International trade and distribution of computers and electronic components	100%	100%	100%	
CPC	Compal Smart Device (Chongqing) Co., Ltd. ("CSD")	Research, manufacture and sales of communication devices, mobile phones, electronic computer, smart watch, and provide related technology service.	100%	-	-	CSD was established in April 2017
CII	Smart International Trading Ltd. ("Smart")	Sales of electronic products and related components	100%	100%	100%	
"	Amexcom Electronics Inc. ("AEI")	Sales and maintenance of LCD TVs	100%	100%	100%	
"	Mexcom Electronics, LLC ("MEL")	Investment	100%	100%	100%	

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			September 30, 2017	December 31, 2016	September 30, 2016	
CII	Mexcom Technologies, LLC ("MTL")	Investment	100%	100%	100%	
MEL and MTL	CENA Electromex S.A. de C.V. ("CMX")	Manufacturing, sales, and maintenance of LCD TVs	100%	100%	100%	
CIH	Compal International Holding (HK) Limited ("CIH (HK)")	Investment	100%	100%	100%	
"	Jenpal International Ltd. ("Jenpal")	"	100%	100%	100%	
"	Prospect Fortune Group Ltd. ("PFG")	Sales of notebook PCs and related components	100%	100%	100%	
"	Fortune Way Technology Corp. ("FWT")	Investment	100%	100%	100%	
CIH (HK)	Compal Electronics Technology (Kunshan) Co., Ltd. ("CET")	Manufacturing of notebook PCs	100%	100%	100%	
"	Compal Information (Kunshan) Co., Ltd. ("CIC")	"	100%	100%	100%	
"	Compal Information Technology (Kunshan) Co., Ltd. ("CIT")	"	100%	100%	100%	
"	Kunshan Botai Electronics Co., Ltd. ("BT")	"	100%	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%	100%	
"	Compal Digital Technology (Kunshan) Co., Ltd. ("CDT")	Manufacturing and sales of notebook PCs, mobile phones, and digital products	100%	100%	100%	
BT	Compower Global Service Co., Ltd. ("CGS")	Maintenance and warranty service of notebook PCs	100%	100%	100%	
CDH (HK) and CIH (HK)	Compal Investment (Jiansu) Co., Ltd. ("CIJ")	Investment	100%	100%	100%	
CIJ	Compal Display Electronics (Kunshan) Co., Ltd. ("CDE")	Manufacturing and sales of LCD TVs	100%	100%	100%	
The Company and Webtek	Etrade Management Co., Ltd. ("Etrade")	Investment	100%	100%	100%	
The Company	Webtek Technology Co., Ltd. ("Webtek")	Sales of mobile phones	100%	100%	100%	

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			September 30, 2017	December 31, 2016	September 30, 2016	
The Company	Forever Young Technology Inc. ("Forever")	Sales of mobile phones	100%	100%	100%	
"	UniCom Global, Inc. ("UCGI")	Manufacturing and sales of computers and electronic components	100%	100%	100%	
"	Palcom International Corporation ("Palcom")	Sales of mobile phones	100%	100%	100%	
Etrade	Compal Communication (Nanjing) Co., Ltd. ("CCI Nanjing")	Manufacturing and processing of mobile phones	100%	100%	100%	
"	Compal Digital Communication (Nanjing) Co., Ltd. ("CDCN")	"	100%	100%	100%	
"	Compal Wireless Communication (Nanjing) Co., Ltd. ("CWCN")	"	100%	100%	100%	
Forever	Hanhelt Communication (Nanjing) Co., Ltd. ("Hanhelt")	R&D and manufacturing of electronic communication equipment	100%	100%	100%	
"	Giant Rank Trading Ltd. ("GIA")	Sales of mobile phones	100%	100%	100%	
ATK	OptoRite Inc.	Sales of optical disc drives	100%	100%	100%	
"	MSI-ATK Optics Holding Corporation ("MSI-ATK")	Investment	100%	100%	100%	
"	Maitek (BVI) Corporation ("Maitek")	"	100%	100%	100%	
Arcadyan	Arcadyan Technology N.A. Corp. ("Arcadyan USA")	Sales of wireless network products	100%	100%	100%	
"	Arcadyan Germany Technology GmbH ("Arcadyan Germany")	Technology support of wireless network products	100%	100%	100%	
"	Arcadyan Technology Corporation Korea ("Arcadyan Korea")	Sales of wireless network products	100%	100%	100%	
"	Arcadyan Holding (BVI) Corp. ("Arcadyan Holding")	Investment	100%	100%	100%	
"	Arcadyan Technology Limited ("Arcadyan UK")	Technical support of wireless network products	100%	100%	-	Arcadyan UK was established in December 2016.

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			September 30, 2017	December 31, 2016	September 30, 2016	
Arcadyan	Arcadyan Technology Australia Pty Ltd. ("Arcadyan Australia")	Sales of wireless network products	100%	-	-	Arcadyan Australia was established in March 2017.
Arcadyan and Zhi-pal	Arcadyan do Brasil Ltda. ("Arcadyan Brasil")	Sales of wireless network products	100%	100%	100%	
Arcadyan	Zhi-pal Technology Inc. ("Zhi-pal")	Investment	100%	100%	100%	
"	Tatung Technology Inc. ("TTI")	R&D and sales of household digital electronic products	60%	60%	60%	
"	AcBel Telecom Inc. ("AcBel Telecom")	Investment	51%	51%	51%	
The Company, Arcadyan and its subsidiary	Compal Broadband Network Inc. ("CBN")	R&D and sales of communication and electronic components	81%	95%	98%	
CBN	Speedlink Tradings Limited ("Speedlink")	Import and export business	100%	100%	100%	
"	Compal Broadband Networks Belgium BVBA ("CBNB")	Import and export business, technical support and consulting service of broadband networks products and related components	100%	-	-	CBNB was established in January 2017
Arcadyan Holding	Sinoprime Global Inc. ("Sinoprime ")	Sales of wireless network products	100%	100%	100%	
"	Arcadyan Technology (Shanghai) Corp. ("SVA Arcadyan")	R&D and sales of wireless network products	100%	100%	100%	
"	Arch Holding (BVI) Corp. ("Arch Holding")	Investment	100%	100%	100%	
Arch Holding	Compal Networking (Kunshan) Co., Ltd. ("CNC")	Manufacturing of wireless network products	100%	100%	100%	
AcBel Telecom	Leading Images Ltd. ("Leading Images")	Investment	100%	100%	100%	
"	Great Arch Group Ltd. ("Great Arch")	Sales of wireless network products	100%	100%	100%	
Leading Images	Astoria Networks GmbH ("Astoria GmbH")	"	100%	100%	100%	
TTI	Quest International Group Co., Ltd. ("Quest")	Investment	100%	100%	100%	
Quest	Exquisite Electronic Co., Ltd. ("Exquisite")	"	100%	100%	100%	
Exquisite	Tatung Home Appliances (Wujiang) Co., Ltd. ("THAC")	Manufacturing of household digital electronic products	100%	100%	100%	

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			September 30, 2017	December 31, 2016	September 30, 2016	
HSI	Intelligent Universal Enterprise Ltd. ("IUE")	Investment	100%	100%	100%	
"	Goal Reach Enterprises Ltd. ("Goal")	"	100%	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%	100%	
Goal	Compal Development & Management (Vietnam) Co., Ltd. ("CDM")	Construction of and investment in infrastructure in Ba-Thien industrial district of Vietnam	100%	100%	100%	
Rayonnant Technology and CRH	Allied Power Holding Corp. ("APH")	Investment	100%	100%	100%	
APH	Primetek Enterprises Limited ("PEL")	"	100%	100%	100%	
"	Rayonnant Technology (HK) Co., Ltd. ("Rayonnant Technology (HK)")	"	100%	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%	100%	
HengHao	HengHao Holdings A Co., Ltd. ("HHA")	Investment	100%	100%	100%	
HHA	HengHao Holdings B Co., Ltd. ("HHB")	"	100%	100%	100%	
HHB	HengHao Trading Co., Ltd.	Marketing and international trade	100%	100%	100%	
"	HengHao Optoelectronics Technology (Kunshan) Co., Ltd. ("HengHao Kunshan")	Production of touch panels and related components	100%	100%	100%	
"	Lucom Display Technology (Kunshan) Limited ("Lucom")	Manufacturing of notebook PCs and related modules	100%	100%	100%	
BCI	Center Mind International Co., Ltd. ("CMI")	Investment	100%	100%	100%	
"	Prisco International Co., Ltd. ("PRI")	"	100%	100%	100%	

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			September 30, 2017	December 31, 2016	September 30, 2016	
CMI	Compal Investment (Sichuan) Co., Ltd. ("CIS")	Outward investment and consulting services	100%	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%	100%	
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%	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%	100%	
CORE	Billion Sea Holdings Limited ("BSH")	Investment	100%	100%	100%	
CPE	Compal Electronics Europe Sp. z o.o. ("CEE")	Manufacturing, sales and maintenance of LCD TVs	-	-	100%	CPE disposed 100% equity ownership of CEE in December 2016.
GLB	Rapha Bio Ltd. ("RBL")	Detector and feature	100%	100%	100	GLB obtained 100% equity ownership of RBL in August 2016.

(c) **Income Taxes**

Tax expense in the interim financial statements is measured and disclosed according to paragraph B12 of IAS 34 "Interim Financial Reporting".

Income tax expense for the year is best estimated by multiplying pretax income for the interim reporting period by the effective annual tax rate as forecasted by the management. This should be recognized fully as tax expense for the current period.

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases shall be measured based on the effective tax rate at the time of realization or liquidation and recognized directly in equity or other comprehensive income as tax expense.

(d) **Provisions**

The Group has adopted IFRIC 21 "Levies". According to the Interpretation, the obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of a levy, as identified by the legislation.

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COMPAL ELECTRONICS, INC. AND ITS SUBSIDIARIES
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(e) Employee benefits

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events.

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

The preparation of the consolidated financial statements in conformity with Regulations as well as IFRSs (in accordance with IAS 34 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.

In the preparation of these consolidated interim financial statements, the major sources of significant accounting assumptions, judgments and estimation uncertainty are consistent with note (5) of the annual consolidated financial statements for the year ended December 31, 2016.

(6) Explanation of significant accounts:

Except for the following disclosures, there is no significant difference compared with the consolidated financial statement for the year ended December 31, 2016. Please refer to the note (6) of the consolidated financial statements for the year ended December 31, 2016 and for other related information.

(a) Cash and cash equivalents

	<u>September 30, 2017</u>	<u>December 31, 2016</u>	<u>September 30, 2016</u>
Cash on hand	\$ 12,449	12,678	13,974
Checking accounts and demand deposits	9,210,563	11,765,328	10,547,141
Time deposits	62,143,473	57,829,886	34,775,951
Bonds purchased under resale agreements	<u>267,007</u>	<u>3,342,704</u>	<u>1,914,200</u>
	<u>\$ 71,633,492</u>	<u>72,950,596</u>	<u>47,251,266</u>

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

	<u>September 30, 2017</u>	<u>December 31, 2016</u>	<u>September 30, 2016</u>
Financial assets at fair value through profit or loss:			
Financial assets held-for-trading:			
Derivative instruments not used for hedging	<u>\$ 6,680</u>	<u>86,440</u>	<u>83,431</u>

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COMPAL ELECTRONICS, INC. AND ITS SUBSIDIARIES
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	<u>September 30, 2017</u>	<u>December 31, 2016</u>	<u>September 30, 2016</u>
Financial liabilities at fair value through profit or loss:			
Financial liabilities held-for-trading:			
Derivative instruments not used for hedging	\$ <u>59,696</u>	<u>137,489</u>	<u>127,187</u>

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 September 30, 2017 and December 31 and September 30, 2016 (foreign currencies were expressed in thousands):

		<u>September 30, 2017</u>		
		<u>Contract amount (in thousands)</u>	<u>Currency</u>	<u>Maturity date</u>
Derivative financial assets:				
Foreign exchange contracts:				
Forward exchange sold	EUR	7,300	EUR to USD	October 11, 2017~ January 12, 2018
Forward exchange purchased	USD	3,000	USD to MXN	October 20, 2017
Swap contracts:				
Currency Swap	USD	20,000	USD to TWD	November 10~ December 26, 2017
Derivative financial liabilities:				
Foreign exchange contracts:				
Forward exchange sold	EUR	26,760	EUR to USD	October 6~ December 28, 2017
Forward exchange sold	GBP	500	GBP to USD	October 13, 2017
Forward exchange purchased	USD	94,600	USD to BRL	October 2, 2017~ February 26, 2018
Swap contracts:				
Currency swap	USD	9,600	USD to TWD	October 25, 2017

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COMPAL ELECTRONICS, INC. AND ITS SUBSIDIARIES
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December 31, 2016			
	Contract amount (in thousands)	Currency	Maturity date
Derivative financial assets:			
Foreign exchange contracts:			
Forward exchange sold	EUR 42,000	EUR to USD	January 10~ April 13, 2017
Forward exchange sold	GBP 3,000	BGP 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
September 30, 2016			
	Contract amount (in thousands)	Currency	Maturity date
Derivative financial assets:			
Foreign exchange contracts:			
Forward exchange sold	EUR 44,970	EUR to USD	October 7, 2016~ January 13, 2017
Forward exchange sold	GBP 4,000	GBP to USD	October 14, 2016~ January 13, 2017
Forward exchange purchased	USD 18,000	USD to MXN	October 7~ October 14, 2016
Swap contracts:			
Currency swap	USD 22,000	USD to TWD	October 11~ November 29, 2016

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COMPAL ELECTRONICS, INC. AND ITS SUBSIDIARIES
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	<u>September 30, 2016</u>		
	<u>Contract amount (in thousands)</u>	<u>Currency</u>	<u>Maturity date</u>
Derivative financial liabilities:			
Foreign exchange contracts:			
Forward exchange sold	EUR 4,090	EUR to USD	October 7~December 14, 2016
Forward exchange purchased	USD 47,500	USD to BRL	October 14, 2016~ May 30, 2017
Swap contracts:			
Currency swap	USD 40,000	USD to TWD	October 5~ December 23, 2016

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

As of September 30, 2017 and December 31 and September 30, 2016, 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:

	<u>September 30, 2017</u>	<u>December 31, 2016</u>	<u>September 30, 2016</u>
Cash flow hedge:			
Derivative assets used for hedging:			
Forward exchange contracts	\$ <u> -</u>	<u> -</u>	<u> 20,481</u>
Derivative financial liabilities used for hedging:			
Forward exchange contracts	\$ <u> 25,419</u>	<u> -</u>	<u> -</u>

(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 September 30, 2017 and 2016, the outstanding forward exchange contracts held by the Group are as follows (foreign currencies were expressed in thousands):

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COMPAL ELECTRONICS, INC. AND ITS SUBSIDIARIES
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September 30, 2017			
Derivative financial liabilities used for hedging	Contract amount (in thousands)	Currency	Maturity period
Forward exchange sold	EUR 17,500	EUR to USD	October 30~ December 29, 2017
September 30, 2016			
Derivative financial assets used for hedging	Contract amount (in thousands)	Currency	Maturity period
Forward exchange sold	EUR 13,762	EUR to USD	October 28~ December 30, 2016
Forward exchange purchased	EUR 3,000	USD to MXN	October 28~ November 29, 2016

(iii) For the nine months ended September 30, 2017 and 2016, 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).

(d) Available-for-sale financial assets

	September 30, 2017	December 31, 2016	September 30, 2016
Stocks listed in domestic markets (including stocks acquired via private placement)	\$ 4,751,238	6,781,745	6,668,808
Stocks listed in foreign markets	769,215	582,303	560,736
Stocks unlisted in domestic markets	2,231,944	2,172,000	2,184,092
Stocks unlisted in foreign markets	<u>127,658</u>	<u>69,044</u>	<u>75,307</u>
	<u>\$ 7,880,055</u>	<u>9,605,092</u>	<u>9,488,943</u>
Current	\$ 41,179	48,631	45,493
Non-current	<u>7,838,876</u>	<u>9,556,461</u>	<u>9,443,450</u>
	<u>\$ 7,880,055</u>	<u>9,605,092</u>	<u>9,488,943</u>

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COMPAL ELECTRONICS, INC. AND ITS SUBSIDIARIES
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- (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 final 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) The Company is optimistic about the future growth of IoT, Smart Cloud 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%. Since the financial status and business of the Leshi Group has changed significantly, CIT has determined to terminate this investment.
- (iii) Except for the stocks acquired via private placement mentioned in (i), 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 nine months ended September 30, 2017 and 2016, will be \$394,003 and \$360,947, respectively. These analyses are performed on the same basis for both periods and assume that all other variables remain the same.
- (iv) As of September 30, 2017 and December 31 and September 30, 2016, the Group did not provide any available-for-sale financial assets as collaterals for its loans.

- (e) Financial assets at cost

	September 30, 2017	December 31, 2016	September 30, 2016
Unlisted common stock in domestic markets	\$ 5,273	5,273	7,273
Unlisted fund in foreign markets	48,709	48,709	48,709
Unlisted preferred stock in foreign markets	17,838	17,838	80,698
	\$ 71,820	71,820	136,680

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

- (i) The aforementioned unlisted stock, fund and preferred 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.
- (ii) As of September 30, 2017 and December 31 and September 30, 2016, the Group did not provide any financial assets at cost as collaterals for its loans.
- (f) Bond investment without active market

	September 30, 2017	December 31, 2016	September 30, 2016
Common bonds – Taiwan Star Telecom Corporation Limited ("Taiwan Star")	\$ 700,000	1,050,000	1,050,000
Current	\$ 350,000	350,000	350,000
Non-current	350,000	700,000	700,000
	\$ 700,000	1,050,000	1,050,000

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 for the date of issuance till the maturity of the bond in June 2019.

As of September 30, 2017 and December 31 and September 30, 2016, the Group did not provide the aforementioned financial assets as collaterals for its loans.

- (g) Notes and accounts receivable and other receivables

	September 30, 2017	December 31, 2016	September 30, 2016
Notes receivable	\$ 58,875	69,745	93,034
Accounts receivable	181,323,946	176,362,482	182,506,318
Other receivables	1,981,651	1,146,127	654,980
	183,364,472	177,578,354	183,254,332
Less: allowance for uncollectible accounts	(4,110,127)	(1,095,955)	(362,014)
allowance for sales returns and discounts	(36,490)	(10,507)	(72,926)
	\$ 179,217,855	176,471,892	182,819,392
Notes and accounts receivable	\$ 177,246,721	175,318,313	182,134,816
Notes and accounts receivable – related parties	\$ 71,905	70,972	92,751
Other receivables – current	\$ 1,899,229	1,082,607	591,825

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COMPAL ELECTRONICS, INC. AND ITS SUBSIDIARIES
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The aging analysis of accounts receivable and other receivables which were past due but not impaired was as follows:

	September 30, 2017	December 31, 2016	September 30, 2016
Overdue 1 to 180 days	\$ 1,854,633	7,572,905	6,336,138
Overdue 181 to 365 days	490	3,714	144
Overdue 365 days and over	<u>543</u>	<u>-</u>	<u>28,569</u>
	<u>\$ 1,855,666</u>	<u>7,576,619</u>	<u>6,364,851</u>

The change of allowance for accounts receivable and other receivables for the nine months ended September 30, 2017 and 2016, were as follows:

	Individually assessed impairment	Collectively assessed impairment	Total
Balance on January 1, 2017	237,143	858,812	1,095,955
Assessment category reclassified	695,014	(695,014)	-
Impairment loss recognized (reversed)	3,010,536	3,951	3,014,487
Effect of changes in exchange rates	<u>-</u>	<u>(315)</u>	<u>(315)</u>
Balance on September 30, 2017	<u>\$ 3,942,693</u>	<u>167,434</u>	<u>4,110,127</u>
Balance on January 1, 2016	277,378	175,704	453,082
Impairment loss recognized (reversed)	(26,916)	(64,438)	(91,354)
Effect of changes in exchange rates	<u>-</u>	<u>286</u>	<u>286</u>
Balance on September 30, 2016	<u>\$ 250,462</u>	<u>111,552</u>	<u>362,014</u>

Allowance for uncollectible account is the balance of accounts receivable 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 but unimpaired accounts receivable, therefore, no allowance recognized. The Group had recognized full loss for the uncollectible accounts receivable of Leshi; however, the Group will make the utmost effort to recover the accounts receivable, including taking proper legal actions.

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COMPAL ELECTRONICS, INC. AND ITS SUBSIDIARIES
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The Group entered into accounts receivable factoring agreements with banks. As of September 30, 2017 and December 31 and September 30, 2016, except for the amount used under the actual sales amount in accordance with certain agreements, the factoring amount granted by the banks was USD935,000 thousands and EUR32,000 thousands, USD265,000 thousands and EUR9,000 thousands, and USD2,365,000 thousands and EUR9,000 thousands, 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 September 30, 2017 and December 31 and September 30, 2016, the factored accounts receivable with no advance amounting to \$143,372, \$36,488 and \$30,491, respectively, are accounted for as other receivables.

The Company, customers, and banks signed the three-party 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 September 30, 2017 and December 31 and September 30, 2016, account receivable factored were recovered and derecognized since the conditions of de recognition were met.

As of September 30, 2017 and December 31 and September 30, 2016, the details of the factored accounts receivable were as follows:

September 30, 2017					
	Accounts receivable factored (gross)	Advanced amount	Collateral	Amount derecognized	Interest rate
Financial Institution	<u>\$ 24,110,951</u>	<u>23,967,579</u>	-	<u>24,110,951</u>	0.80%~2.22%
December 31, 2016					
	Accounts receivable factored (gross)	Advanced amount	Collateral	Amount derecognized	Interest rate
Financial Institution	<u>\$ 28,246,777</u>	<u>28,210,289</u>	-	<u>28,246,777</u>	0.80%~1.80%

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September 30, 2016

	Accounts receivable factored (gross)	Advanced amount	Collateral	Amount derecognized	Interest rate
Financial Institution	<u>\$ 12,991,393</u>	<u>12,960,902</u>	-	<u>12,991,393</u>	0.80%~1.60%

(h) Inventories

	September 30, 2017	December 31, 2016	September 30, 2016
Finished goods	\$ 21,239,088	10,495,438	12,971,731
Work in progress	4,692,928	2,974,340	3,896,477
Raw materials	47,060,771	33,353,608	36,163,647
Raw materials in transit	<u>2,731,875</u>	<u>1,281,739</u>	<u>1,640,206</u>
	<u>\$ 75,724,662</u>	<u>48,105,125</u>	<u>54,672,061</u>

- (i) During the three months and nine months ended September 30, 2017 and 2016, inventory cost recognized as cost of sales amounted to \$223,668,179, \$189,193,478, \$609,243,288 and \$523,670,510, respectively.
- (ii) The Company reversed its allowance for inventory valuation loss amounting to \$455,886 and \$799,540 due to the sale and disposal of its obsolete inventories in the three months and nine months ended September 30, 2017. The write-down of inventories to net realizable value amounted to \$23,804 and \$341,715, respectively, in the three months and nine months ended September 30, 2016.
- (iii) As of September 30, 2017 and December 31 and September 30, 2016, 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:

	September 30, 2017	December 31, 2016	September 30, 2016
Associates	\$ 11,667,351	11,804,006	11,117,364
Joint venture	<u>35,640</u>	<u>49,076</u>	<u>46,916</u>
	11,702,991	11,853,082	11,164,280
Less: unrealized profits or losses	<u>(119,110)</u>	<u>(126,712)</u>	<u>(123,312)</u>
	<u>\$ 11,583,881</u>	<u>11,726,370</u>	<u>11,040,968</u>

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(i) Associates

1) The fair value of the shares of listed company based on the closing price was as follow:

	<u>September 30, 2017</u>	<u>December 31, 2016</u>	<u>September 30, 2016</u>
Allied Circuit Co., Ltd. ("Allied Circuit")	\$ 1,196,838	487,408	542,913
Avalue Technology Inc. ("Avalue")	<u>732,285</u>	<u>909,584</u>	<u>1,062,885</u>
	<u>\$ 1,929,123</u>	<u>1,396,992</u>	<u>1,605,798</u>

2) The Group's share of the net gain (loss) of associates was as follows:

	<u>Three months ended September 30, 2017</u>	<u>Three months ended September 30, 2016</u>	<u>Nine months ended September 30, 2017</u>	<u>Nine months ended September 30, 2016</u>
The Company's share of the gain (loss) of associates	\$ <u>120,595</u>	<u>105,264</u>	<u>323,866</u>	<u>335,888</u>

3) The Group's share of the operating results for equity-accounted investment in all individually immaterial associates are summarized below:

	<u>September 30, 2017</u>	<u>December 31, 2016</u>	<u>September 30, 2016</u>
The carrying amount of the Group's interests in all individually immaterial associates	\$ <u>11,667,351</u>	<u>11,804,006</u>	<u>11,117,364</u>

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

	<u>Three months ended September 30, 2017</u>	<u>Three months ended September 30, 2016</u>	<u>Nine months ended September 30, 2017</u>	<u>Nine months ended September 30, 2016</u>
Profit (loss) from continuing operations	\$ 120,595	105,264	323,866	335,888
Other comprehensive income	<u>97,161</u>	<u>(204,978)</u>	<u>(45,476)</u>	<u>(505,630)</u>
Total comprehensive income	<u>\$ 217,756</u>	<u>(99,714)</u>	<u>278,390</u>	<u>(169,742)</u>

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COMPAL ELECTRONICS, INC. AND ITS SUBSIDIARIES
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(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 share of the operating results for equity-accounted investment in all individually immaterial joint ventures are summarized below:

	<u>September 30, 2017</u>	<u>December 31, 2016</u>	<u>September 30, 2016</u>
The carrying amount of the Group’s interests			
in all individually immaterial joint ventures	\$ <u>35,640</u>	<u>49,076</u>	<u>46,916</u>

The Group’s share of the net income (loss) of joint ventures.

	<u>Three months ended September 30, 2017</u>	<u>Three months ended September 30, 2016</u>	<u>Nine months ended September 30, 2017</u>	<u>Nine months ended September 30, 2016</u>
Losses from continuing operations (also the total comprehensive losses)	\$ <u>(2,867)</u>	<u>(3,247)</u>	<u>(9,700)</u>	<u>(15,291)</u>

(iii) As of September 30, 2017 and December 31 and September 30, 2016, the Group did not provide any investments accounted for using equity method as collaterals for its loans.

(j) Business combination

There were no significant transactions for the nine months ended September 30, 2017 and 2016. Please refer to note (6)(j) of the consolidated financial statement for the year ended December 2016.

(k) Changes in subsidiaries’ equity

In September 2017, the Group disposed 13% of CBN's interest, and the total disposal price was \$221,000. The capital surplus— difference between consideration and carrying amount of subsidiaries acquired or disposed related to above transaction amounted to \$16,038.

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COMPAL ELECTRONICS, INC. AND ITS SUBSIDIARIES
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(l) Loss control of subsidiaries

There were no significant transactions for the nine months ended September 30, 2017 and 2016. Please refer to note (6)(l) of the consolidated financial statement for the year ended December 2016.

(m) Material non-controlling interests of subsidiaries

There was no significant difference for the nine months ended September 30, 2017 and 2016. Please refer to note (6)(m) of the consolidated financial statement for the year ended December 2016.

(n) Property, plant and equipment

The cost, depreciation, and impairment loss of the property, plant and equipment of the Group for the nine months ended September 30, 2017 and 2016, were as follows:

	Land	Buildings and building improvement	Machinery and equipment	Other equipment	Under construction and prepayment for purchase of equipment	Total
Cost or deemed cost:						
Balance on January 1, 2017	\$ 1,776,857	15,616,310	24,000,626	10,457,550	1,059,323	52,910,666
Additions	-	48,979	916,769	1,041,995	643,903	2,651,646
Disposals and derecognitions	-	(21,078)	(145,703)	(1,775,038)	-	(1,941,819)
Reclassifications	-	19,059	164,143	38,041	(221,243)	-
Effect of changes in exchange rates	(6,207)	(356,413)	(1,798,475)	(315,690)	(59,936)	(2,536,721)
Balance on September 30, 2017	<u>\$ 1,770,650</u>	<u>15,306,857</u>	<u>23,137,360</u>	<u>9,446,858</u>	<u>1,422,047</u>	<u>51,083,772</u>
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	-	148,408	697,359	958,630	228,065	2,032,462
Disposal and derecognitions	(2,108)	(650,257)	(125,205)	(1,131,323)	-	(1,908,893)
Reclassifications	(195,608)	(279,015)	(68,244)	144,533	(540,501)	(938,835)
Effect of changes in exchange rates	(13,568)	(359,263)	(769,994)	(613,703)	(77,911)	(1,834,439)
Balance on September 30, 2016	<u>\$ 1,774,164</u>	<u>14,841,909</u>	<u>23,428,654</u>	<u>9,478,217</u>	<u>2,035,799</u>	<u>51,558,743</u>
Depreciation and impairments loss:						
Balance on January 1, 2017	\$ -	9,116,263	15,782,175	7,059,551	-	31,957,989
Depreciation for the period	-	536,566	1,744,246	1,461,355	-	3,742,167
Disposals and derecognitions	-	(13,074)	(106,336)	(1,777,319)	-	(1,896,729)
Effect of changes in exchange rates	-	(395,270)	(169,842)	(748,170)	-	(1,313,282)
Balance on September 30, 2017	<u>\$ -</u>	<u>9,244,485</u>	<u>17,250,243</u>	<u>5,995,417</u>	<u>-</u>	<u>32,490,145</u>
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	-	594,901	1,730,462	1,489,880	-	3,815,243
Impairment loss	-	-	72,250	-	-	72,250
Disposals and derecognitions	-	(466,095)	(104,020)	(1,107,897)	-	(1,678,012)
Reclassifications	-	(263,213)	(289,116)	(24,095)	-	(576,424)
Effect of changes in exchange rates	-	(260,843)	(405,516)	(415,154)	-	(1,081,513)
Balance on September 30, 2016	<u>\$ -</u>	<u>9,103,191</u>	<u>15,765,569</u>	<u>5,581,938</u>	<u>-</u>	<u>30,450,698</u>

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COMPAL ELECTRONICS, INC. AND ITS SUBSIDIARIES
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	<u>Land</u>	<u>Buildings and building improvement</u>	<u>Machinery and equipment</u>	<u>Other equipment</u>	<u>Under construction and prepayment for purchase of equipment</u>	<u>Total</u>
Carrying amounts:						
Balance on January 1, 2017	\$ <u>1,776,857</u>	<u>6,500,047</u>	<u>8,218,451</u>	<u>3,397,999</u>	<u>1,059,323</u>	<u>20,952,677</u>
Balance on September 30, 2017	\$ <u>1,770,650</u>	<u>6,062,372</u>	<u>5,887,117</u>	<u>3,451,441</u>	<u>1,422,047</u>	<u>18,593,627</u>
Balance on January 1, 2016	\$ <u>1,985,448</u>	<u>6,483,595</u>	<u>8,932,846</u>	<u>4,480,596</u>	<u>2,426,146</u>	<u>24,308,631</u>
Balance on September 30, 2016	\$ <u>1,774,164</u>	<u>5,738,718</u>	<u>7,663,085</u>	<u>3,896,279</u>	<u>2,035,799</u>	<u>21,108,045</u>

As of September 30, 2017 and December 31 and September 30, 2016, part of the Group's property, plant and equipment are 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:

	<u>September 30, 2017</u>	<u>December 31, 2016</u>	<u>September 30, 2016</u>
Credit loans	\$ <u>46,014,325</u>	<u>43,480,777</u>	<u>43,955,752</u>
Unused credit line for short-term borrowings	\$ <u>90,213,000</u>	<u>98,320,000</u>	<u>102,000,000</u>
Annual range of interest rates	<u>1.10%~13.20%</u>	<u>0.67%~13.90%</u>	<u>0.60%~13.90%</u>

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

(p) Long-term borrowings

The details of long-term borrowings were as follows:

	<u>September 30, 2017</u>	<u>December 31, 2016</u>	<u>September 30, 2016</u>
Credit loans	\$ 28,979,560	31,335,000	24,815,000
Secured bank loans	380,781	586,563	638,906
Less: current portion	<u>(8,227,685)</u>	<u>(7,966,875)</u>	<u>(5,208,125)</u>
	<u>\$ 21,132,656</u>	<u>23,954,688</u>	<u>20,245,781</u>
Unused credit line for long-term borrowings	\$ <u>3,967,760</u>	<u>5,069,800</u>	<u>9,441,800</u>
Annual range of interest rates	<u>0.78%~1.92%</u>	<u>1.08%~1.92%</u>	<u>1.07%~1.92%</u>

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).

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

(q) Provisions

	<u>September 30, 2017</u>	<u>December 31, 2016</u>	<u>September 30, 2016</u>
Warranties	\$ 350,540	309,844	433,765
Sales returns and allowances	<u>1,319,620</u>	<u>1,532,250</u>	<u>1,738,428</u>
	<u>\$ 1,670,160</u>	<u>1,842,094</u>	<u>2,172,193</u>

There is no significant change of provisions for the nine months ended September 30, 2017 and 2016. Please refer to note (6)(q) of the consolidated financial statements for the year ended December 31, 2016.

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

There were no significant new lease contracts during the nine months ended September 30, 2017 and 2016. Please refer to note (6)(r) of the consolidated financial statements for the year ended December 2016 for related information.

(s) Employee benefits

(i) Defined benefit plans

Given there was no significant volatility of the market or any significant reimbursement, settlement or other one-time event in the prior fiscal year, pension cost in the interim financial statement is measured and disclosed in accordance with the actuarial report measured on December 31, 2016 and 2015.

The pension costs of the defined benefit plans were as follows:

	<u>Three months ended September 30, 2017</u>	<u>Three months ended September 30, 2016</u>	<u>Nine months ended September 30, 2017</u>	<u>Nine months ended September 30, 2016</u>
Cost of sales	\$ 336	302	994	1,005
Selling expenses	295	294	897	891
Administrative expenses	1,032	997	3,146	3,093
Research and development expenses	<u>2,894</u>	<u>2,854</u>	<u>8,769</u>	<u>8,487</u>
Total	<u>\$ 4,557</u>	<u>4,447</u>	<u>13,806</u>	<u>13,476</u>

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

(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 \$88,793, \$87,581, \$265,508 and \$255,259 for the three months and nine months ended September 30, 2017 and 2016, 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 \$302,301, \$286,553, \$884,439 and \$862,797 for the three months and nine months ended September 30, 2017 and 2016, respectively.

(t) Income taxes

- (i) The Group entities are subject to income tax rates according to the profit before tax of interim reporting period multiply by the best estimated measurement of the expected effective tax rate by the management in all the year. The amount of income tax was as follows:

	Three months ended September 30, 2017	Three months ended September 30, 2016	Nine months ended September 30, 2017	Nine months ended September 30, 2016
Current tax expense	\$ 531,459	466,302	1,555,563	1,885,568

- (ii) The amount of income tax recognized in other comprehensive income were as follows:

	Three months ended September 30, 2017	Three months ended September 30, 2016	Nine months ended September 30, 2017	Nine months ended September 30, 2016
Items that may be reclassified subsequently to profit or loss:				
Foreign currency translation differences for foreign operations	\$ 703	(7,355)	(8,651)	(9,177)
Unrealized gains (losses) on available-for-sale financial assets	20,112	2,635	45,525	(15,344)
	\$ 20,815	(4,720)	36,874	(24,521)

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

(iii) Examination and approval

The ROC tax authorities have assessed the Company's income tax returns through 2014. The Company disagreed with the assessment and filed formal tax appeals for 2012. In accordance with the conservatism, the total amounts of the assessed additional income tax were recognized in the statements of income. Any differences will be reflected as an adjustment after the tax is resolved.

The ROC tax authorities have assessed the income tax returns of Zhaopal, Palcom, Acbel Telecom, Zhipal, Panpal, Gempal, Hong Ji, Hong Jin, TTI, Yongpal, Kaipal, UCGI, Rayonnant, Ripal, GLB and Rapha through 2015, of HengHao, Arcadyan, CBN and Mactech through 2014, of CCI through 2013, of ATK through June 2009.

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

	September 30, 2017	December 31, 2016	September 30, 2016
Unappropriated earnings retained after January 1, 1998	<u>\$ 31,935,380</u>	<u>34,649,963</u>	<u>32,116,808</u>
Balance of the imputation credit account	<u>\$ 4,272,585</u>	<u>4,705,650</u>	<u>4,230,511</u>
Creditable ratio for earnings distribution to R.O.C residents	<u>2017</u> <u>12.33 %</u> (expected)	<u>2016</u> <u>12.60 %</u> (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

Except for those described below, there is no significant change of capital and other equities for the nine months ended September 30, 2017 and 2016. Please refer to note (6)(u) of the consolidated financial statement for the year ended December 31, 2016.

(i) Ordinary shares

In 2015, the Company issued its employee restricted shares amounting to \$493,600, wherein the amount of \$38,800 and \$28,000 had been cancelled due to failure in meeting the vested requirements in the nine months ended September 30, 2017 and 2016, respectively. As of September 30, 2017, except \$15,900, the registration procedure had been completed.

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

The balances of capital surplus were as follows:

	<u>September 30, 2017</u>	<u>December 31, 2016</u>	<u>September 30, 2016</u>
Additional paid-in capital	\$ 7,898,330	8,561,027	8,560,782
Treasury share transactions	2,361,843	2,301,816	2,301,816
Difference between consideration and carrying amount arising from acquisition or disposal of subsidiaries	19,788	3,750	3,750
Recognition of changes in ownership interests in subsidiaries	48,263	48,206	48,505
Employee restricted shares	332,910	603,990	608,715
Changes in equity of associates and joint ventures accounted for using equity method	<u>274,661</u>	<u>260,485</u>	<u>256,252</u>
	<u>\$ 10,935,795</u>	<u>11,779,274</u>	<u>11,779,820</u>

The Company's shareholder's meeting held on June 22, 2017 and June 24, 2016, approved to distribute the cash dividend of \$884,431 (representing 0.2 New Taiwan Dollars per share) and \$885,334 (representing 0.2 New Taiwan Dollars per share), respectively, by using the additional paid-in capital.

(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.

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COMPAL ELECTRONICS, INC. AND ITS SUBSIDIARIES
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Distribution for the earnings of 2016 and 2015 was approved by the shareholders during their annual meeting held on June 22, 2017, and June 24, 2016, respectively. The relevant information was as follows:

	2016		2015	
	Amount per share	Total amount	Amount per share	Total amount
Cash dividends distributed to common shareholders	\$ 1.0	<u>4,422,153</u>	1.0	<u>4,426,671</u>

(iv) Treasury stock

The subsidiaries of the Company did not sell the ordinary shares of the Company in the nine months ended September 30, 2017 and 2016. As of September 30, 2017, 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. The fair value of the ordinary shares of the Company was 21.35, 18.45 and 19.35 New Taiwan dollars per share as of September 30, 2017 and December 31 and September 30, 2016, respectively.

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.

(v) 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, 2017	\$ 1,324,282	(5,663,830)	(285,105)	(4,624,653)
The Group	(3,739,514)	465,338	153,910	(3,120,266)
Associates	<u>(53,143)</u>	<u>7,667</u>	<u>-</u>	<u>(45,476)</u>
Balance on September 30, 2017	<u>\$ (2,468,375)</u>	<u>(5,190,825)</u>	<u>(131,195)</u>	<u>(7,790,395)</u>

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COMPAL ELECTRONICS, INC. AND ITS SUBSIDIARIES
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	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 Group	(2,595,979)	355,284	339,163	(1,901,532)
Associates	(470,383)	(35,247)	-	(505,630)
Balance on September 30, 2016	<u>\$ (263,301)</u>	<u>(5,690,395)</u>	<u>(380,347)</u>	<u>(6,334,043)</u>

(v) Share-based payment

There were no significant changes in share-based payment during the nine months ended September 30, 2017 and 2016. Please refer to note (6)(v) of the consolidated financial statements for the year ended December 31, 2016 for related information.

(w) Earnings per share

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

	Three months ended September 30, 2017	Three months ended September 30, 2016	Nine months ended September 30, 2017	Nine months ended September 30, 2016
Basic earnings per share:				
Profit attributable to ordinary shareholders of the Company	\$ <u>2,323,844</u>	<u>2,179,674</u>	<u>3,651,541</u>	<u>5,517,963</u>
Weighted-average number of outstanding ordinary shares (in thousands)	<u>4,345,604</u>	<u>4,329,404</u>	<u>4,344,327</u>	<u>4,329,404</u>
Diluted earnings per share:				

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COMPAL ELECTRONICS, INC. AND ITS SUBSIDIARIES
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	Three months ended September 30, 2017	Three months ended September 30, 2016	Nine months ended September 30, 2017	Nine months ended September 30, 2016
Profit attributable to ordinary shareholders of the Company (after adjustment of potential diluted ordinary shares)	\$ <u>2,323,844</u>	<u>2,179,674</u>	<u>3,651,541</u>	<u>5,517,963</u>
Weighted-average number of outstanding ordinary shares of potential diluted ordinary shares				
Weighted-average number of outstanding ordinary shares (in thousands)	4,345,604	4,329,404	4,344,327	4,329,404
Employee remuneration (in thousands)	19,625	30,668	33,528	46,317
Employee restricted shares (in thousands)	<u>18,704</u>	<u>25,507</u>	<u>19,760</u>	<u>25,114</u>
Weighted-average number of ordinary shares (after adjustment of potential diluted ordinary shares)	<u>4,383,933</u>	<u>4,385,579</u>	<u>4,397,615</u>	<u>4,400,835</u>

(x) Revenue

The revenue of the Group were as follows:

	Three months ended September 30, 2017	Three months ended September 30, 2016	Nine months ended September 30, 2017	Nine months ended September 30, 2016
Sale of goods	\$ 231,300,424	197,121,397	631,702,645	544,635,127
Rendering of services and other	<u>308,096</u>	<u>765,167</u>	<u>1,113,822</u>	<u>2,835,992</u>
	<u>\$ 231,608,520</u>	<u>197,886,564</u>	<u>632,816,467</u>	<u>547,471,119</u>

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

(y) Employees' and directors' compensation

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 compensation to employees and directors, shall be distributed to employees as compensation in an amount of not less than two percent (2%) thereof and to directors as compensation 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 compensation 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 \$238,428, \$219,389, \$418,986 and \$593,420, and directors' compensation of \$12,608, \$11,601, \$22,156 and \$31,379 for the three months and nine months ended September 30, 2017 and 2016. 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 approve 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.

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 year ended December 31, 2016 and 2015, respectively. There is no differences between the amount approved in the Board of Directors' meeting and those recognized in the financial statements, the related information can be accessed through the Market observation Post System website.

(z) Non-operating income and expenses

(i) Other income

The other income for the three months and nine months ended September 30, 2017 and 2016, were as follows:

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COMPAL ELECTRONICS, INC. AND ITS SUBSIDIARIES
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	Three months ended September 30, 2017	Three months ended September 30, 2016	Nine months ended September 30, 2017	Nine months ended September 30, 2016
Interest income				
Bond investment without an active market	\$ 3,529	5,293	13,463	18,699
Bank deposits and others	198,474	147,410	603,974	407,933
Dividend revenue	12,993	13,894	169,837	191,332
Overdue payable reversed as other income	59	80,407	154,285	484,100
Other revenue	79,085	96,869	244,520	402,365
	<u>\$ 294,140</u>	<u>343,873</u>	<u>1,186,079</u>	<u>1,504,429</u>

(ii) Other gains and losses

The other gains and losses for the three months and nine months ended September 30, 2017 and 2016, were as follows:

	Three months ended September 30, 2017	Three months ended September 30, 2016	Nine months ended September 30, 2017	Nine months ended September 30, 2016
Gains on disposal of investments	\$ 10,777	61,949	6,525	61,949
Gains (losses) on financial assets and liabilities at fair value through profit or loss, net	(243,541)	50,458	(515,387)	20,582
Foreign currency exchange gains (losses), net	149,822	(872,226)	(1,385,097)	(1,665,647)
Gains (losses) on disposal of fixed assets	27,835	448	82,134	(2,151)
Impairment loss	-	(63,872)	-	(104,622)
	<u>\$ (55,107)</u>	<u>(823,243)</u>	<u>(1,811,825)</u>	<u>(1,689,889)</u>

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COMPAL ELECTRONICS, INC. AND ITS SUBSIDIARIES
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(aa) Reclassification of the components of other comprehensive income

The details of reclassification of the components of other comprehensive income for the three months and nine months ended September 30, 2017 and 2016, were as follows:

	Three months ended September 30, 2017	Three months ended September 30, 2016	Nine months ended September 30, 2017	Nine months ended September 30, 2016
Available-for-sale financial assets				
Net change in fair value (net of tax)	\$ (230,175)	75,219	465,338	366,534
Net change in fair value reclassified to profit or loss (net of tax)	<u>-</u>	<u>(6,750)</u>	<u>-</u>	<u>(11,250)</u>
Net change in fair value recognized in other comprehensive income (net of tax)	<u>\$ (230,175)</u>	<u>68,469</u>	<u>465,338</u>	<u>355,284</u>
	Three months ended September 30, 2017	Three months ended September 30, 2016	Nine months ended September 30, 2017	Nine months ended September 30, 2016
Cash flow hedge:				
Profit (loss) recognized (net of tax)	\$ (51,525)	4,732	(143,937)	92,577
Less: reclassified to profit or loss	<u>(83,000)</u>	<u>24,265</u>	<u>(118,518)</u>	<u>93,456</u>
Profit (loss) recognized in other comprehensive income (net of tax)	<u>\$ 31,475</u>	<u>(19,533)</u>	<u>(25,419)</u>	<u>(879)</u>

(ab) Financial instruments

Except for those described below, there were no significant changes on fair value, credit risk, liquidity risk and market risk of financial instruments. Please refer to note (6)(ab) of the consolidated financial statements for the year ended December 31, 2016 for related information.

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COMPAL ELECTRONICS, INC. AND ITS SUBSIDIARIES
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(i) Liquidity risk

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

	<u>Carrying Amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1 ~ 2 years</u>	<u>Over 2 years</u>
September 30, 2017					
Non-derivative financial liabilities					
Secured loans	\$ 380,781	(380,781)	(213,125)	(59,375)	(108,281)
Unsecured loans	74,993,885	(74,993,885)	(54,028,885)	(11,915,000)	(9,050,000)
Accounts payable	160,589,811	(160,589,811)	(160,589,811)	-	-
Other payables	13,332,155	(13,332,155)	(13,332,155)	-	-
Derivative financial liabilities					
Forward exchange contracts:	59,624				
Outflow		(3,891,017)	(3,891,017)	-	-
Inflow		3,802,476	3,802,476	-	-
Currency swap contracts:	72				
Outflow		(290,678)	(290,678)	-	-
Inflow		290,496	290,496	-	-
Forward exchange contracts for hedging	25,419				
Outflow		(625,800)	(625,800)	-	-
Inflow		602,651	602,651	-	-
	<u>\$ 249,381,747</u>	<u>(249,408,504)</u>	<u>(228,275,848)</u>	<u>(11,974,375)</u>	<u>(9,158,281)</u>
December 31, 2016					
Non-derivative financial liabilities					
Secured loans	\$ 586,563	(586,563)	(266,875)	(181,875)	(137,813)
Unsecured loans	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	-	-
	<u>\$ 217,751,950</u>	<u>(217,767,964)</u>	<u>(193,813,276)</u>	<u>(4,870,625)</u>	<u>(19,084,063)</u>

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COMPAL ELECTRONICS, INC. AND ITS SUBSIDIARIES
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	<u>Carrying Amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1 ~ 2 years</u>	<u>Over 2 years</u>
September 30, 2016					
Non-derivative financial liabilities					
Secured loans	\$ 638,906	(638,906)	(258,125)	(213,125)	(167,656)
Unsecured loans	68,770,752	(68,770,752)	(48,905,752)	(6,217,500)	(13,647,500)
Accounts payable	126,995,538	(126,995,538)	(126,995,538)	-	-
Other payables	12,946,967	(12,946,967)	(12,946,967)	-	-
Derivative financial liabilities					
Forward exchange contracts:	92,125				
Outflow		(1,763,999)	(1,763,999)	-	-
Inflow		1,631,981	1,631,981	-	-
Currency swap contracts	35,062				
Outflow		(1,263,916)	(1,263,916)	-	-
Inflow		1,279,615	1,279,615	-	-
	<u>\$ 209,479,350</u>	<u>(209,468,482)</u>	<u>(189,222,701)</u>	<u>(6,430,625)</u>	<u>(13,815,156)</u>

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

(ii) Currency risk

1) Exposure to foreign currency risk

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

	<u>September 30, 2017</u>			<u>December 31, 2016</u>			<u>September 30, 2016</u>		
	<u>Foreign Currency</u>	<u>Exchange rate</u>	<u>TWD</u>	<u>Foreign Currency</u>	<u>Exchange rate</u>	<u>TWD</u>	<u>Foreign Currency</u>	<u>Exchange rate</u>	<u>TWD</u>
Financial assets									
Monetary items									
USD to TWD	\$ 7,098,390	30.26	214,797,281	6,593,457	32.25	212,638,988	6,294,888	31.36	197,407,688
USD to CNY	8,626	6.6503	261,023	17,842	6.9563	573,036	9,340	6.6726	292,478
EUR to TWD	54,549	35.75	1,950,127	65,103	33.9	2,206,992	61,137	35.08	2,144,686
CNY to USD	2,230,086	0.1504	10,149,353	2,081,236	0.1438	9,651,836	1,814,602	0.1594	9,070,803
Non-monetary items									
THB to TWD	844,549	0.9108	769,215	647,743	0.8990	582,303	618,914	0.9060	560,736
Financial liabilities									
Monetary items									
USD to TWD	6,952,150	30.26	210,372,059	5,595,654	32.25	180,459,842	5,515,879	31.36	172,977,965
USD to CNY	10,288	6.6503	311,315	15,092	6.9563	484,713	10,806	6.6726	338,385
CNY to USD	1,977,092	0.1504	8,997,951	2,166,955	0.1438	10,049,362	1,805,440	0.1594	9,025,005

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COMPAL ELECTRONICS, INC. AND ITS SUBSIDIARIES
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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 September 30, 2017 and 2016, would have increased (decreased) the net profit before tax as follows. The analysis is performed on the same basis for both periods.

	<u>September 30,</u> <u>2017</u>	<u>September 30,</u> <u>2016</u>
USD (against the TWD)		
Strengthening 5%	\$ 221,261	1,221,486
Weakening 5%	(221,261)	(1,221,486)
USD (against the CNY)		
Strengthening 5%	(2,515)	(2,295)
Weakening 5%	2,515	2,295
EUR (against the TWD)		
Strengthening 5%	97,506	107,234
Weakening 5%	(97,506)	(107,234)
CNY (against the USD)		
Strengthening 5%	57,570	2,290
Weakening 5%	(57,570)	(2,290)

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. For the three months and nine months ended September 30, 2017 and 2016, the foreign exchange gains (losses), including both realized and unrealized, amounted to \$149,822, \$(872,226), \$(1,385,097) and \$(1,665,647), respectively.

(iii) Interest rate analysis

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

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COMPAL ELECTRONICS, INC. AND ITS SUBSIDIARIES
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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 nine months ended September 30, 2017 and 2016, which would be mainly resulted from the bank savings and borrowings with variable interest rates.

	Nine months ended September 30, 2017	Nine months ended September 30, 2016
Interest increased by 0.25%	\$ 2,549	(19,169)
Interest decreased by 0.25%	(2,549)	19,169

(iv) Fair value information

1) 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.

	September 30, 2017				
	Book value	Fair Value			Total
	Level 1	Level 2	Level 3		
Financial assets at fair value through profit or loss					
Derivative financial asset for non-hedging	\$ 6,680	-	6,680	-	6,680
Available-for-sale financial assets					
Stocks listed on domestic markets	4,751,238	4,751,238	-	-	4,751,238
Stocks listed on foreign markets	769,215	769,215	-	-	769,215
Stocks unlisted on domestic markets	2,231,944	-	-	2,231,944	2,231,944
Stocks unlisted on foreign markets	<u>127,658</u>	-	-	127,658	127,658
	<u>7,880,055</u>				
Financial assets at cost (non-current)	<u>71,820</u>	-	-	-	-

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COMPAL ELECTRONICS, INC. AND ITS SUBSIDIARIES
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	December 31, 2016				
	Book value	Fair Value			Total
		Level 1	Level 2	Level 3	
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	-	-	-	-
	<u>250,752,892</u>				
Total	<u>\$ 260,516,244</u>				
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities for non-hedging	\$ 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	-	-	-	-
	<u>217,614,461</u>				
Total	<u>\$ 217,751,950</u>				
	September 30, 2016				
	Book value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Derivative financial asset held for non-hedging	\$ 83,431	-	83,431	-	83,431
Derivative financial assets for hedging	<u>20,481</u>	-	20,481	-	20,481
Available-for-sale financial assets					
Stocks listed on domestic markets (including stocks acquired via private placement)	6,668,808	4,398,808	-	2,270,000	6,668,808
Stocks listed on foreign markets	560,736	560,736	-	-	560,736
Stocks unlisted on domestic markets	2,184,092	-	-	2,184,092	2,184,092
Stocks unlisted on foreign markets	75,307	-	-	75,307	75,307
	<u>9,488,943</u>				
Financial assets at cost (non-current)	<u>136,680</u>	-	-	-	-

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COMPAL ELECTRONICS, INC. AND ITS SUBSIDIARIES
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	September 30, 2016				
	Book value	Fair Value			Total
	Level 1	Level 2	Level 3		
Loans and receivables					
Cash and cash equivalents	47,251,266	-	-	-	-
Bond investment without active market- including current and non-current	1,050,000	-	-	-	-
Notes and accounts receivable, net	182,134,816	-	-	-	-
Notes and accounts receivable due from related parties, net	92,751	-	-	-	-
Other receivables	591,825	-	-	-	-
Guarantee deposits	271,310	-	-	-	-
	<u>231,391,968</u>				
Total	<u>\$ 241,121,503</u>				
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities held for non- hedging	\$ 127,187	-	127,187	-	127,187
Financial liabilities at amortized cost through profit or loss					
Short-term borrowings	43,955,752	-	-	-	-
Notes and accounts payable	124,989,851	-	-	-	-
Notes and accounts payable to related parties	2,005,687	-	-	-	-
Other payable	12,946,967	-	-	-	-
Long-term borrowings current portion	5,208,125	-	-	-	-
Long-term borrowings	20,245,781	-	-	-	-
	<u>209,352,163</u>				
Total	<u>\$ 209,479,350</u>				

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

The Group estimates instruments that not measured at fair by method and presumption 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.

3) 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.

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COMPAL ELECTRONICS, INC. AND ITS SUBSIDIARIES
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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.

4) Transfer from one level to another

There were no transfers from one level to another in the nine months ended September 30, 2017 and 2016.

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COMPAL ELECTRONICS, INC. AND ITS SUBSIDIARIES
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5) Changes in level 3

The changes in level 3 at fair value in the nine months ended September 30, 2017 and 2016, were as follows:

	Available-for-sale financial assets
Balance on January 1, 2017	\$ 4,511,044
Total gains and losses recognized:	
In other comprehensive income	84,458
Purchased	60,180
Proceeds of capital reduction of liquidation	(26,080)
Sold	(2,270,000)
Balance on September 30, 2017	<u>\$ 2,359,602</u>
Balance on January 1, 2016	\$ 4,406,906
Total gains and losses recognized:	
In profit or loss	(11,250)
In other comprehensive income	65,494
Purchased	110,000
Proceeds of capital reduction of liquidation	(41,751)
Balance on September 30, 2016	<u>\$ 4,529,399</u>

The aforementioned total gains and losses related to the assets held during the nine months ended September 30, 2017 and 2016, were as follows:

	Nine months ended September 30, 2017	Nine months ended September 30, 2016
Total gains and losses recognized:		
In profit or loss before tax (as "other gains and losses")	\$ -	(11,250)
In other comprehensive income, before tax (as "unrealized gains and losses on available-for-sale financial assets")	\$ 84,458	65,494

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COMPAL ELECTRONICS, INC. AND ITS SUBSIDIARIES
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- 6) 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:

<u>Item</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Inter-relationships between significant unobservable inputs and fair value</u>
Available-for-sale financial assets – equity investment without quoted price	Price-Book ratio method	Price-Book ratio multiples. (1.7671~2.71, 1.7671~2.16 and 1.77~1.95, respectively, on September 30, 2017, and December 31 and September 30, 2016)	The higher the multiples are, the higher the fair value will be.
		Lack-of-Marketability discount rate (45%~65% on September 30, 2017, and December 31 and September 30, 2016)	The higher the Lack-of-Marketability Discount rate is, the lower the fair value will be.
Available-for-sale financial assets – equity investment without quoted price	Earnings multiplier method	Multiples of earnings (15.0, 12.9 and 15.0, respectively, on September 30, 2017, and December 31 and September 30, 2016)	The higher the multiples are, the higher the fair value will be.
		Lack-of-Marketability discount rate (20%, on September 30, 2017, and December 31 and September 30, 2016)	The higher the Lack-of-Marketability Discount rate is, the lower the fair value will be.

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

7) 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:

		<u>Move up or down</u>	<u>Other comprehensive income</u>	
<u>Input</u>			<u>Favorable change</u>	<u>Unfavorable change</u>
September 30, 2017				
Available-for-sale financial assets	Price-Book ratio multiples.	5%	\$ <u>2,723</u>	<u>2,803</u>
	Multiples of earnings	5%	\$ <u>5,112</u>	<u>5,097</u>
	Lack-of-Marketability discount rate	5%	\$ <u>6,052</u>	<u>6,116</u>
December 31, 2016				
Available-for-sale financial assets	Price-Book ratio multiples.	5%	\$ <u>2,402</u>	<u>2,466</u>
	Multiples of earnings	5%	\$ <u>4,388</u>	<u>4,431</u>
	Lack-of-Marketability discount rate	5%	\$ <u>5,246</u>	<u>5,353</u>
September 30, 2016				
Available-for-sale financial assets	Price-Book ratio multiples.	5%	\$ <u>2,475</u>	<u>2,544</u>
	Multiples of earnings	5%	\$ <u>5,112</u>	<u>5,097</u>
	Lack-of-Marketability discount rate	5%	\$ <u>4,303</u>	<u>4,372</u>

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.

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(ac) Financial risk management

The Group's objectives and policies for managing the financial risk are consistent with those disclosed in the note (6)(ac) of consolidated financial statements for the year ended December 31, 2016.

(ad) Capital management

The Group's objectives, policies and processes of capital management are the same as those disclosed in the consolidated financial statements for the year ended December 31, 2016. There were no significant changes of quantitative data of capital management compared to the consolidated financial statements for the year ended December 31, 2016. Please refer to note (6)(ad) the consolidated financial statements for the year ended December 31, 2016.

(7) Related-party transactions:

(a) Names and relationship with related parties

The followings are entities that have had transactions with related party during the periods covered in the consolidated financial statements.

<u>Name of related party</u>	<u>Relationship with the Group</u>
Compal Precision Module (Jiangsu) CO.,LTD.	An associate
LC Future Center Limited ("LCFC") and its subsidiaries	//
Avalue Technology Inc ("Avalue")	//
Crownpo Technology Inc ("Crownpo")	//
Allied Circuit Co., Ltd. ("Allied Circuit")	//
Kinpo Group Management Consultant Company ("Kinpo Group Management")	//
Compliance Certification Services ("CCS")	Originally an associate, from August 2016, the Group did not have significant influence on CCS
Compal Connector Manufacture Ltd. ("CCM")	A joint venture company
AcBel Polytech Inc. ("AcBel") and its subsidiaries	Same chairman with the Company

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(b) Transactions with key management personnel

Key management personnel remunerations comprised:

	Three months ended September 30, 2017	Three months ended September 30, 2016	Nine months ended September 30, 2017	Nine months ended September 30, 2016
Short-term employee benefits	\$ 158,869	145,406	325,191	432,666
Post-employment benefits	2,068	2,059	6,306	7,502
Share-based payments	<u>26,386</u>	<u>47,826</u>	<u>84,220</u>	<u>161,442</u>
	<u>\$ 187,323</u>	<u>195,291</u>	<u>415,717</u>	<u>601,610</u>

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:

	Three months ended September 30, 2017	Three months ended September 30, 2016	Nine months ended September 30, 2017	Nine months ended September 30, 2016
Associates	\$ 127,872	123,672	390,514	307,830
Other related parties	<u>1,732</u>	<u>-</u>	<u>1,891</u>	<u>-</u>
	<u>\$ 129,604</u>	<u>123,672</u>	<u>392,405</u>	<u>307,830</u>

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

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COMPAL ELECTRONICS, INC. AND ITS SUBSIDIARIES
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(ii) Purchase of goods from related parties

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

	Three months ended September 30, 2017	Three months ended September 30, 2016	Nine months ended September 30, 2017	Nine months ended September 30, 2016
Associates	\$ 1,078,807	1,483,940	3,366,030	3,561,085
Other related parties	139,001	221,130	465,311	506,673
Joint venture	18,399	11,385	43,187	22,752
	<u>\$ 1,236,207</u>	<u>1,716,455</u>	<u>3,874,528</u>	<u>4,090,510</u>

Purchase prices 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 were as follows:

Account	Category of related party	September 30, 2017	December 31, 2016	September 30, 2016
Notes and accounts receivable	Associates	\$ 70,084	70,972	92,751
Notes and accounts receivable	Other related parties	1,821	-	-
Other receivables	Joint venture	537	223	643
		<u>\$ 72,442</u>	<u>71,195</u>	<u>93,394</u>

(iv) Payables to related parties

The payables to related parties were as follows:

Account	Category of related party	September 30, 2017	December 31, 2016	September 30, 2016
Notes and accounts payable	Associates	\$ 1,433,246	1,586,829	1,671,743
Notes and accounts payable	Other related parties	252,745	350,199	322,359
Notes and accounts payable	Joint venture	19,447	21,183	11,585
		<u>\$ 1,705,438</u>	<u>1,958,211</u>	<u>2,005,687</u>

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(8) Pledged assets:

The carrying values of pledged assets were as follows:

<u>Pledged Assets</u>	<u>Subject</u>	<u>September 30, 2017</u>	<u>December 31, 2016</u>	<u>September 30, 2016</u>
Other current assets – time deposits	Guarantee of administrative litigation	\$ 221,769	220,097	214,873
Other current assets	Bail for court mandatory execution	26,510	26,510	26,510
Property, plant and equipment	Long-term borrowings (including current portion) and long-term borrowings' credit line (note)	1,189,264	1,410,724	989,538
Other non-current assets	Guarantee of post-release duty payment to the Customs and guarantee of the Customs	<u>14,213</u>	<u>15,086</u>	<u>525</u>
		<u>\$ 1,451,756</u>	<u>1,672,417</u>	<u>1,231,446</u>

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) On May 17, 2017 Qualcomm Inc. filed a lawsuit to the Southern District Court of California, USA against the Group for not paying the royalties of the patent license agreement. The Group has filed counterclaims against Qualcomm Inc. based on the antitrust law in the same court on July 19, 2017. The Group has engaged counsels to defend the lawsuits. This case is still in progress; therefore, there is no significant impact on the Group's business and financial performance in the current year.
- (b) The Group entered into various patent license agreements with third parties, and was required to make royalty payments of a predetermined amount periodically.
- (c) As of September 30, 2017 and December 31 and September 30, 2016, the Group's signed commitments to purchase property, plant and equipment amounted to \$219,030, \$880,942 and \$718,335, respectively.

(10) Losses due to major disasters: None**(11) Subsequent events: None**

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(12) Other:

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

By function	Three months ended September 30, 2017			Three months ended September 30, 2016		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
By item						
Employee benefits						
Salary	3,787,514	2,774,113	6,561,627	3,655,018	2,810,223	6,465,241
Labor and health insurance	201,855	183,490	385,345	204,608	161,743	366,351
Pension	282,279	113,372	395,651	267,026	111,555	378,581
Others	955,385	135,871	1,091,256	613,051	89,786	702,837
Depreciation	1,097,789	120,181	1,217,970	1,053,960	135,018	1,188,978
Amortization	4,237	73,143	77,380	5,282	90,431	95,713
By function	Nine months ended September 30, 2017			Nine months ended September 30, 2016		
By item	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salary	10,812,044	7,372,158	18,184,202	11,030,500	8,308,647	19,339,147
Labor and health insurance	579,453	530,641	1,110,094	601,905	504,898	1,106,803
Pension	829,667	334,086	1,163,753	801,693	329,839	1,131,532
Others	2,319,252	419,470	2,738,722	1,362,378	394,446	1,756,824
Depreciation	3,393,619	348,548	3,742,167	3,425,721	389,522	3,815,243
Amortization	12,707	292,031	304,738	14,400	315,337	329,737

- (b) Seasonal operations

The operation of the Group is not affected by seasonal or cyclic factors.

(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:

(Continued)

COMPAL ELECTRONICS, INC. AND ITS SUBSIDIARIES

Notes to Consolidated Financial Statements

(i) Loans to other parties:

(In Thousands of New Taiwan Dollars)

Number	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	UCGI	Other receivables	Yes	250,000	250,000	220,000	1.20%	Short-term financing	-	Operating demand	-	-	-	20,198,950	40,397,900 (Note 1)
0	The Company	HengHao	"	Yes	203,712	196,661	196,661	1.50%	"	-	"	-	-	-	1,064,546	40,397,900 (Note 1)
1	CIH	CEP	"	Yes	109,708	105,910	60,520	2.50%	"	-	"	-	-	-	31,760,261	31,760,261 (Note 2)
2	CPI	CEB	"	Yes	470,175	453,900	453,900	2.50%	"	-	"	-	-	-	945,164	945,164 (Note 3)
3	CET	CDE	"	Yes	1,371,300	1,365,300	1,365,300	4.35%	"	-	"	-	-	-	4,497,264	4,497,264 (Note 4)
4	CEC	CCI Nanjing	"	Yes	2,194,150	-	-	2.50%	"	-	"	-	-	-	3,596,144	3,596,144 (Note 5)
5	CIT	CCI Nanjing	"	Yes	2,194,150	2,118,200	2,118,200	2.50%	"	-	"	-	-	-	18,478,884	18,478,884 (Note 6)
6	PFG	CEB	"	Yes	302,600	302,600	-	2.5%	"	-	"	-	-	-	442,879	442,879 (Note 8)
7	Arcadyan	Arcadyan Brasil	"	Yes	242,520	242,520	48,504	1.00%	Transaction for business between two parties	303,150	-	-	-	-	242,520	3,349,233 (Note 7)

Note 1: According to the Company's Procedures for 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 CET's Procedures for Lending Funds to Other parties, the total amount of loans to others shall not exceed 40% of the net worth of CET. When a short-term financing facility with CET 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 CET'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 CET, and shall be combined with the company's endorsements/guarantees for the borrower when calculating.

Note 5: 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 6: 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 7: 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 8: According to PFG's Procedures for Lending Funds to Other parties, the total amount of loans to others shall not exceed 40% of the net worth of PFG. When a short-term financing facility with PFG 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 PFG'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 PFG, and shall be combined with the company's endorsements/guarantees for the borrower when calculating.

Note 9: The transactions had been eliminated in the consolidated financial statements.

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COMPAL ELECTRONICS, INC. AND ITS SUBSIDIARIES
Notes to 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		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
		Name	Relationship with the Company										
0	The Company	CEB	(Note 3)	25,248,687	62,690	60,520	60,520	-	0.06 %	50,497,375 (Note 1)	Y	-	-
0	"	CEP	(Note 2)	25,248,687	332,045	326,820	326,820	-	0.32 %	50,497,375 (Note 1)	Y	-	-
1	Arcadyan	Arcadyan Brasil	(Note 5)	1,116,411	242,520	242,520	-	-	2.90 %	3,349,233 (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 Operational 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.

Note 5: Subsidiary whose 100% common stock is directly owned by Arcadyan.

(iii) Securities held as of September 30, 2017 (excluding investment in subsidiaries, associates and joint ventures):

(In Thousands of New Taiwan Dollars)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Fair value	Shares/Units (thousands)	Percentage of ownership (%)	Carrying value	
The Company	Common bond-Taiwan Star	-	Bond investments without an active market – current and non-current	-	<u>700,000</u>	-	-	
	Taiwan Star	-	Available- for-sale financial assets – non-current	98,046	980,465	3 %	980,465	
	Kinpo Electronics, Inc. ("Kinpo")	The same chairman of the board of the Company	"	124,044	1,271,449	9 %	1,271,449	
	Cal Comp Electronics (Thailand) Public Co., Ltd.	"	"	239,631	769,215	5 %	769,215	
	Innolux Corporation ("Innolux")	-	"	134,877	1,908,514	1 %	1,908,514	
	Chipbond Technology Corp. ("Chipbond")	-	"	13,542	708,248	2 %	708,248	
	HWA VI Venture Capital Corp.	-	"	290	23,206	10 %	23,206	
	HWA Chi Venture Capital Corp.	-	"	1,053	27,126	11 %	27,126	
	Global BioPharma, Inc.	-	"	2,000	40,000	3 %	40,000	
	Chen Feng Optoelectronics	-	"	5,829	49,023	13 %	49,023	
	PrimeSensor Technology Inc.	-	Financial assets at cost – non-current	233	2,333	1 %	-	(Note 1)
	Macroblock, Inc.	-	Available- for-sale financial assets – current	716	41,179	2 %	41,179	
	Others				211,815			
	Total				<u>6,032,573</u>			

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

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Fair value	Shares/Units (thousands)	Percentage of ownership (%)	Carrying value	
Panpal	Compal Electronics, Inc.	The parent company	Available- for-sale financial assets – non-current	31,648	675,687	1 %	675,687	(Note 2)
	Kinpo	With the same chairman of the board	"	23,172	237,518	2 %	237,518	
	CDIB Partners Investment Holding Corp.	-	"	54,000	819,180	5 %	819,180	
	Innolux	-	"	11,836	167,477	-	167,477	
	AcBel Polytech Inc. ("AcBel")	With the same chairman of the board	"	5,677	132,266	1 %	132,266	
	Chipbond	-	"	5,251	274,626	1 %	274,626	
	Taiwan Biotech Co., Ltd.	-	"	4,897	46,537	3 %	46,537	
	Others	-	"		93,050			
	Total			<u>2,446,341</u>				
Gempal	Compal Electronics, Inc.	The parent company	Available- for-sale financial assets – non-current	18,369	392,186	-	392,186	(Note 2)
	Lian Hong Art. Co., Ltd.	-	"	2,140	35,649	8 %	35,649	
	Global BioPharma, Inc.	-	"	2,000	40,000	3 %	40,000	
	Others	-	"		3,170			
	Total				<u>471,005</u>			
Hong Ji	SUYIN Optronics Co., Ltd. ("SUYIN Optronics")	-	Available- for-sale financial assets – non-current	380	<u>182</u>	1 %	182	
Hong Jin	SUYIN Optronics	-	Available- for-sale financial assets – non-current	332	<u>160</u>	1 %	160	
Arcadyan	GeoThings Inc.	-	Financial assets carried at cost – non-current	200	-	9 %	-	(Note 1)
	AirHop Communication Inc.	-	"	1,152	-	7 %	-	
	Adant Technologies Inc.	-	"	349	12,960	6 %	-	"
	IOT EYE, Inc.	-	"	60	4,878	6 %	-	"
	TIEF Fund, L.P	-	"	-	48,709	-	-	"
	Total				<u>66,547</u>			"
Mactech	Taichung International Golf Country Club	-	Financial assets carried at cost – non-current	-	<u>2,940</u>	-	-	(Note 1)
CET	Changchun Trarrii Electronic Technology Co.,Ltd	-	Financial assets carried at cost – non-current	1,000	-	17 %	-	(Note 1)
HHB	HWALLAR OPTRONICS (FUZHOU) CO., LTD.	-	Available- for-sale financial assets – non-current	-	-	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		Purchases		Sales			Others		Ending Balance		
					Shares (thousands)	Amount	Shares	Amount	Shares (thousands)	Price	Cost	Gain (loss) on disposal (Note 1)	Shares	Amount	Shares	Amount
The Company	CPT	Available-for-sale financial assets – non-current	Tatung	-	394,086	811,000	-	-	394,086	811,466	811,000	(1,804)	-	-	-	-
Zhaopal	CPT	Available- for-sale financial assets- noncurrent	Tatung	-	315,269	648,000	-	-	315,269	649,172	648,000	(643)	-	-	-	-
Yongpal	CPT	Available-for-sale financial assets – non-current	Tatung	-	275,860	568,000	-	-	275,860	568,026	568,000	(1,563)	-	-	-	-
Kaipal	CPT	Available-for-sale financial assets – non-current	Tatung	-	118,226	243,000	-	-	118,226	243,440	243,000	(241)	-	-	-	-

Note 1: The gain (loss) on disposal included securities transactions tax amounting to \$6,356.

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

- (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				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	Sale	(2,115,531)	(0.4)%	120 days	Similar to non-related parties	There is no significant difference, and adjustments will be made based on demand for funding if necessary	192,464	0.1%	(Note 2)
	CBN	The Company's subsidiary	Sale	(2,437,558)	(0.4)%	90 days	"	There is no significant difference	1,080,638	0.6%	"
	BCI and its subsidiaries	"	Purchase	220,319	- %	120 days	"	There is no significant difference, and adjustments will be made based on demand for funding if necessary	(151,645)	(0.1)%	"
	Webtek	"	Purchase	37,832,843	6.3 %	Net 60 days from purchase	Markup based on Webtek's cost	"	(6,602,566)	(4.1)%	"
	Forever	"	Purchase	39,340,045	6.5 %	"	Markup based on Forever's cost	"	(15,174,834)	(8.9)%	"
	CIH and its subsidiaries	"	Purchase	81,846,634	13.6 %	120 days	Similar to non-related parties	"	(49,039,860)	(30.6)%	"
	UCGI	"	Sale	(113,183)	- %	"	"	"	79,410	0.1%	"
	Palcom	"	Sale	(118,866)	- %	120 days from purchase	"	"	25,505	-%	"
Just and its subsidiaries	Webtek	With the same ultimate parent company	Sale	(1,649,205)	(12.0)%	Net 60 days from delivery	According to markup pricing	Adjustments will be made based on demand for funding	722,246	26.3%	"
	BCI and its Subsidiaries	"	Purchase	311,661	20.0 %	120 days from purchase	Similar to non-related parties	"	(168,164)	(20.0)%	"
	Forever	"	Sale	(11,895,036)	(88.0)%	Net 60 days from delivery	"	"	2,018,977	73.7%	"
CIH and its subsidiaries	Compal Electronic, Inc.	Parent company	Sale	(82,194,467)	(74.7)%	120 days	"	There is no significant difference, and adjustments will be made based on demand for funding if necessary	49,039,860	47.2%	"
	CEB	With the same ultimate parent company	Sale	(196,463)	(0.3)%	120 days	"	"	106,793	0.3%	"
	Forever	"	Sale	(24,892,522)	(22.0)%	Net 60 days from delivery	According to markup pricing	Adjustments will be made based on demand for funding	7,495,250	7.0%	"

(Continued)

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)	
CBN	Compal Electronic, Inc.	Parent company	Purchase	2,428,456	52.0 %	90 days	Similar to non-related parties	There is no significant difference	(1,092,414)	(81.0)%	(Note 2)
BCI and its subsidiaries	Compal Electronic, Inc.	"	Sale	(218,115)	(1.8)%	120 days	Similar to non-related parties	There is no significant difference, and adjustments will be made based on demand for funding if necessary	151,645	1.7%	"
	CIH and its subsidiaries	With the same ultimate parent company	Sale	(10,084,608)	(87.3)%	"	"	"	7,229,693	84.5%	"
	CEB	"	Sale	(941,773)	(8.2)%	"	"	"	786,897	9.3%	"
	Just and its subsidiaries	"	Sale	(311,661)	(2.7)%	"	"	"	168,164	2.0%	"
Webtek	Compal Electronic, Inc.	Parent company	Sale	(37,832,843)	(100.0)%	Net 60 days from delivery	According to markup pricing	Adjustments will be made based on demand for funding	6,602,581	100.0%	"
	Etrade and its subsidiaries	With the same ultimate parent company	Purchase	36,190,952	96.0 %	Net 60 days from purchase	"	"	(5,295,046)	(88.0)%	"
	Just and its subsidiaries	"	Purchase	1,649,205	4.4 %	"	"	"	(722,246)	(12.0)%	"
CEB	BCI and its subsidiaries	"	Purchase	953,163	15.0 %	120 days	Similar to non-related parties	There is no significant difference	(782,954)	(41.5)%	"
	CIH and its subsidiaries	"	Purchase	205,145	3.0 %	"	"	"	(106,886)	(5.7)%	"
CIH and its subsidiaries	Compal Electronic, Inc.	Parent company	Purchase	2,115,624	2.3 %	"	"	"	(191,546)	-	"
	BCI and its subsidiaries	With the same ultimate parent company	Purchase	10,084,608	11.2 %	"	"	"	(7,229,693)	(15.8)%	"
	AcBel and its subsidiaries	"	Purchase	367,575	0.3 %	Net 60 days from purchase	"	"	(178,820)	(0.6)%	"
	Wan Yuen Technology Holding Ltd. and its subsidiaries	"	Purchase	2,959,022	2.7 %	"	"	"	(1,192,851)	(3.0)%	"
Etrade and its subsidiaries	Webtek	"	Sale	(36,190,952)	(100.0)%	Net 60 days from delivery	According to markup pricing	Adjustments will be made based on demand for funding	5,295,046	100.0%	"
Forever	Compal Electronic, Inc.	Parent company	Sale	(39,340,045)	(82.0)%	"	"	"	15,174,906	78.5%	"
	CIH and its subsidiaries	With the same ultimate parent company	Purchase	24,892,522	55.0 %	Net 60 days from purchase	Similar to non-related parties	"	(7,503,360)	(44.0)%	"
	Just and its subsidiaries	"	Purchase	11,895,036	27.0 %	"	"	"	(2,018,977)	(12.0)%	"
UCGI	Compal Electronic, Inc.	Parent company	Purchase	114,832	91.5 %	120 days	"	There is no significant difference	(79,507)	(53.5)%	"

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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)	
Palcom	Compal Electronic, Inc.	Parent company	Purchase	118,906	100.0 %	120 days	Similar to non-related parties	There is no significant difference	(25,505)	(100.0)%	(Note 2)
THAC	TTI	With the same ultimate parent company	Sale	(401,572)	(99.0)%	Net 60 days from invoice date	According to markup pricing	-	80,375	100.0%	"
TTI	THAC	"	Purchase	401,572	11.0 %	"	-	-	(80,375)	(11.0)%	"
Arcadyan	Arcadyan Germany	Arcadyan's subsidiaries	Sale	(1,784,680)	(16.0)%	Net 120 days from delivery	-	-	810,907	32.0%	"
	Arcadyan USA	"	Sale	(585,470)	(5.0)%	Net 60 days from the end of the month of delivery	-	-	55,992	2.0%	"
Sinoprime	Arcadyan	The Company's subsidiaries	Sale	(1,325,128)	(100.0)%	Net 45 days from the end of the month of delivery	According to markup pricing	-	55,335	100.0%	(Note 1 + 2)
Arcadyan	CNC	Arcadyan's subsidiaries	Purchase	3,294,239	21.0 %	"	-	-	(863,564)	(53.0)	"
CNC	Sinoprime	With the same ultimate parent company	Sale	(1,325,128)	(14.0)%	"	-	-	77	-	"
Arcadyan Germany	Arcadyan	The Company's subsidiaries	Purchase	1,784,680	100.0 %	Net 120 days from delivery	-	-	(810,907)	(100.0)%	(Note 2)
Arcadyan USA	Arcadyan	"	Purchase	585,470	100.0 %	Net 60 days from delivery	-	-	(55,992)	(100.0)%	"
Arcadyan	Sinoprime	Arcadyan's subsidiaries	Purchase	1,325,128	9.0 %	Net 45 days from the end of the month of delivery	-	-	(55,335)	(3.0)%	(Note 1 + 2)
Sinoprime	CNC	With the same ultimate parent company	Purchase	1,325,128	100.0 %	"	-	-	(77)	(100.0)%	"
CNC	Arcadyan	The Company's subsidiaries	Sale	(3,294,239)	(35.0)%	"	According to markup pricing	-	863,564	42.0%	"

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.

(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	1,080,638	2.21	-	-	396,859 (Note 1)	-	
"	CIH and its subsidiaries	The Company's subsidiary	192,464	15.93	-	-	7,976 (Note 1)	-	
Just and its subsidiaries	Forever	With the same ultimate parent company	1,416,410	10.86	-	-	- (Note 1)	-	
CIH and its subsidiaries	Compal Electronic, Inc.	Parent company	49,039,860	2.10	-	-	7,796,897 (Note 1)	-	
"	Forever	With the same ultimate parent company	7,495,250	4.62	-	-	- (Note 1)	-	

(Continued)

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

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			
CIH and its subsidiaries	CEB	With the same ultimate parent company	106,793	4.91	-	-	28,118 (Note 1)	-	
BCI and its subsidiaries	Compal Electronic, Inc.	Parent company	151,645	1.83	-	-	- (Note 1)	-	
"	CIH and its subsidiaries	With the same ultimate parent company	7,229,693	2.28	-	-	313,786 (Note 1)	-	
"	CEB	With the same ultimate parent company	786,897	2.41	-	-	126,227 (Note 1)	-	
"	Just and its subsidiaries	With the same ultimate parent company	168,164	4.94	-	-	- (Note 1)	-	
Forever	Compal Electronic, Inc.	Parent company	15,174,906	3.42	-	-	3,382,705 (Note 1)	-	
Etrade and its subsidiaries	Webtek	With the same ultimate parent company	5,295,046	10.45	-	-	3,593,163 (Note 1)	-	
Webtek	Compal Electronic, Inc.	Parent company	6,602,581	9.03	-	-	4,501,780 (Note 1)	-	
Arcadyan	Arcadyan Germany	Arcadyan's subsidiaries	810,907	2.91	-	-	- (Note 2)	-	
"	TTI	Arcadyan's subsidiaries	205,286	0.02	-	-	- (Note 2)	-	
CNC	Arcadyan	The Company's subsidiary	863,564	(252.40)	-	-	415,693 (Note 2)	-	
CBN	Speedlink	With the same ultimate parent company	595,585	-	198,790	-	198,309 (Note 1)	-	
Speedlink	Just and its subsidiaries	With the same ultimate parent company	595,585	-	198,790	Enhanced the collection	198,309 (Note 1)	-	

Note 1: Balance as of November 3, 2017.

Note 2: Balance as of October 20, 2017.

- (ix) Trading in derivative instruments: Please refer to notes 6(b) and notes 6(c)
- (x) Business relationships and significant intercompany transactions:

(In Thousands of New Taiwan Dollars)

No.	Company name	Counter party	Relationship (Note 2)	Intercompany transactions			Percentage of the consolidated net revenue or total assets
				Account name	Amount	Terms	
0	The Company	CIH and its subsidiaries	1	Sales Revenue	2,115,531	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.	0.33%
				Accounts Receivable	192,464	"	0.05%
0	The Company	CEP	1	Product warranty service expenses	185,478	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.	0.03%
0	The Company	Auscom	1	Technical service expense	113,341	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.	0.02%
				Accrued expenses payable	146,894	"	0.04%
0	The Company	CBN	1	Sales Revenue	2,437,558	There is no significant difference of price to non-related parties. The credit period is net 90 days from delivery.	0.39%
				Accounts Receivable	1,080,638	"	0.29%

(Continued)

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

No. (Note 1)	Company name	Counter party	Relationship (Note 2)	Intercompany transactions			Percentage of the consolidated net revenue or total assets
				Account name	Amount	Terms	
0	The Company	UCGI	1	Sales Revenue	113,183	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.	0.02%
				Accounts Receivable	79,410	"	0.02%
0	The Company	Palcom	1	Sales Revenue	118,866	There is no significant difference of price to non-related parties. The credit period is net 60 days from invoice date, and will be adjusted if necessary.	0.02%
				Accounts Receivable	25,505	"	0.01%
1	CIH and its subsidiaries	The Company	2	Sales Revenue	82,194,467	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.	12.99%
				Accounts Receivable	49,039,860	"	13.18%
1	CIH and its subsidiaries	Forever	3	Sales Revenue	24,892,522	The price is based on the operating cost. The credit period is net 60 days from invoice date, and will be adjusted if necessary.	3.93%
				Accounts Receivable	7,495,250	"	2.01%
1	CIH and its subsidiaries	CEB	3	Sales Revenue	196,463	There is no significant difference of price to non-related parties. The credit period is net 120 days, and will be adjusted if necessary.	0.03%
				Accounts Receivable	106,793	"	0.03%
2	Just and its subsidiaries	Webteck	3	Sales Revenue	1,649,205	The price is based on the operating cost. The credit period is net 60 days from delivery and will be adjusted if necessary.	0.26%
				Accounts Receivable	722,246	"	0.19%
2	Just and its subsidiaries	Forever	3	Sales Revenue	11,895,036	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.	1.88%
				Accounts Receivable	2,018,977	"	0.54%
3	BCI and its subsidiaries	The Company	2	Sales Revenue	218,115	There is no significant difference of price to non-related parties. The credit period is net 120 days, and will be adjusted if necessary.	0.03%
				Accounts Receivable	151,645	"	0.04%
3	BCI and its subsidiaries	CIH and its subsidiaries	3	Sales Revenue	10,084,608	There is no significant difference of price to non-related parties. The credit period is net 120 days, and will be adjusted if necessary.	1.59%
				Accounts Receivable	7,229,693	"	1.94%
3	BCI and its subsidiaries	CEB	3	Sales Revenue	941,773	There is no significant difference of price to non-related parties. The credit period is net 120 days, and will be adjusted if necessary.	0.15%
				Accounts Receivable	786,897	"	0.21%

(Continued)

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

No. (Note 1)	Company name	Counter party	Relationship (Note 2)	Intercompany transactions			Percentage of the consolidated net revenue or total assets
				Account name	Amount	Terms	
3	BCI and its subsidiaries	Just and its subsidiaries	3	Sales Revenue	311,661	There is no significant difference of price to non-related parties. The credit period is net 120 days, and will be adjusted if necessary.	0.05%
				Accounts Receivable	168,164		"
4	Arcadyan	Arcadyan Germany	3	Sales Revenue	1,784,680	There is no significant difference of price to non-related parties. The credit period is net 120 days from delivery.	0.28%
				Accounts Receivable	810,907		"
4	Arcadyan	TTI	3	Other Accounts Receivable	205,286	The price is based on the operating cost. The credit period is net 90 days from delivery.	0.06%
4	Arcadyan	Arcadyan USA	3	Sales Revenue	585,470	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.	0.09%
				Accounts Receivable	55,992		"
5	Sinoprime	Arcadyan	3	Processing Revenue	1,325,128	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.	0.21%
				Accounts Receivable	55,335		"
6	CNC	Sinoprime	3	Sales Revenue	1,325,128	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.	0.21%
				Accounts Receivable	77		"
6	CNC	Arcadyan	3	Processing Revenue	3,294,239	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.	0.52%
				Accounts Receivable	863,564		"
7	THAC	TTI	3	Processing Revenue	401,572	The price is based on the operating cost. The credit period is net 60 days from invoice date	0.06%
				Accounts Receivable	80,375		"
8	TTI	THAC	3	Other Accounts Receivable	154,850	There is no significant difference of price to non-related parties. The credit period is net 90 days from the end of the month of delivery and depended on demand.	0.04%
9	Forever	The Company	2	Sales Revenue	39,340,045	The price is based on the operating cost. The credit period is net 60 days from delivery and will be adjusted if necessary.	6.22%
				Accounts Receivable	15,174,906		"
10	Webtek	The Company	2	Sales Revenue	37,832,843	The price is based on the operating cost. The credit period is net 60 days from delivery and will be adjusted if necessary.	5.98%
				Accounts Receivable	6,602,581		"

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

No. (Note 1)	Company name	Counter party	Relationship (Note 2)	Intercompany transactions			Percentage of the consolidated net revenue or total assets
				Account name	Amount	Terms	
11	Etrade and its subsidiaries	Webtek	3	Sales Revenue	36,190,952	The price is based on the operating cost. The credit period is net 60 days from delivery and will be adjusted if necessary.	5.72%
				Accounts Receivable	5,295,046	"	1.42%
12	CBN	Speedlink	3	Other Accounts Receivable	595,585	The credit period is net 60 days	0.12%
13	Speedlink	Just and its subsidiaries	3	Other Accounts Receivable	595,585	The credit period is net 60 days	0.12%

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.

(b) Information on investees:

The following is the information on investees for the nine months ended September 30, 2017 (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		Balance as of September 30, 2017			Net income (losses) of investee	Share of profits/ losses of investee	Note
				September 30, 2017	December 31, 2016	Shares (thousands)	Percentage of ownership	Carrying Value			
The Company	Bizcom	Milpitas, USA	Warranty services and marketing of LCD TVs and notebook PCs	36,369	36,369	100	100 %	426,353	10,929	10,929	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 %	8,395,160	241,110	241,110	"
	CIH	British Virgin Islands	Sales and manufacturing of notebook PCs and investments	1,787,680	1,606,780	53,001	100 %	31,663,590	1,687,867	1,687,867	"
	Panpal	Taipei City	Investment	5,171,837	5,171,837	500,000	100 %	4,952,166 (Note 1)	31,653	(6,328)	"
	Gempal	Taipei City	Investment	900,036	900,036	90,000	100 %	1,549,944 (Note 1)	58,756	36,712	"
	Kinpo Group management	Taipei City	Consultation, training services, etc.	3,000	3,000	300	38 %	4,677	1,029	387	"
	Ripal	Tainan City	Manufacturing of electric appliance and audiovisual electric products	60,000	60,000	6,000	100 %	28,671	7,182	7,183	Note 2
	Avalue Technology, Inc.	New Taipei City	Manufacturing, processing, and import and export business of industrial motherboards	559,189	522,361	15,240	22 %	566,133	161,786	36,347	"
	Unicore	Taipei City	Animal medication retail and wholesale	100,000	-	10,000	100 %	91,551	(8,449)	(8,449)	Note 2
	CEH	British Virgin Islands	Investment	34	34	1	100 %	3,566,223	-	-	Note 2
	Allied Circuit	Taoyuan City	Production and sales of PCB boards	395,388	395,388	10,158	20 %	290,936	202,322	41,304	"
	Maxima Ventures I, Inc. ("Maxima")	Taipei City	Investment	1,260	1,260	126	23 %	12,955	6,808	643	"
	Lipo Holding Co., Ltd. ("Lipo")	Cayman Islands	Investment	489,450	489,450	98	49 %	359,694	25,571	11,367	"

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COMPAL ELECTRONICS, INC. AND ITS SUBSIDIARIES
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Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of September 30, 2017			Net income (losses) of investee	Share of profits/ losses of investee	Note
				September 30, 2017	December 31, 2016	Shares (thousands)	Percentage of ownership	Carrying Value			
The Company	CPE	Netherlands	Investment	197,463	197,463	6,427	100 %	682,797	5,326	5,326	Note 2
	ATK	Hsinchu City	Design, research & development, and selling of DVD, Combo, CD RW Drives	202,908	202,908	899	28 %	10,339	116	32	"
	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 %	51,628	2,523	839	"
	Hong Ji	Taipei City	Investment	1,000,000	1,000,000	100,000	100 %	1,047,995	25,207	25,207	Note 2
	Hong Jin	Taipei City	Investment	295,000	295,000	29,500	100 %	320,237	10,375	10,375	"
	Auscom	Austin, TX USA	R&D of notebook PC related products and components	101,747	101,747	3,000	100 %	114,384	3,820	3,820	"
	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 %	1,957,155	474,420	93,897	"
	FGH	British Virgin Islands	Investment	2,754,741	2,754,741	89,755	100 %	4,300,119	241,141	241,141	"
	HSI	British Virgin Islands	Investment	1,346,814	1,346,814	42,700	100 %	772,794	(27,618)	(27,618)	"
	CEP	Poland	Maintenance and warranty services of notebook PCs	90,156	90,156	136	100 %	27,500	30,184	26,045	"
	Zhaopal	Taipei City	Investment	1,358,000	2,001,000	135,800	100 %	6,426	1,377	1,377	"
	Yongpal	Taipei City	Investment	1,188,500	1,751,000	118,850	100 %	5,746	139	139	"
	Kaipal	Taipei City	Investment	510,500	751,000	51,050	100 %	3,347	513	513	"
	Lead-Honor Optronics Co., Ltd. ("Lead Honor")	Taoyuan City	Manufacturing of electric appliance and audiovisual electric products	42,000	42,000	2,772	42 %	-	-	-	"
	Infinno Technology Corporation ("Infinno")	Hsinchu County	Manufacturing of electronic components, wholesale and retail sale of precision instruments and electronic materials	109,837	109,837	5,650	27 %	22,830	(11,442)	(3,217)	"
	HengHao	Taipei City	Manufacturing of PCs, computer periphery devices, and electronic components	5,304,554	5,304,554	127,522	97 %	731,348	(538,782)	(538,319)	Note 2
	Mactech	Taichung City	Manufacturing of equipment and lighting, retailing of equipment and international trading	219,601	219,601	21,756	53 %	223,852	81,029	37,154	"
	BCI	British Virgin Islands	Investment	2,636,051	2,636,051	90,820	100 %	5,486,983	267,544	267,544	"
	CBN	Hsinchu County	R&D and sales of communication and electronic components	284,827	284,827	26,418	48 %	711,872	125,631	61,387	"
	Rayonnant	Taipei City	Manufacturing and sales of PCs, computer periphery devices, and electronic components	295,000	295,000	29,500	100 %	112,159	(5,403)	(13,454)	"
CRH	British Virgin Islands	Investment	377,328	377,328	12,500	100 %	199,587	(21,212)	(21,212)	"	
Ascendant Private Equity Investment Ltd. ("APE")	British Virgin Islands	Investment	943,922	943,922	31,253	35 %	960,160	(41,975)	(23,291)	"	
CORE	British Virgin Islands	Investment	4,318,860	4,318,860	147,000	100 %	4,822,516	(7,547)	(7,547)	Note 2	
Etrade	British Virgin Islands	Investment	1,532,029	1,532,029	46,900	90 %	(540,514)	(185,108)	(166,666)	"	
Webtek	British Virgin Islands	Selling of mobile phones	3,340	3,340	100	100 %	1,285,514	(18,443)	(18,443)	"	
Forever	British Virgin Islands	Selling of mobile phones	1,575	1,575	50	100 %	1,466,116	4,190	4,190	"	

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COMPAL ELECTRONICS, INC. AND ITS SUBSIDIARIES
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Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of September 30, 2017			Net income (losses) of investee	Share of profits/ losses of investee	Note	
				September 30, 2017	December 31, 2016	Shares (thousands)	Percentage of ownership	Carrying Value				
The Company	UCGI	Taipei City	Manufacturing and retail sale of computers and electronic components	100,000	100,000	10,000	100 %	(230,407)	(99,814)	(107,731)	Note 2	
	Palcom	Taipei City	Selling of mobile phones	100,000	100,000	10,000	100 %	117,596	10,360	10,368	"	
	GLB	New Taipei City	Manufacturing and wholesale of medical equipment	246,860	246,860	15,000	50 %	235,565	(2,432)	(1,177)	"	
								76,813,697	1,919,751			
Webtek	Etrade	British Virgin Islands	Investment	151,300 (US\$5,000)	151,300 (US\$5,000)	5,000	10 %	(57,112) (US\$1,887)	(185,108) (US\$6,509)	Investment gain(losses) recognized by Webtek	Note 2	
Forever	GIA	British Virgin Islands	Selling of mobile phones	-	-	-	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 %	371,685	474,420	Investment gain(losses) recognized by Panpal	"	
	Allied Circuit Others	Taoyuan City	Production and selling of PCB boards	148,263	148,263	2,927	6 %	83,836	202,322	"	"	
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 %	451,073	474,420	Investment gain(losses) recognized by Gempal	Note 2	
	Allied Circuit Others	Taoyuan City	Production and selling of PCB boards	53,645	53,645	3,220	6 %	92,219	202,322	"	"	
Just	CDH (HK)	Hong Kong	Investment	1,885,122 (US\$62,298)	1,885,122 (US\$62,298)	62,298	100 %	4,035 (US\$200,571)	- (US\$7,895)	241,189 (US\$7,895)	Investment gain(losses) recognized by Just	Note 2
	CII	British Virgin Islands	Investment	279,754 (US\$9,245)	279,754 (US\$9,245)	9,245	100 %	249,489 (US\$8,245)	(14,884) (US\$487)	"	"	
CII	CPI	British Virgin Islands	Sales of monitors, LCD TVs and related components.	15,130 (US\$500)	15,130 (US\$500)	500	100 %	883,969 (US\$29,212)	- (US\$-)	"	"	
	AEI	U.S.A	Sales and maintenance of LCD TVs	30,260 (US\$1,000)	30,260 (US\$1,000)	1,000	100 %	51,683 (US\$1,708)	(11,564) (US\$379)	Investment gain (losses) recognized by CII	"	
MEL and MTL	MEL	U.S.A	Investment	249,161 (US\$8,234)	249,161 (US\$8,234)	-	100 %	276,048 (US\$9,123)	6,475 (US\$212)	"	"	
	MTL	U.S.A	Investment	(US\$1) 30	(US\$1) 30	-	100 %	(US\$1) 30	(US\$-)	"	"	
	Smart	British Virgin Islands	Sales of electronic products and related components	(US\$1) 30	(US\$1) 30	1	100 %	(US\$13) 408	(US\$-)	(7)	"	
MEL and MTL	CMX	Mexico	Manufacturing, sales and maintenance of LCD TVs	243,593 (US\$8,050)	243,593 (US\$8,050)	32,903	100 %	276,048 (US\$9,123)	6,475 (US\$212)	Investment gain(losses) recognized by MEL and MTL	"	
CIH	CIH (HK)	Hong Kong	Investment	2,263,524 (US\$74,803)	2,263,524 (US\$74,803)	74,803	100 %	29,762,207 (US\$983,549)	1,677,000 (US\$54,895)	Investment gain(losses) recognized by CIH	"	
	Jenpal	British Virgin Islands	Investment	222,411 (US\$7,350)	222,411 (US\$7,350)	7,350	100 %	100,508 (US\$3,321)	1,203 (US\$39)	"	"	
	CCM	British Virgin Islands	Investment	154,326 (US\$5,100)	154,326 (US\$5,100)	5,100	51 %	58,089 (US\$1,920)	(1,231) (US\$40)	"	"	

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Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of September 30, 2017			Net income (losses) of investee	Share of profits/ losses of investee	Note
				September 30, 2017	December 31, 2016	Shares (thousands)	Percentage of ownership	Carrying Value			
CIH	PFG	British Virgin Islands	Sales of notebook PCs and related components	30 (US\$1)	30 (US\$1)	1	100 %	415,552 (US\$13,733)	- (US\$-)	Investment gain(losses) recognized by CIH	Note 2
	FWT	British Virgin Islands	Investment	450,874 (US\$14,900)	269,314 (US\$8,900)	14,900	100 %	451,031 (US\$14,905)	159 (US\$5)	"	"
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 %	451,073	474,420	Investment gain(losses) recognized by Hong Ji	"
				Allied Circuit	Taoyuan City	Production and selling of PCB boards	12,274	12,274	1,041	2 %	23,855
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 %	228,924	474,420	Investment gain(losses) recognized by Hong Jin	Note 2
Arcadyan Holding	Arcadyan Holding	British Virgin Islands	Investment	962,291	962,291	23,780	100 %	840,374	32,030	Investment gain(losses) recognized by Arcadyan	"
	Arcadyan USA	U.S.A	Sales of wireless network products	23,055	23,055	1	100 %	57,723	7,178	"	"
	Arcadyan Germany	Germany	Technology support of wireless network products	1,125	1,125	0.5	100 %	49,548	4,869	"	"
	Arcadyan Korea	Korea	Sales of wireless network products	2,879	2,879	20	100 %	1,526	(650)	"	"
	Zhi pal	Taipei City	Investment	48,000	48,000	34,980	100 %	455,468	57,386	"	"
	TTI	Taipei City	R&D and sales of household digital products	303,104	296,429	24,784	60 %	536,614	48,459	"	"
	AcBel Telecom	Taipei City	Investment	23,000	23,000	4,379	51 %	43,439	2,636	"	"
	Golden Smart Home Technology Corp.	Taipei City	Selling of hardware and software integration of high tech systems	15,692	15,692	1,229	22 %	2,478	(15,019)	"	"
	Arcadyan Brasil	Brazil	Sales of wireless network products	81,265	81,265	965	99 %	50,864	(12,745)	"	Note 2
	Arcadyan UK	UK	Technical support of wireless network products	1,980	1,980	50	100 %	2,451	330	"	"
	CBN	Hsinchu county	R&D and sales of communication and electronic components	126,597	214,875	6,033	10 %	148,005	125,631	"	"
	Arcadyan Australia	Australia	Sales of wireless network products	1,161	-	50	100 %	1,221	31	"	"
	Arcadyan Holding	Sinoprime	British Virgin Islands	Sales of wireless network products	1,516 (US\$50)	1,516 (US\$50)	50	100 %	1,455 (US\$48)	13 (US\$-)	Investment gain(losses) recognized by Arcadyan Holding
TTI	Arch Holding	British Virgin Islands	Investment	333,798 (US\$11,011)	333,798 (US\$11,011)	35	100 %	727,833 (US\$24,009)	30,626 (US\$1,003)	"	"
	Quest	Samoa	Investment	36,378 (US\$1,200)	36,378 (US\$1,200)	1,200	100 %	46,764	(237)	Investment gain(losses) recognized by TTI	"
Quest	Exquisite	Samoa	Investment	35,469 (US\$1,170)	35,469 (US\$1,170)	1,170	100 %	45,958 (US\$1,516)	(244) (US\$8)	Investment gain(losses) recognized by Quest	"

(Continued)

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

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of September 30, 2017			Net income (losses) of investee	Share of profits/ losses of investee	Note
				September 30, 2017	December 31, 2016	Shares (thousands)	Percentage of ownership	Carrying Value			
AcBel Telecom	Leading Images	British Virgin Islands	Investment	1,516 (US\$50)	1,516 (US\$50)	50	100 %	81,665	2,891	Investment gain(losses) recognized by AcBel Telecom	Note 2
	Great Arch	British Virgin Islands	Sales of wireless network products	1,516 (US\$50)	1,516 (US\$50)	50	100 %	1,452	(225)	"	"
Leading Images	Astoria GmbH	Germany	Sales of wireless network products	894 (EUR25)	894 (EUR25)	25	100 %	81,335 (US\$2,683)	2,901 (US\$95)	Investment gain(losses) recognized by Leading Images	"
Zhi pal	CBN	Hsinchu county	R&D and sales of communication and electronic components	38,032	48,000	13,400	23 %	334,603	125,631	Investment gain(losses) recognized by Zhi pal	"
	Arcadyan Brasil	Brazil	Sales of wireless network products	328	328	4	1 %	328	(12,745)	"	"
HSI	IUE	British Virgin Islands	Investment	907,800 (US\$30,000)	907,800 (US\$30,000)	30,000	100 %	500,815 (US\$16,550)	(34,069) (US\$1,115)	Investment gain(losses) recognized by HSI	"
	Goal	British Virgin Islands	Investment	384,302 (US\$12,700)	384,302 (US\$12,700)	12,700	100 %	299,941 (US\$9,912)	6,452 (US\$211)	"	"
IUE	CVC	Vietnam	R&D, manufacturing, sales, and maintenance of notebook PCs, computer monitors, LCD TVs and electronic components	907,800 (US\$30,000)	907,800 (US\$30,000)	30,000	100 %	525,136 (US\$17,354)	(34,069) (US\$1,115)	Investment gain(losses) recognized by IUE	"
	Goal	Vietnam	Construction of and investment in infrastructure in Ba Thien industrial district of Vietnam	384,302 (US\$12,700)	384,302 (US\$12,700)	12,700	100 %	357,651 (US\$11,819)	6,452 (US\$211)	Investment gain(losses) recognized by Goal	"
Rayonnant	APH	British Virgin Islands	Investment	312,318	312,318	8,651	41 %	312,318	(19,255)	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 %	-	-	"	"
CRH	APH	British Virgin Islands	Investment	378,250 (US\$12,500)	378,250 (US\$12,500)	12,500	59 %	199,587 (US\$6,596)	(19,255) (US\$630)	Investment gain(losses) recognized by CRH	Note 2
HengHao	HHA	British Virgin Islands	Investment	1,429,235	1,429,235	46,882	100 %	547,165	(31,483)	Investment gain(losses) recognized by HengHao	"
HHA	HHB	British Virgin Islands	Investment	1,418,650 (US\$46,882)	1,418,650 (US\$46,882)	46,882	100 %	564,474 (US\$18,654)	(31,494) (US\$1,031)	Investment gain(losses) recognized by HHA	"
	HengHao Trading Co., Ltd.	British Virgin Islands	Marketing and international trade	303 (US\$10)	303 (US\$10)	10	100 %	337 (US\$11)	20 (US\$1)	Investment gain(losses) recognized by HHB	"
CBN	Speedlink	British Virgin Islands	Import and export business	1,514	1,514	50	100 %	1,684	128	Investment gain(losses) recognized by CBN	"
	CBNB	Belgium	The import and export business of broadband network products and related components, as well as technical support and advisory services	6,832	-	20	100 %	7,114	(36)	"	"
FGH	Wah Yuen Technology Holding Ltd. and its subsidiaries	Mauritius	Investment	2,716,001 (US\$89,755)	2,716,001 (US\$89,755)	95,862	37 %	4,369,743 (US\$144,407)	658,085 (US\$21,542)	Investment gain(losses) recognized by FGH	"
CORE	BSH	British Virgin Islands	Investment	4,448,220 (US\$147,000)	4,448,220 (US\$147,000)	147,000	100 %	4,822,516 (US\$159,369)	7,547 (US\$247)	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		Balance as of September 30, 2017			Net income (losses) of investee	Share of profits/ losses of investee	Note
				September 30, 2017	December 31, 2016	Shares (thousands)	Percentage of ownership	Carrying Value			
BSH	LCFC	Hong Kong	Investment and trading	4,344,428 (US\$143,570)	4,344,428 (US\$143,570)	147,000	49 %	4,822,516 (US\$159,369)	641,637 (US\$21,003)	Investment gain(losses) recognized by BSH	
APH	PEL	British Virgin Islands	Investment	95,349 (US\$3,151)	95,349 (US\$3,151)	3,151	100 %	70,794 (US\$2,340)	18,073 (US\$592)	Investment gain(losses) recognized by APH	Note 2
	Rayonnant (HK)	Hong Kong	Investment	544,680 (US\$18,000)	544,680 (US\$18,000)	18,000	100 %	252,956 (US\$8,359)	(37,196) (US\$1,218)	"	"
BCI	CMI	British Virgin Islands	Investment	2,445,613 (US\$80,820)	2,445,613 (US\$80,820)	80,820	100 %	3,505,361 (US\$115,841)	101,758 (US\$3,331)	Investment gain(losses) recognized by BCI	"
	PRI	British Virgin Islands	Investment	302,600 (US\$10,000)	302,600 (US\$10,000)	10,000	100 %	1,981,622 (US\$65,487)	165,786 (US\$5,427)	"	"
GLB	Rapha	New Taipei City	Detectors and test strip	15,000	15,000	1,275	100 %	3,865	(100)	Investment gain(losses) recognized by GLB	"

Note 1: The carrying value had deducted \$559, 812 and \$321, 435 of the Company's stocks held by Panpal and Gempal, respectively.

Note 2: The transactions had been eliminated in the interim consolidated financial statements.

(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/US Dollars/ RMB)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2016	Investment flows		Accumulated outflow of investment from Taiwan as of September 30, 2017	Net income (losses) of the investee	Percentage of ownership	Investment income (losses)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow						
CPC	Manufacturing and sales of monitors	1,119,620 (US\$37,000)	(Note 1)	1,119,620 (US\$37,000)	-	-	1,119,620 (US\$37,000)	106,636 (US\$3,491)	100%	106,636 (US\$3,491)	2,660,128 (US\$87,909)	-
CDT	Manufacturing and sales of notebook PCs, mobile phones, and Digital products	605,200 (US\$20,000)	(Note 2)	605,200 (US\$20,000)	-	-	605,200 (US\$20,000)	92,092 (US\$3,015)	100%	92,092 (US\$3,015)	343,847 (US\$11,363)	-
CET	Manufacturing of notebook PCs	363,120 (US\$12,000)	(Note 2)	363,120 (US\$12,000)	-	-	363,120 (US\$12,000)	(10,779) (US\$353)	100%	(30,337) (US\$993)	4,197,708 (US\$138,721)	-
BT	Manufacturing of notebook PCs	30,260 (US\$1,000)	(Note 2)	30,260 (US\$1,000)	-	-	30,260 (US\$1,000)	(74,421) (US\$2,436)	100%	(74,421) (US\$2,436)	(107,334) (US\$3,547)	-
CGS	Maintenance and warranty service of notebook PCs	9,100 (RMB2,000)	(Note 2)	(Note 3)	-	-	-	(8,852) (US\$290)	100%	(8,852) (US\$290)	(40,999) (US\$1,355)	-
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	968,320 (US\$32,000)	(Note 1)	403,366 (US\$13,330)	-	-	403,366 (US\$13,330)	40,165 (US\$1,315)	43%	17,343 (US\$568)	320,756 (US\$10,600)	-

(Continued)

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

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2016	Investment flows		Accumulated outflow of investment from Taiwan as of September 30, 2017	Net income (losses) of the investee	Percentage of ownership	Investment income (losses)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow						
LIZ Electronics 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	317,972 (US\$10,508)	(Note 1)	44,482 (US\$1,470)	-	-	44,482 (US\$1,470)	(34,684) (US\$1,135)	48%	(16,600) (US\$543)	131,661 (US\$4,351)	-
CSD	Research, manufacture and sales of communication devices, mobile phones, electronic computer, smart watch, and provide related technology service	273,010 (RMB60,000)	(Note 2)	(Note 3)	-	-	-	(39,977) (RMB(8,913))	100%	(39,977) (RMB(8,913))	232,455 (RMB51,087)	-
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	71,784 (RMB15,776)	(Note 2)	(Note 3)	-	-	-	(17,789) (RMB(3,966))	51%	(9,072) (RMB(2,023))	(22,448) (RMB(4,933))	-
CIC	Manufacturing of notebook PCs	363,120 (US\$12,000)	(Note 2)	363,120 (US\$12,000)	-	-	363,120 (US\$12,000)	674,693 (US\$22,085)	100%	606,099 (US\$19,840)	6,771,361 (US\$223,773)	-
CPO	Manufacturing and sales of LCD TVs	366,146 (US\$12,100)	(Note 1)	366,146 (US\$12,100)	-	-	366,146 (US\$12,100)	(29,700) (US\$972)	100%	(29,700) (US\$972)	2,752,969 (US\$90,977)	-
CIT	Manufacturing of notebook PCs	726,240 (US\$24,000)	(Note 2)	726,240 (US\$24,000)	-	-	726,240 (US\$24,000)	1,164,103 (US\$38,106)	100%	1,032,086 (US\$33,784)	18,360,949 (US\$606,773)	-
LCFC Electronics Technology Co., Ltd.	Manufacturing and selling of personal computers and related components, and providing related maintenance and after sales service	8,018,900 (US\$265,000)	(Note 1)	3,929,261 (US\$129,850)	-	-	3,929,261 (US\$129,850)	77,201 (US\$2,527)	49%	37,829 (US\$1,238)	4,234,649 (US\$139,942)	-
CST	International trade and distribution of computers and electronic components	42,364 (US\$1,400)	(Note 2)	42,364 (US\$1,400)	-	-	42,364 (US\$1,400)	4,245 (US\$139)	100%	4,245 (US\$139)	51,466 (US\$1,701)	-

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

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2016	Investment flows		Accumulated outflow of investment from Taiwan as of September 30, 2017	Net income (losses) of the investee	Percentage of ownership	Investment income (losses)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow						
CIN	Software and hardware R&D of computers, mobile phones and electronic components	60,520 (US\$2,000)	(Note 2)	60,520 (US\$2,000)	-	-	60,520 (US\$2,000)	(91) (US\$3)	100%	(91) (US\$3)	770 (US\$25)	-
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	302,600 (US\$10,000)	(Note 2)	154,326 (US\$5,100)	-	-	154,326 (US\$5,100)	214 (US\$7)	51%	109 (US\$4)	59,666 (US\$1,972)	-
CIJ	Investment and consulting services	472,056 (US\$15,600)	(Note 2)	472,056 (US\$15,600)	-	-	472,056 (US\$15,600)	211,580 (US\$6,926)	100%	211,580 (US\$6,926)	799,613 (US\$26,425)	-
CDE	Manufacturing and sales of LCD TVs	453,900 (US\$15,000)	(Note 2)	(Note 3)	-	-	-	273,728 (US\$8,960)	100%	273,728 (US\$8,960)	617,721 (US\$20,414)	-
CIS	Outward investment and consulting services	2,445,613 (US\$80,820)	(Note 1)	2,445,613 (US\$80,820)	-	-	2,445,613 (US\$80,820)	101,758 (US\$3,331)	100%	101,758 (US\$3,331)	3,505,361 (US\$115,841)	-
CEC	R&D and manufacturing of notebook PCs, tablet PCs, digital products, network switches, wireless AP, and automobile electronic products	2,420,800 (US\$80,000)	(Note 2)	(Note 3)	-	-	-	(43,242) (US\$1,415)	100%	(43,242) (US\$1,415)	3,461,537 (US\$114,393)	-
CMC	Corporate management consulting, financial and tax consulting, investment consulting, and investment management consulting services	24,208 (US\$800)	(Note 2)	(Note 3)	-	-	-	(565) (US\$18)	100%	(565) (US\$18)	24,370 (US\$805)	-
CEQ	R&D, manufacturing and sales of notebook PCs and related components. Also provides related maintenance and warranty services	302,600 (US\$10,000)	(Note 1)	302,600 (US\$10,000)	-	-	302,600 (US\$10,000)	165,786 (US\$5,427)	100%	165,786 (US\$5,427)	1,981,622 (US\$65,487)	-
Compal Precision Module (Jiangsu) Co., Ltd.	Manufacturing and selling of magnesium alloy injection molding	12,406,600 (US\$410,000)	(Note 2)	2,500,293 (US\$82,627)	-	-	2,500,293 (US\$82,627)	417,670 (US\$13,672)	37%	152,951 (US\$5,007)	5,419,091 (US\$179,084)	-
Changbao Electronic Technology Co., Ltd.	Production and marketing of magnesium alloy injection molding	1,815,600 (US\$60,000)	(Note 2)	346,659 (US\$11,456)	-	-	346,659 (US\$11,456)	233,274 (US\$7,636)	37%	85,425 (US\$2,796)	938,299 (US\$31,008)	-

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

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2016	Investment flows		Accumulated outflow of investment from Taiwan as of September 30, 2017	Net income (losses) of the investee	Percentage of ownership	Investment income (losses)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow						
Rayonnant (Taicang)	Manufacturing and sales of aluminum alloy and magnesium alloy products	544,680 (US\$18,000)	(Note 2)	378,250 (US\$12,500)	-	-	378,250 (US\$12,500)	(37,196) (US\$1,218)	100%	(37,196) (US\$1,218)	253,545 (US\$8,379)	-
CCI Nanjing	Manufacturing and processing of mobile phones and tablet PCs	665,720 (US\$22,000)	(Note 1)	665,720 (US\$22,000)	-	-	665,720 (US\$22,000)	(32,443) (US\$1,062)	100%	(32,443) (US\$1,062)	(1,011,804) (US\$33,437)	-
CDCN	Manufacturing and processing of mobile phones and tablet PCs	175,508 (US\$5,800)	(Note 1)	175,508 (US\$5,800)	-	-	175,508 (US\$5,800)	4,980 (US\$163)	100%	4,980 (US\$163)	86,332 (US\$2,853)	-
CWCN	Manufacturing and processing of mobile phones and tablet PCs	877,540 (US\$29,000)	(Note 1)	574,940 (US\$19,000)	-	-	574,940 (US\$19,000)	(155,954) (US\$5,105)	100%	(155,954) (US\$5,105)	301,813 (US\$9,974)	-
Hanhelt	R&D and manufacturing of electronic communication equipment	60,520 (US\$2,000)	(Note 1)	60,520 (US\$2,000)	-	-	60,520 (US\$2,000)	4,047 (US\$132)	100%	4,047 (US\$132)	3,238 (US\$107)	-
Arcadyan												
SVA Arcadyan	R&D and sales of wireless network products	397,127 (US\$13,100)	(Note 1)	558,402 (US\$18,420) (Note 7)	-	-	558,402 (US\$18,420)	2,718 (US\$89)	100%	2,718 (US\$89)	114,742 (US\$3,785)	-
CNC	Manufacturing and wireless network products	377,422 (US\$12,450)	(Note 1)	333,798 (US\$11,011) (Note 8)	-	-	333,798 (US\$11,011)	30,626 (US\$1,003)	100%	30,626 (US\$1,003)	727,803 (US\$24,008)	-
THAC	Manufacturing of household electronics products	101,555 (US\$3,350)	(Note 1 - 10)	34,862 (US\$1,150)	-	-	34,862 (US\$1,150)	(224) (US\$8)	100%	(224) (US\$8)	45,442 (US\$1,499)	-
HengHao												
HengHao Optoelectronic Technology (Kunshan) Co., Ltd. (Heng Hao Kunshan)	Production of touch panels and related components	1,210,400 (US\$40,000)	(Note 1)	1,204,439 (US\$39,803)	-	-	1,204,439 (US\$39,803)	(30,922) (US\$1,012)	100%	(30,922) (US\$1,012)	414,949 (US\$13,713)	-
Lucom Display Technology (Kunshan) Limited (Lucom)	Manufacturing of touch panels and monitors	453,900 (US\$15,000)	(Note 2)	196,660 (US\$6,499) (Note 12)	-	-	196,660 (US\$6,499)	(592) (US\$19)	100%	(592) (US\$19)	132,180 (US\$4,368)	-

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COMPAL ELECTRONICS, INC. AND ITS SUBSIDIARIES
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(ii) Limitation on investment in Mainland China:

	Accumulated Investment in Mainland China as of September 30, 2017	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
The Company	16,477,690 (US\$544,537) (Note 5)	22,840,430 (US\$754,806)	Note 6
Arcadyan	927,070 (US\$30,581)	927,070 (US\$30,581)	5,023,849
HengHao	1,418,347 (US\$46,872)	1,509,127 (US\$49,872)	798,410

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 owned by Kunshan Botai Electronics Co., Ltd. ("BT"), Compal Investment (Jiansu) Co., Ltd. ("CIJ"), Compal Electronic (Sichuan) Co., Ltd. ("CIS"), and Compal Electronics (China) Co., Ltd. ("CPC") through their own funds.

Note 4: The investment income (loss), except LCFC (HeFei) Electronics Technology Co., Ltd. and Compal Precision Modulo (Jiangsu) Co., Ltd., were determined based on the financial report reviewed by CPA.

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

(iii) Significant transactions:

For the nine months ended September 30, 2017, the significant inter-company transactions with the subsidiaries in Mainland China, which were eliminated in the preparation of consolidated financial statements, are disclosed in "Information on significant transactions" and "Business relationships and significant intercompany transactions".

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

(14) Segment information:

Three months ended September 30, 2017			
	IT Product Segment	Strategically Integrated Product Segment	Total
Revenue			
Revenue from external customers	\$ 226,497,625	5,110,895	231,608,520
Revenue from segments	-	-	-
Total revenue	\$ 226,497,625	5,110,895	231,608,520
Reportable segment profit	\$ 2,791,053	187,062	2,978,115
Three months ended September 30, 2016			
	IT Product Segment	Strategically Integrated Product Segment	Total
Revenue			
Revenue from external customers	\$ 192,022,606	5,863,958	197,886,564
Revenue from segments	-	-	-
Total revenue	\$ 192,022,606	5,863,958	197,886,564
Reportable segment profit	\$ 2,480,740	364,606	2,845,346
Nine months ended September 30, 2017			
	IT Product Segment	Strategically Integrated Product Segment	Total
Revenue			
Revenue from external customers	\$ 618,067,388	14,749,079	632,816,467
Revenue from segments	-	-	-
Total revenue	\$ 618,067,388	14,749,079	632,816,467
Reportable segment profit	\$ 5,048,031	479,568	5,527,599
Nine months ended September 30, 2016			
	IT Product Segment	Strategically Integrated Product Segment	Total
Revenue			
Revenue from external customers	\$ 529,030,689	18,440,430	547,471,119
Revenue from segments	-	-	-
Total revenue	\$ 529,030,689	18,440,430	547,471,119
Reportable segment profit	\$ 6,765,200	1,302,199	8,067,399