

Independent Auditors' Report

To the Board of Directors
Compal Electronics, Inc.:

We have audited the accompanying balance sheets of Compal Electronics, Inc. as of December 31, 2014 and 2013, and the statements of comprehensive income, changes in equity, and cash flows for the years ended December 31, 2014 and 2013. These annual parent company only financial reports are the responsibility of the Company's management. Our responsibility is to express an opinion on these annual parent company only financial reports based on our audits.

We conducted our audits in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" in the Republic of China and generally accepted auditing standards. Those standards and regulations require that we plan and perform the audit to obtain reasonable assurance about whether the annual parent company only financial reports are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the annual parent company only financial reports. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual parent company only financial reports. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the annual parent company only financial reports referred to above present fairly, in all material respects, the financial position of Compal Electronics, Inc. as of December 31, 2014 and 2013, and the results of its operations and its cash flows for the years ended December 31, 2014 and 2013, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers.

As stated in note of the annual parent company only financial reports, Compal Electronics, Inc. recognized both the impairment loss of \$1,689,000,000 on the equity investment in Chunghwa Picture Tubes, Ltd. and the related share of loss of associates and joint ventures accounted for using equity method of 3,041,000,000 for the three months ended March 31, 2014.

As stated in note of the annual parent company only financial reports, Compal Electronics, Inc. reclassified the investment of VIBO Telecom Inc. from investments accounted for using equity method to non-current assets classified as held for sale, and recognized both the impairment loss of \$4,849,469,000 and the related share of loss of associates and joint ventures accounted for using equity method of \$51,891,000 for the three months ended September 30, 2013.

February 26, 2015

The accompanying financial reports are intended only to present the financial position, results of operations, and cash flows in accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and not those of any other jurisdictions. The standards, procedures and practices to audit such financial reports are those generally accepted and applied in the Republic of China.

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

COMPAL ELECTRONICS, INC.

Balance Sheets

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

Assets	December 31, 2014		December 31, 2013		Liabilities and equity	December 31, 2014		December 31, 2013	
	Amount	%	Amount	%		Amount	%	Amount	%
Current assets:					Current liabilities:				
Cash and cash equivalents	\$ 43,095,497	12.5	10,165,739	3.4	Short-term borrowings	\$ 28,667,700	8.3	32,516,060	11.0
Current financial assets at fair value through profit or loss	114,111	-	73,918	-	Notes and accounts payable	101,637,875	29.6	83,711,567	28.3
Current available-for-sale financial assets	44,538	-	-	-	Notes and accounts payable to related parties	74,153,547	21.6	61,276,719	20.7
Current bond investment without active market	350,000	0.1	1,745,000	0.6	Other payables	8,133,574	2.4	6,345,726	2.1
Notes and accounts receivable, net	166,442,177	48.5	169,572,297	57.3	Current tax liabilities	583,444	0.2	237,778	0.1
Notes and accounts receivable due from related parties, net	3,085,099	0.9	1,049,255	0.4	Current provisions	1,676,185	0.5	1,296,188	0.4
Other receivables	427,096	0.1	315,756	0.1	Other current liabilities	645,522	0.2	352,710	0.1
Inventories, net	41,528,853	12.1	26,383,631	8.9	Unearned revenue	2,293,685	0.6	1,837,886	0.6
Non-current assets classified as held for sale	-	-	1,000,000	0.3	Long-term borrowings, current portion	<u>3,000,000</u>	<u>0.9</u>	<u>-</u>	<u>-</u>
Other current assets	<u>522,183</u>	<u>0.2</u>	<u>340,997</u>	<u>0.1</u>		<u>220,791,532</u>	<u>64.3</u>	<u>187,574,634</u>	<u>63.3</u>
	<u>255,609,554</u>	<u>74.4</u>	<u>210,646,593</u>	<u>71.1</u>	Non-current liabilities:				
Non-current assets:					Long-term borrowings	19,660,000	5.7	12,800,000	4.4
Investments accounted for using equity method	73,585,998	21.4	73,667,974	24.9	Deferred tax liabilities	1,117,063	0.3	360,282	0.1
Non-current available-for-sale financial assets	8,735,528	2.6	8,202,426	2.8	Accrued pension liabilities	611,915	0.2	546,534	0.2
Non-current financial assets at cost	6,588	-	-	-	Other non-current liabilities	<u>76,467</u>	<u>-</u>	<u>56,578</u>	<u>-</u>
Non-current bond investment without active market	1,400,000	0.4	-	-		<u>21,465,445</u>	<u>6.2</u>	<u>13,763,394</u>	<u>4.7</u>
Property, plant and equipment	2,230,023	0.7	2,218,316	0.7	Total liabilities	<u>242,256,977</u>	<u>70.5</u>	<u>201,338,028</u>	<u>68.0</u>
Intangible assets	412,185	0.1	617,739	0.2					
Deferred tax assets	1,336,919	0.4	812,578	0.3	Equity attributable to owners of parent:				
Other non-current assets	<u>114,320</u>	<u>-</u>	<u>45,547</u>	<u>-</u>	Ordinary shares	44,232,366	12.9	44,134,467	14.9
	<u>87,821,561</u>	<u>25.6</u>	<u>85,564,580</u>	<u>28.9</u>	Capital surplus	14,296,445	4.2	16,193,087	5.5
Total assets	\$ <u>343,431,115</u>	<u>100.0</u>	<u>296,211,173</u>	<u>100.0</u>	Retained earnings	47,509,087	13.8	44,260,834	14.9
					Other equity interest	(3,139,021)	(0.9)	(7,707,518)	(2.6)
					Treasury shares	<u>(1,724,739)</u>	<u>(0.5)</u>	<u>(2,007,725)</u>	<u>(0.7)</u>
					Total equity	<u>101,174,138</u>	<u>29.5</u>	<u>94,873,145</u>	<u>32.0</u>
					Total liabilities and equity	\$ <u>343,431,115</u>	<u>100.0</u>	<u>296,211,173</u>	<u>100.0</u>

See accompanying notes to the parent company only financial reports.

COMPAL ELECTRONICS, INC.

Statements of Comprehensive Income

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

	2014		2013	
	Amount	%	Amount	%
Net sales revenue	\$ 803,504,061	100.0	632,622,772	100.0
Cost of sales	<u>782,209,491</u>	<u>97.4</u>	<u>616,263,087</u>	<u>97.4</u>
Gross profit	21,294,570	2.6	16,359,685	2.6
Less: Unrealized profit from sales	<u>5,657</u>	<u>-</u>	<u>445</u>	<u>-</u>
Gross profit	<u>21,288,913</u>	<u>2.6</u>	<u>16,359,240</u>	<u>2.6</u>
Operating expenses:				
Selling expenses	2,260,919	0.3	1,919,880	0.3
Administrative expenses	2,553,669	0.3	1,929,551	0.3
Research and development expenses	<u>9,172,949</u>	<u>1.1</u>	<u>7,004,155</u>	<u>1.1</u>
	<u>13,987,537</u>	<u>1.7</u>	<u>10,853,586</u>	<u>1.7</u>
Net operating income	<u>7,301,376</u>	<u>0.9</u>	<u>5,505,654</u>	<u>0.9</u>
Non-operating income and expenses:				
Other gains and losses	951,688	0.1	101,743	-
Finance costs	(515,563)	(0.1)	(119,435)	-
Other income	751,602	0.1	700,636	0.1
Share of profit of subsidiaries, associates and joint ventures accounted for using equity method	790,247	0.1	1,663,349	0.3
Impairment loss	<u>(1,691,121)</u>	<u>(0.2)</u>	<u>(4,849,469)</u>	<u>(0.8)</u>
Total non-operating income and expenses	<u>286,853</u>	<u>-</u>	<u>(2,503,176)</u>	<u>(0.4)</u>
Profit before tax	7,588,229	0.9	3,002,478	0.5
Less: tax expense	<u>554,148</u>	<u>-</u>	<u>535,267</u>	<u>0.1</u>
Profit	<u>7,034,081</u>	<u>0.9</u>	<u>2,467,211</u>	<u>0.4</u>
Other comprehensive income:				
Other comprehensive income, before tax, exchange differences on translation	2,903,749	0.3	1,051,125	0.2
Other comprehensive income, before tax, available-for-sale financial assets	1,391,202	0.2	(756,535)	(0.1)
Other comprehensive income, before tax, actuarial gains (losses) on defined benefit plans	(36,868)	-	14,303	-
Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method	269,244	-	373,878	-
Less: income tax relating to components of other comprehensive income	<u>(3,431)</u>	<u>-</u>	<u>(10,681)</u>	<u>-</u>
Other comprehensive income, net	<u>4,530,758</u>	<u>0.5</u>	<u>693,452</u>	<u>0.1</u>
Comprehensive income	<u>\$ 11,564,839</u>	<u>1.4</u>	<u>3,160,663</u>	<u>0.5</u>
Earnings per share:				
Basic net income per share	<u>\$ 1.63</u>		<u>0.57</u>	
Diluted net income per share	<u>\$ 1.61</u>		<u>0.57</u>	

See accompanying notes to the parent company only financial reports.

COMPAL ELECTRONICS, INC.

**Statements of Changes in Equity
For the years ended December 31, 2014 and 2013
(expressed in thousands of New Taiwan dollars)**

	Retained earnings					Other equity interest					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	Total other equity interest	Treasury shares	
Balance on January 1, 2013	\$ 44,126,526	16,122,810	14,980,079	8,713,018	31,360,844	55,053,941	(3,134,266)	(5,248,131)	(8,382,397)	(881,247)	106,039,633
Appropriation and distribution of retained earnings (note 1):											
Legal reserve appropriated	-	-	641,103	-	(641,103)	-	-	-	-	-	-
Special reserve appropriated	-	-	-	105,707	(105,707)	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(4,384,186)	(4,384,186)	-	-	-	-	(4,384,186)
Purchase of treasury share	-	-	-	-	-	-	-	-	-	(1,126,478)	(1,126,478)
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	-	-	-	(8,826,585)	(8,826,585)	(11,538)	(96)	(11,634)	-	(8,838,219)
Changes in ownership interests in subsidiaries	-	22,330	-	-	(52,290)	(52,290)	-	-	-	-	(29,960)
Changes in equity of associates and joint ventures accounted for using equity method	-	(10,754)	-	-	(4,196)	(4,196)	-	-	-	-	(14,950)
Issuance of shares for employee share options exercised	7,941	8,338	-	-	-	-	-	-	-	-	16,279
Adjustments of capital surplus for the Company's cash dividends received by subsidiaries	-	50,363	-	-	-	-	-	-	-	-	50,363
	<u>44,134,467</u>	<u>16,193,087</u>	<u>15,621,182</u>	<u>8,818,725</u>	<u>17,346,777</u>	<u>41,786,684</u>	<u>(3,145,804)</u>	<u>(5,248,227)</u>	<u>(8,394,031)</u>	<u>(2,007,725)</u>	<u>91,712,482</u>
Profit for the year ended December 31, 2013	-	-	-	-	2,467,211	2,467,211	-	-	-	-	2,467,211
Other comprehensive income	-	-	-	-	6,939	6,939	1,299,130	(612,617)	686,513	-	693,452
Comprehensive income	-	-	-	-	2,474,150	2,474,150	1,299,130	(612,617)	686,513	-	3,160,663
Balance on January 1, 2014	\$ 44,134,467	16,193,087	15,621,182	8,818,725	19,820,927	44,260,834	(1,846,674)	(5,860,844)	(7,707,518)	(2,007,725)	94,873,145
Appropriation and distribution of retained earnings (note 2):											
Legal reserve appropriated	-	-	246,721	-	(246,721)	-	-	-	-	-	-
Reversal of special reserve	-	-	-	(1,111,207)	1,111,207	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(2,177,668)	(2,177,668)	-	-	-	-	(2,177,668)
Cash dividends from capital surplus	-	(2,177,668)	-	-	-	-	-	-	-	-	(2,177,668)
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	3,492	-	-	(1,575,776)	(1,575,776)	6,763	87	6,850	-	(1,565,434)
Changes in ownership interests in subsidiaries	-	(3,720)	-	-	(1,495)	(1,495)	-	-	-	-	(5,215)
Changes in equity of associates and joint ventures accounted for using equity method	-	24,056	-	-	-	-	-	-	-	-	24,056
Share-based payment transaction	-	109,389	-	-	-	-	-	-	-	282,986	392,375
Issuance of shares for employee share options exercised	97,899	97,818	-	-	-	-	-	-	-	-	195,717
Adjustments of capital surplus for the Company's cash dividends received by subsidiaries	-	49,991	-	-	-	-	-	-	-	-	49,991
	<u>44,232,366</u>	<u>14,296,445</u>	<u>15,867,903</u>	<u>7,707,518</u>	<u>16,930,474</u>	<u>40,505,895</u>	<u>(1,839,911)</u>	<u>(5,860,757)</u>	<u>(7,700,668)</u>	<u>(1,724,739)</u>	<u>89,609,299</u>
Profit for the year ended December 31, 2014	-	-	-	-	7,034,081	7,034,081	-	-	-	-	7,034,081
Other comprehensive income	-	-	-	-	(30,889)	(30,889)	3,018,218	1,543,429	4,561,647	-	4,530,758
Comprehensive income	-	-	-	-	7,003,192	7,003,192	3,018,218	1,543,429	4,561,647	-	11,564,839
Balance on December 31, 2014	\$ <u>44,232,366</u>	<u>14,296,445</u>	<u>15,867,903</u>	<u>7,707,518</u>	<u>23,933,666</u>	<u>47,509,087</u>	<u>1,178,307</u>	<u>(4,317,328)</u>	<u>(3,139,021)</u>	<u>(1,724,739)</u>	<u>101,174,138</u>

Note 1: Directors' and supervisors' remuneration amounting to \$56,545 and employee bonuses amounting to \$816,440 were recognized in the 2012 statement of comprehensive income.

Note 2: Directors' and supervisors' remuneration amounting to \$21,761 and employee bonuses amounting to \$314,199 were recognized in the 2013 statement of comprehensive income.

See accompanying notes to the parent company only financial reports.

COMPAL ELECTRONICS, INC.

Statements of Cash Flows

For the years ended December 31, 2014 and 2013

(expressed in thousands of New Taiwan dollars)

	2014	2013
Cash flows from (used in) operating activities:		
Profit before tax	\$ <u>7,588,229</u>	<u>3,002,478</u>
Adjustments:		
Depreciation and amortization	855,418	680,171
Increase in allowances for uncollectible accounts	7,381	26,911
Interest expense	515,563	119,435
Interest income	(158,627)	(139,114)
Dividends income	(147,794)	(127,910)
Compensation cost of employee share options	110,250	-
Share of profit of subsidiaries, associates and joint ventures accounted for using equity method	(790,247)	(1,663,349)
Loss (gain) on disposal of investments	46,381	(633,911)
Impairment loss on financial assets	<u>1,691,121</u>	<u>4,849,469</u>
Adjustments to reconcile profit	<u>2,129,446</u>	<u>3,111,702</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
Changes in financial assets at fair value through profit or loss	(40,193)	6,467
Decrease (increase) in notes and accounts receivable	10,794,135	(23,942,137)
Decrease (increase) in inventories	(11,096,332)	1,918,981
Decrease (increase) in other current assets	(124,932)	(68,961)
Decrease (increase) in other receivable	<u>506,306</u>	<u>(25,986)</u>
Total changes in operating assets	<u>38,984</u>	<u>(22,111,636)</u>
Changes in operating liabilities:		
Increase (decrease) in notes and accounts payable	23,378,885	2,354,092
Increase (decrease) in other payable	(926,097)	2,288,893
Increase (decrease) in provisions	271,965	(359,491)
Increase (decrease) in unearned revenue	410,956	178,840
Increase (decrease) in other current liabilities	231,895	43,641
Other	<u>38,383</u>	<u>43,371</u>
Total changes in operating liabilities	<u>23,405,987</u>	<u>4,549,346</u>
Total changes in operating assets and liabilities	<u>23,444,971</u>	<u>(17,562,290)</u>
Total adjustments	<u>25,574,417</u>	<u>(14,450,588)</u>
Cash flows from (used in) operations	33,162,646	(11,448,110)
Interest received	168,543	147,615
Dividends received	750,407	1,208,090
Interest paid	(489,520)	(93,112)
Income taxes paid	<u>(184,371)</u>	<u>(788,787)</u>
Net cash flows from (used in) operating activities	<u>33,407,705</u>	<u>(10,974,304)</u>
Cash flows from (used in) investing activities:		
Acquisition of investments accounted for using equity method, available-for-sale financial assets and bond investment without active market	(1,421,025)	(17,311,303)
Increase in non-current assets classified as held for sale	-	(4,052,535)
Proceeds from disposal of investments accounted for using equity method and available-for sale financing assets	195,597	912,601
Net cash outflows resulted from business combination	(534,954)	-
Proceeds from capital reduction and liquidation of investments	65,776	215,323
Acquisition of property, plant and equipment	(110,730)	(102,493)
Decrease (increase) in other receivable due from related parties	373,037	292,066
Acquisition of intangible assets	(307,808)	(394,213)
Other	<u>16,407</u>	<u>8,634</u>
Net cash flows from (used in) investing activities	<u>(1,723,700)</u>	<u>(20,431,920)</u>
Cash flows from (used in) financing activities:		
Increase (decrease) in short-term borrowings	(4,736,756)	15,944,540
Proceeds from long-term borrowings	10,100,000	12,800,000
Repayments of long-term borrowings	(240,000)	-
Cash dividends paid	(4,355,336)	(4,384,186)
Exercise of employee share options	195,717	16,279
Payments to acquire treasury shares	-	(1,126,478)
Treasury shares convert to employee	282,125	-
Other	<u>3</u>	<u>(246)</u>
Net cash flows from (used in) financing activities	<u>1,245,753</u>	<u>23,249,909</u>
Net increase (decrease) in cash and cash equivalents	32,929,758	(8,156,315)
Cash and cash equivalents at beginning of period	<u>10,165,739</u>	<u>18,322,054</u>
Cash and cash equivalents at end of period	<u>\$ <u>43,095,497</u></u>	<u><u>10,165,739</u></u>

See accompanying notes to the parent company financial reports.