

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

CONSOLIDATED INTERIM FINANCIAL STATEMENTS

March 31, 2017 and 2016
(With Independent Auditor's Review Report Thereon)

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Independent Auditors' Review Report

To Compal Electronics, Inc.:

We have reviewed the accompanying consolidated balance sheets of Compal Electronics, Inc. and its subsidiaries as of March 31, 2017 and 2016, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 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 interim financial statements taken as a whole. Accordingly, we do not express such an opinion.

Included in the accompanying consolidated interim financial statements are the interim financial statements of certain consolidated subsidiaries, which were not reviewed by independent auditors. These consolidated subsidiaries reflect the total assets amounting to NT\$21,584,203,000 and NT\$27,585,442,000, constituting 6.5% and 9.3% of the total consolidated assets as of March 31, 2017 and 2016, respectively. The total liabilities of these subsidiaries amounted to NT\$2,560,379,000 and NT\$5,418,374,000, constituting 1.2% and 2.9% of the total consolidated liabilities as of March 31, 2017 and 2016, respectively. The comprehensive income (loss) of these subsidiaries amounted to NT\$(190,876,000) and NT\$(96,439,000), constituting 7.4% and (10.4)% of the total consolidated comprehensive income (loss) for the three months ended March 31, 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 interim financial statements of the said consolidated subsidiaries been reviewed by independent auditors, to the accompanying consolidated interim 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)

May 10, 2017

Notes to Readers

The accompanying consolidated interim 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 interim 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 as of March 31, 2017 and 2016

COMPAL ELECTRONICS, INC. AND ITS SUBSIDIARIES

Consolidated Balance Sheets

March 31, 2017, December 31, 2016, and March 31, 2016

(Expressed in Thousands of New Taiwan Dollars)

Assets		March 31, 2017		December 31, 2016		March 31, 2016		Liabilities and Equity		March 31, 2017		December 31, 2016		March 31, 2016	
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%
Current assets:								Current liabilities:							
1100	Cash and cash equivalents (note (6)(a))	\$ 72,712,446	21.9	72,950,596	21.0	68,864,803	23.1	2100	Short-term borrowings (note (6)(o))	\$ 39,545,382	11.9	43,480,777	12.5	24,166,227	8.1
1110	Current financial assets at fair value through profit or loss (note (6)(b))	5,844	-	86,440	-	132,860	-	2120	Current financial liabilities at fair value through profit or loss (note (6)(b))	98,287	-	137,489	-	129,734	-
1125	Current available-for-sale financial assets (note (6)(d))	49,927	-	48,631	-	37,172	-	2125	Current derivative financial liabilities for hedging(note (6)(c))	33,068	-	-	-	5,454	-
1135	Current derivative financial assets used for hedging (note (6)(c))	4,490	-	-	-	4,213	-	2170	Notes and accounts payable	122,397,774	36.9	127,523,732	36.7	105,863,515	35.5
1147	Current bond investments without active market (note (6)(f))	350,000	0.1	350,000	0.1	350,000	0.1	2180	Notes and accounts payable to related parties(note (7))	1,354,552	0.4	1,958,211	0.6	1,507,421	0.5
1170	Notes and accounts receivable, net (notes (6)(g) and (8))	159,957,792	48.3	175,318,313	50.5	132,120,524	44.4	2200	Other payables	15,081,668	4.5	17,853,264	5.1	16,272,785	5.5
1180	Notes and accounts receivable due from related parties, net (notes (6)(g) and (7))	61,484	-	70,972	-	64,491	-	2230	Current tax liabilities	3,914,182	1.2	3,795,925	1.1	4,622,610	1.6
1200	Other receivables, net (notes (6)(g), (6)(l) and (7))	1,449,059	0.4	1,082,607	0.3	640,875	0.2	2250	Current provisions (note (6)(q))	1,891,237	0.6	1,842,094	0.5	2,145,937	0.7
1310	Inventories (note (6)(h))	52,888,800	15.9	48,105,125	13.9	43,783,915	14.7	2300	Other current liabilities	2,813,659	0.8	2,899,674	0.9	4,368,392	1.5
1470	Other current assets (note 8)	2,231,068	0.7	2,456,323	0.7	2,361,553	0.8	2313	Unearned revenue	1,700,419	0.5	1,774,158	0.5	2,084,865	0.7
		<u>289,710,910</u>	<u>87.3</u>	<u>300,469,007</u>	<u>86.5</u>	<u>248,360,406</u>	<u>83.3</u>	2320	Long-term borrowings, current portion (note (6)(p))	8,653,125	2.6	7,966,875	2.3	10,084,838	3.4
										<u>197,483,353</u>	<u>59.4</u>	<u>209,232,199</u>	<u>60.2</u>	<u>171,251,778</u>	<u>57.5</u>
Non-current assets:								Non-Current liabilities:							
1550	Investments accounted for using equity method (note (6)(i))	11,195,972	3.4	11,726,370	3.4	11,694,316	3.9	2540	Long-term borrowings (note (6)(p))	23,196,094	7.1	23,954,688	7.0	15,004,219	5.0
1523	Non-current available-for-sale financial assets (note (6)(d))	7,570,762	2.3	9,556,461	2.8	9,512,024	3.2	2570	Deferred tax liabilities	756,812	0.2	746,962	0.2	478,792	0.2
1543	Non-current financial assets at cost (note (6)(e))	71,820	-	71,820	-	103,680	-	2640	Non-current net defined benefit liabilities	624,861	0.2	631,821	0.2	542,241	0.2
1546	Non-current investments without active market (note (6)(f))	700,000	0.2	700,000	0.2	1,050,000	0.4	2670	Non-current liabilities	159,974	-	166,626	-	189,407	0.1
1600	Property, plant and equipment (notes (6)(n) and (8))	19,289,173	5.8	20,952,677	6.0	23,449,956	7.9		Total liabilities	<u>24,737,741</u>	<u>7.5</u>	<u>25,500,097</u>	<u>7.4</u>	<u>16,214,659</u>	<u>5.5</u>
1780	Intangible assets	1,205,308	0.3	1,291,281	0.4	1,316,847	0.4		Equity attributable to owners of parent:						
1840	Deferred tax assets	1,287,514	0.4	1,262,986	0.4	1,366,020	0.5	3110	Ordinary share (note (6)(u))	44,224,346	13.3	44,241,606	12.8	44,704,866	15.0
1985	Long-term prepaid rents	555,906	0.2	594,520	0.2	731,528	0.2	3200	Capital surplus (note (6)(u))	11,769,686	3.5	11,779,274	3.4	12,830,309	4.3
1990	Other non-current assets (note 8)	365,372	0.1	390,989	0.1	505,182	0.2	3300	Retained earnings (note (6)(u))	56,366,197	17.1	55,289,409	15.9	53,479,391	17.9
		<u>42,241,827</u>	<u>12.7</u>	<u>46,547,104</u>	<u>13.5</u>	<u>49,729,553</u>	<u>16.7</u>	3400	Other equity interest (notes (6)(u) and (6)(v))	(8,210,172)	(2.4)	(4,624,653)	(1.3)	(4,610,550)	(1.6)
								3500	Treasury shares (note (6)(u))	(881,247)	(0.3)	(881,247)	(0.3)	(1,724,739)	(0.6)
										<u>103,268,810</u>	<u>31.2</u>	<u>105,804,389</u>	<u>30.5</u>	<u>104,679,277</u>	<u>35.0</u>
								36XX	Non-controlling interests	6,462,833	1.9	6,479,426	1.9	5,944,245	2.0
									Total equity	<u>109,731,643</u>	<u>33.1</u>	<u>112,283,815</u>	<u>32.4</u>	<u>110,623,522</u>	<u>37.0</u>
Total assets		<u>\$ 331,952,737</u>	<u>100.0</u>	<u>347,016,111</u>	<u>100.0</u>	<u>298,089,959</u>	<u>100.0</u>	Total liabilities and equity		<u>\$ 331,952,737</u>	<u>100.0</u>	<u>347,016,111</u>	<u>100.0</u>	<u>298,089,959</u>	<u>100.0</u>

See accompanying notes to financial statements.

Reviewed only, not audited in accordance with the generally accepted auditing standards as of March 31, 2017 and 2016

COMPAL ELECTRONICS, INC. AND ITS SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the three months ended March 31, 2017 and 2016

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

		For the three months ended March 31			
		2017		2016	
		Amount	%	Amount	%
4000	Net sales revenue (notes (6)(x) and 7)	\$187,427,921	100.0	176,649,808	100.0
5000	Cost of sales (notes (6)(h), (6)(s), (7) and (12))	<u>179,603,496</u>	<u>95.8</u>	<u>169,167,762</u>	<u>95.8</u>
	Gross profit	<u>7,824,425</u>	<u>4.2</u>	<u>7,482,046</u>	<u>4.2</u>
	Operating expenses: (notes (6)(r), (6)(s), (7) and (12))				
6100	Selling expenses	1,566,761	0.8	1,023,549	0.6
6200	Administrative expenses	910,761	0.5	1,102,789	0.6
6300	Research and development expenses	<u>2,397,542</u>	<u>1.3</u>	<u>2,579,300</u>	<u>1.5</u>
		<u>4,875,064</u>	<u>2.6</u>	<u>4,705,638</u>	<u>2.7</u>
	Net operating income	<u>2,949,361</u>	<u>1.6</u>	<u>2,776,408</u>	<u>1.5</u>
	Non-operating income and expenses:				
7020	Other gains and losses (notes (6)(d) and (6)(z))	(1,630,539)	(0.9)	(854,301)	(0.5)
7050	Finance costs	(242,597)	(0.1)	(211,313)	(0.1)
7190	Other income (note (6)(z))	415,608	0.2	468,638	0.3
7590	Miscellaneous disbursements	(25,676)	-	(233)	-
7770	Share of profit of subsidiaries associates and joint ventures accounted for using equity method (note 6(i))	<u>(11,072)</u>	<u>-</u>	<u>119,582</u>	<u>0.1</u>
	Total non-operating income and expenses	<u>(1,494,276)</u>	<u>(0.8)</u>	<u>(477,627)</u>	<u>(0.2)</u>
7900	Profit before tax	1,455,085	0.8	2,298,781	1.3
7950	Less: Tax expense (note (6)(t))	<u>346,939</u>	<u>0.2</u>	<u>552,518</u>	<u>0.3</u>
	Profit	<u>1,108,146</u>	<u>0.6</u>	<u>1,746,263</u>	<u>1.0</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	(3,691,476)	(2.0)	(1,125,578)	(0.6)
8362	Other comprehensive income, before tax, unrealized gain on valuation of available-for-sale financial assets	285,596	0.1	457,221	0.2
8363	Gains (losses) on effective portion of cash flow hedges (note (6)(aa))	(28,577)	-	(22,601)	-
8370	Other components of other comprehensive income that will be reclassified to profit or loss	(257,448)	(0.1)	(126,860)	(0.1)
8399	Income tax relating to items that may be reclassified to profit or loss (note 6(t))	<u>(6,361)</u>	<u>-</u>	<u>(4,459)</u>	<u>-</u>
8300	Other comprehensive income, net of tax	<u>(3,698,266)</u>	<u>(2.0)</u>	<u>(822,277)</u>	<u>(0.5)</u>
8500	Total comprehensive income	<u>\$ (2,590,120)</u>	<u>(1.4)</u>	<u>923,986</u>	<u>0.5</u>
	Profit, attributable to:				
8610	Profit, attributable to owners of parent	\$ 1,073,335	0.6	1,601,242	0.9
8620	Profit, attributable to non-controlling interests	<u>34,811</u>	<u>-</u>	<u>145,021</u>	<u>0.1</u>
		<u>\$ 1,108,146</u>	<u>0.6</u>	<u>1,746,263</u>	<u>1.0</u>
	Comprehensive income attributable to:				
8710	Comprehensive income, attributable to owners of parent	\$ (2,570,306)	(1.4)	803,759	0.5
8720	Comprehensive income, attributable to non-controlling interests	<u>(19,814)</u>	<u>-</u>	<u>120,227</u>	<u>-</u>
		<u>\$ (2,590,120)</u>	<u>(1.4)</u>	<u>923,986</u>	<u>0.5</u>
	Earnings per share (note 6(w))				
9750	Basic earnings per share	<u>\$ 0.25</u>		<u>0.37</u>	
9850	Diluted earnings per share	<u>\$ 0.24</u>		<u>0.36</u>	

See accompanying notes to financial statements.

Reviewed only, not audited in accordance with the generally accepted auditing standards as of March 31, 2017 and 2016

COMPAL ELECTRONICS, INC. AND ITS SUBSIDIARIES

Consolidated Statements of Changes in Equity
For the three months ended March 31, 2017 and 2016
(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent													Total equity
	Retained earnings					Other equity interest					Total equity attributable to owners of parent	Non-controlling interests		
	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 three months ended March 31, 2016	-	-	-	-	1,601,242	1,601,242	-	-	-	-	-	1,601,242	145,021	1,746,263
Other comprehensive income	-	-	-	-	-	-	(1,188,542)	399,184	(8,125)	(797,483)	-	(797,483)	(24,794)	(822,277)
Total comprehensive income	-	-	-	-	1,601,242	1,601,242	(1,188,542)	399,184	(8,125)	(797,483)	-	803,759	120,227	923,986
Changes in ownership interests in subsidiaries	-	12	-	-	-	-	-	-	-	-	-	12	-	12
Changes in equity of associates and joint ventures accounted for using equity method	-	(22)	-	-	-	-	-	-	-	-	-	(22)	-	(22)
Share-based payments transaction	(6,400)	(8,319)	-	-	638	638	-	-	113,814	113,814	-	99,733	-	99,733
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	1,697	1,697
Balance on March 31, 2016	\$ 44,704,866	12,830,309	16,571,311	3,139,021	33,769,059	53,479,391	1,614,519	(5,611,248)	(613,821)	(4,610,550)	(1,724,739)	104,679,277	5,944,245	110,623,522
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 three months ended March 31, 2017	-	-	-	-	1,073,335	1,073,335	-	-	-	-	-	1,073,335	34,811	1,108,146
Other comprehensive income	-	-	-	-	-	-	(3,936,329)	303,339	(10,651)	(3,643,641)	-	(3,643,641)	(54,625)	(3,698,266)
Total comprehensive income	-	-	-	-	1,073,335	1,073,335	(3,936,329)	303,339	(10,651)	(3,643,641)	-	(2,570,306)	(19,814)	(2,590,120)
Changes in ownership interests in subsidiaries	-	804	-	-	-	-	-	-	-	-	-	804	-	804
Changes in equity of associates and joint ventures accounted for using equity method	-	11,700	-	-	-	-	-	-	-	-	-	11,700	-	11,700
Share-based payments transaction	(17,260)	(22,092)	-	-	3,453	3,453	-	-	58,122	58,122	-	22,223	-	22,223
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	3,221	3,221
Balance on March 31, 2017	\$ 44,224,346	11,769,686	17,439,772	3,199,674	35,726,751	56,366,197	(2,612,047)	(5,360,491)	(237,634)	(8,210,172)	(881,247)	103,268,810	6,459,612	109,728,422

See accompanying notes to financial statements.

Reviewed only, not audited in accordance with the generally accepted auditing standards as of March 31, 2017 and 2016

COMPAL ELECTRONICS, INC. AND ITS SUBSIDIARIES

Consolidated Statements of Cash Flows

For the three months ended March 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

	For the three months ended March 31	
	2017	2016
Cash flows from (used in) operating activities:		
Profit before tax	\$ 1,455,085	2,298,781
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation and amortization	1,398,309	1,524,442
Increase (decrease) in allowance for uncollectible accounts	614,869	(15,090)
Finance cost	242,597	211,313
Interest income	(197,411)	(117,519)
Dividend income	-	(500)
Compensation cost of share-based payment	28,228	103,037
Share of profit of associates and joint ventures accounted for using equity method	11,072	(119,582)
Loss (gain) on disposal of property, plant and equipment	(13,805)	3,732
Loss (gain) on disposal of investments	4,252	-
Long-term prepaid rents	3,293	3,697
Adjustments to reconcile profit (loss)	<u>2,091,404</u>	<u>1,593,530</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
Changes in financial assets at fair value through profit or loss	80,596	(107,448)
Decrease (increase) in notes and accounts receivable	14,755,140	32,692,063
Decrease (increase) in other receivables	(388,612)	213,985
Decrease (increase) in inventories	(4,783,675)	2,736,106
Decrease (increase) in other current assets	225,254	37,680
Decrease (increase) in other non-current assets	(20,263)	3,610
Total changes in operating assets	<u>9,868,440</u>	<u>35,575,996</u>
Changes in operating liabilities:		
Changes in financial liabilities at fair value through profit or loss	(39,202)	100,519
Increase (decrease) in notes and accounts payable	(5,729,617)	(21,255,608)
Increase (decrease) in other payables	(2,724,282)	(1,855,667)
Increase (decrease) in provisions	49,143	(242,773)
Increase (decrease) in unearned revenue	(73,739)	337,291
Increase (decrease) in other current liabilities	(86,015)	439,319
Others	4,484	(17)
Total changes in operating liabilities	<u>(8,599,228)</u>	<u>(22,476,936)</u>
Total changes in operating assets and liabilities	<u>1,269,212</u>	<u>13,099,060</u>
Total adjustments	<u>3,360,616</u>	<u>14,692,590</u>
Cash flows from (used in) operations	4,815,701	16,991,371
Interest received	211,891	86,819
Dividends received	-	500
Interest paid	(246,563)	(203,243)
Income taxes paid	(104,709)	(125,811)
Net cash flows from (used in) operating activities	<u>4,676,320</u>	<u>16,749,636</u>
Cash flows from (used in) investing activities:		
Acquisition of investments accounted for using equity method	(31,425)	(8,731)
Proceeds from disposal of available-for-sale financial assets	2,265,748	-
Proceeds from liquidation of investments	-	500
Acquisition of property, plant and equipment	(940,823)	(940,851)
Proceeds from disposal of property, plant and equipment	130,805	13,197
Acquisition of intangible assets	(24,716)	(220,507)
Others	4,460	942
Net cash flows from (used in) investing activities	<u>1,404,049</u>	<u>(1,155,450)</u>
Cash flows from (used in) financing activities:		
Increase (decrease) in short-term borrowings	(3,935,395)	(5,314,949)
Proceeds from long-term borrowings	600,000	3,500,000
Repayments of long-term borrowings	(672,344)	(6,984,123)
Acquisition of non-controlling interests	(6,353)	(3,178)
Change in non-controlling interests	4,373	1,615
Others	(6,652)	2,543
Net cash flows from (used in) financing activities	<u>(4,016,371)</u>	<u>(8,798,092)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(2,302,148)</u>	<u>(682,833)</u>
Net increase (decrease) in cash and cash equivalents	(238,150)	6,113,261
Cash and cash equivalents at beginning of period	72,950,596	62,751,542
Cash and cash equivalents at end of period	<u>\$ 72,712,446</u>	<u>68,864,803</u>

See accompanying notes to financial statements.

**AS OF MARCH 31, 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

March 31, 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 are involved in the manufacture and sale of notebook personal computers ("notebook PCs"), monitors, LCD TVs, mobile phones and various components and peripherals.

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

These consolidated financial statements were authorized for issuance by the Board of Directors and issued on May 10, 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 issued by the International Accounting Standards Board (IASB) before January 1, 2016, and were endorsed by the FSC on January 1, 2017 in preparing their financial statements. The related new standards, interpretations and amendments are as follows:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception"	January 1, 2016
Amendments to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"	January 1, 2016
IFRS 14 "Regulatory Deferral Accounts"	January 1, 2016
Amendment to IAS 1 "Disclosure Initiative"	January 1, 2016
Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"	January 1, 2016
Amendments to IAS 16 and IAS 41 "Agriculture: Bearer Plants"	January 1, 2016
Amendments to IAS 19 "Defined Benefit Plans: Employee Contributions"	July 1, 2014
Amendment to IAS 27 "Equity Method in Separate Financial Statements"	January 1, 2016

(Continued)

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

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

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

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

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

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

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

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date to be determined by IASB
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
IFRS 16 "Leases"	January 1, 2019
Amendment to IFRS 2 "Clarifications of Classification and Measurement of Share based Payment Transactions"	January 1, 2018

(Continued)

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

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendment to IFRS 15 "Revenue from Contracts with Customers-Clarifications of IFRS 15"	January 1, 2018
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 IFRS 4 " Insurance Contracts"(“Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts”)	January 1, 2018
Annual Improvements to IFRS Standards 2014–2016 Cycle:	
IFRS 12 "Disclosure of Interests in Other Entities"	January 1, 2017
IFRS 1 "First-time Adoption of International Financial Reporting Standards" and IAS 28 "Investments in Associates and Joint Ventures"	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018
Amendments to IAS 40 Investment Property	January 1, 2018

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

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

(Continued)

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

Issuance / Release Dates	Standards or Interpretations	Content of amendment
November 19, 2013 July 24, 2014	IFRS 9 "Financial Instruments"	<p>The standard will replace IAS 39 "Financial Instruments: Recognition and Measurement", and the main amendments are as follows:</p> <ul style="list-style-type: none"> · Classification and measurement: Financial assets are measured at amortized cost, fair value through profit or loss, or fair value through other comprehensive income, based on both the entity's business model for managing the financial assets and the financial assets' contractual cash flow characteristics. Financial liabilities are measured at amortized cost or fair value through profit or loss. Furthermore, there is a requirement that "own credit risk" adjustments be measured at fair value through other comprehensive income. · Impairment: The expected credit loss model is used to evaluate impairment. · Hedge accounting: Hedge accounting is more closely aligned with risk management activities, and hedge effectiveness is measured based on the hedge ratio.
January 13, 2016	IFRS 16 "Leases"	<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.

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

(Continued)

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

(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 of subsidiaries in the consolidated financial statements as below:

Investor	Name of Subsidiary	Nature of Operation	Percentage of ownership			Description
			March 31, 2017	December 31, 2016	March 31, 2016	
The Company	Panpal Technology Investment Corp. ("Panpal")	Investment	100%	100%	100%	Panpal held 31,648 thousand shares of the Company as of March 31, 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 March 31, 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%	

(Continued)

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

<u>Investor</u>	<u>Name of Subsidiary</u>	<u>Nature of Operation</u>	<u>Percentage of ownership</u>			<u>Description</u>
			<u>March 31, 2017</u>	<u>December 31, 2016</u>	<u>March 31, 2016</u>	
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 Company, Panpal, et al.	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%	

(Continued)

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

Investor	Name of Subsidiary	Nature of Operation	Percentage of ownership			Description
			March 31, 2017	December 31, 2016	March 31, 2016	
"	Compal Europe (Poland) Sp. z o.o. ("CEP")	Maintenance and warranty services of notebook PCs	100%	100%	100%	
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 Electronica 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%	
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%	

(Continued)

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

Investor	Name of Subsidiary	Nature of Operation	Percentage of ownership			Description
			March 31, 2017	December 31, 2016	March 31, 2016	
"	Mexcom Technologies, LLC ("MTL")	"	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%	
CIH	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%	

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

Investor	Name of Subsidiary	Nature of Operation	Percentage of ownership			Description
			March 31, 2017	December 31, 2016	March 31, 2016	
The Company	Webtek Technology Co., Ltd. ("Webtek")	Sales of mobile phones	100%	100%	100%	
The Company	Forever Young Technology Inc. ("Forever")	"	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. ("GLA")	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%	

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

Investor	Name of Subsidiary	Nature of Operation	Percentage of ownership			Description
			March 31, 2017	December 31, 2016	March 31, 2016	
Arcadyan	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.
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%	59%	
"	AcBel Telecom Inc. ("AcBel Telecom")	Investment	51%	51%	51%	
The Company and Zhi-pal	Compal Broadband Network Inc. ("CBN")	R&D and sales of communication and electronic components	95%	95%	99%	
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%	

(Continued)

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

Investor	Name of Subsidiary	Nature of Operation	Percentage of ownership			Description
			March 31, 2017	December 31, 2016	March 31, 2016	
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%	
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%	

(Continued)

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

Investor	Name of Subsidiary	Nature of Operation	Percentage of ownership			Description
			March 31, 2017	December 31, 2016	March 31, 2016	
HHB	Lucom Display Technology (KunShan) Limited ("Lucom")	Manufacturing of touch panels, LCD TVS 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%	
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%	
CIS	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%	-	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.

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

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.

(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>March 31, 2017</u>	<u>December 31, 2016</u>	<u>March 31, 2016</u>
Cash on hand	\$ 10,870	12,678	14,101
Checking accounts and demand deposits	7,043,834	11,765,328	29,929,049
Time deposits	63,236,788	57,829,886	35,608,135
Bonds purchased under resale agreements	<u>2,420,954</u>	<u>3,342,704</u>	<u>3,313,518</u>
	<u>\$ 72,712,446</u>	<u>72,950,596</u>	<u>68,864,803</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.

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

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

	March 31, 2017	December 31, 2016	March 31, 2016
Financial assets at fair value through profit or loss:			
Financial assets held-for-trading:			
Derivative instruments not used for hedging \$	<u>5,844</u>	<u>86,440</u>	<u>132,860</u>
Financial liabilities at fair value through profit or loss:			
Financial liabilities held-for-trading:			
Derivative instruments not used for hedging \$	<u>98,287</u>	<u>137,489</u>	<u>129,734</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 March 31, 2017 and December 31 and March 31, 2016 (foreign currencies were expressed in thousands):

	March 31, 2017		
	Contract amount (in thousand)	Currency	Maturity date
Derivative financial assets:			
Foreign exchange contracts:			
Forward exchange sold	EUR 20,800	EUR to USD	April 10~ August 14, 2017
Forward exchange sold	GBP 1,800	GBP to USD	April 27~ June 14, 2017
Derivative financial liabilities:			
Foreign exchange contracts:			
Forward exchange sold	EUR 47,000	EUR to USD	April 7~ July 14, 2017
Forward exchange sold	GBP 2,500	GBP to USD	April 13~ June 29, 2017
Forward exchange sold	USD 36,000	USD to BRL	April 4~ June 14, 2017
Swap contracts:			
Currency swap	USD 29,600	USD to TWD	April 25~ June 23, 2017

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COMPAL ELECTRONICS, INC. AND ITS SUBSIDIARIES
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	December 31, 2016		
	Contract amount (in thousand)	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
	March 31, 2016		
	Contract amount (in thousand)	Currency	Maturity date
Derivative financial assets:			
Foreign exchange contracts:			
Forward exchange sold	EUR 1,000	EUR to USD	April 8, 2016
Forward exchange sold	GBP 2,000	GBP to USD	April 28~ June 27, 2016
Forward exchange sold	USD 200,000	USD to TWD	April 15~ May 17, 2016
Swap contracts:			
Currency swap	USD 43,000	USD to TWD	April 14~ July 14, 2016
Derivative financial liabilities:			
Foreign exchange contracts:			
Forward exchange sold	EUR 41,496	EUR to USD	April 8~July 14, 2016
Forward exchange purchased	USD 70,000	USD to TWD	April 15~April 22, 2016
Forward exchange purchased	USD 29,600	USD to BRL	April 15, 2016~February 24, 2017
Forward exchange purchased	USD 5,000	USD to MXN	July 14~August 12, 2016

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

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

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(c) Derivative financial instruments used for hedging

(i) The details were as follows:

	March 31, 2017	December 31, 2016	March 31, 2017
Cash flow hedge:			
Derivative assets used for hedging:			
Forward exchange contracts	\$ <u>4,490</u>	<u>-</u>	<u>4,213</u>
Derivative financial liabilities used for hedging:			
Forward exchange contracts	\$ <u>33,068</u>	<u>-</u>	<u>5,454</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 March 31, 2017 and 2016, the outstanding forward exchange contracts held by the Group are as follows (foreign currencies were expressed in thousands):

				March 31, 2017		
		Contract amount (in thousands)	Currency	Maturity period		
Derivative financial assets used for hedging						
Forward exchange sold	EUR	9,000	EUR to USD	June 29~ September 29, 2017		
Forward exchange purchased	USD	20,000	USD to MXN	May 26~ August 30, 2017		
				March 31, 2016		
		Contract amount (in thousands)	Currency	Maturity period		
Derivative financial assets used for hedging						
Forward exchange sold	EUR	6,996	EUR to USD	April 29~ August 31, 2016		
Forward exchange purchased	USD	5,000	USD to MXN	June 28, 2016		

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	March 31, 2016		
	Contract amount (in thousands)	Currency	Maturity period
Derivative financial liabilities used for hedging			
Forward exchange sold	EUR 7,431	EUR to USD	April 28~ December 30, 2016
Forward exchange purchased	USD 20,000	USD to MXN	April 28~ May 27, 2016

(iii) For the three months ended March 31, 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

	March 31, 2017	December 31, 2016	March 31, 2016
Stocks listed in domestic markets (including stocks acquired via private placement)	\$ 4,691,813	6,781,745	6,665,057
Stocks listed in foreign markets	642,211	582,303	697,326
Stocks unlisted in domestic markets	2,217,869	2,172,000	2,099,679
Stocks unlisted in foreign markets	68,796	69,044	87,134
	<u>\$ 7,620,689</u>	<u>9,605,092</u>	<u>9,549,196</u>
Current	\$ 49,927	48,631	37,172
Non-current	7,570,762	9,556,461	9,512,024
	<u>\$ 7,620,689</u>	<u>9,605,092</u>	<u>9,549,196</u>

(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.

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

- (ii) The Group 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%. The investment will be completed by June 21, 2017 (or other date with mutual consent).
 - (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 three months ended March 31, 2017 and 2016, will be \$381,034 and \$363,960, respectively. These analyses are performed on the same basis for both periods and assume that all other variables remain the same.
 - (iv) As of March 31, 2017 and December 31 and March 31, 2016, the Group did not provide any available-for-sale financial assets as collaterals for its loans.
- (e) Financial assets at cost

	<u>March 31,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>	<u>March 31,</u> <u>2016</u>
Unlisted common stock in domestic markets	\$ 5,273	5,273	10,528
Unlisted fund in domestic markets	48,709	48,709	-
Unlisted in common stock foreign markets	-	-	12,454
Unlisted preferred stock in foreign markets	<u>17,838</u>	<u>17,838</u>	<u>80,698</u>
	<u>\$ 71,820</u>	<u>71,820</u>	<u>103,680</u>

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

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(ii) As of March 31, 2017 and December 31 and March 31, 2016, the Group did not provide any financial assets at cost as collaterals for its loans.

(f) Bond investment without active market

	<u>March 31, 2017</u>	<u>December 31, 2016</u>	<u>March 31, 2016</u>
Common bonds – Taiwan Star Telecom Corporation Limited ("Taiwan Star")	<u>\$ 1,050,000</u>	<u>1,050,000</u>	<u>1,400,000</u>
Current	\$ 350,000	350,000	350,000
Non-current	<u>700,000</u>	<u>700,000</u>	<u>1,050,000</u>
	<u>\$ 1,050,000</u>	<u>1,050,000</u>	<u>1,400,000</u>

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

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

(g) Notes and accounts receivable and other receivables

	<u>March 31, 2017</u>	<u>December 31, 2016</u>	<u>March 31, 2016</u>
Notes receivable	\$ 20,538	69,745	207,754
Accounts receivable	161,725,281	176,362,482	132,251,677
Accounts receivable pledged as collateral	-	-	162,180
Other receivables	<u>1,452,579</u>	<u>1,146,127</u>	<u>703,307</u>
	163,198,398	177,578,354	133,324,918
Less: allowance for uncollectible accounts	(1,710,824)	(1,095,955)	(437,992)
allowance for sales returns and discounts	<u>(19,239)</u>	<u>(10,507)</u>	<u>(61,036)</u>
	<u>\$ 161,468,335</u>	<u>176,471,892</u>	<u>132,825,890</u>
Notes and accounts receivable	<u>\$ 159,957,792</u>	<u>175,318,313</u>	<u>132,120,524</u>
Notes and accounts receivable – related parties	<u>\$ 61,484</u>	<u>70,972</u>	<u>64,491</u>
Other receivables – current	<u>\$ 1,449,059</u>	<u>1,082,607</u>	<u>640,875</u>

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

	<u>March 31,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>	<u>March 31,</u> <u>2016</u>
Overdue 1 to 180 days	\$ 3,885,755	7,572,905	8,165,370
Overdue 181 to 365 days	397,535	3,714	22,515
Overdue 365 days and over	<u>863</u>	<u>-</u>	<u>111</u>
	<u>\$ 4,284,153</u>	<u>7,576,619</u>	<u>8,187,996</u>

The change of allowance for accounts receivable and other receivables for the three months ended March 31, 2017 and 2016, were as follows:

	<u>Individually</u> <u>assessed</u> <u>impairment</u>	<u>Collectively</u> <u>assessed</u> <u>impairment</u>	<u>Total</u>
Balance on January 1, 2017	\$ 237,143	858,812	1,095,955
Impairment loss recognized (reversed)	(67,827)	683,275	615,448
Effect of changes in exchange rates	<u>-</u>	<u>(579)</u>	<u>(579)</u>
Balance on March 31, 2017	<u>\$ 169,316</u>	<u>1,541,508</u>	<u>1,710,824</u>
Balance on January 1, 2016	277,378	175,704	453,082
Impairment loss recognized (reversed)	360	(15,296)	(14,936)
Effect of changes in exchange rates	<u>-</u>	<u>(154)</u>	<u>(154)</u>
Balance on March 31, 2016	<u>\$ 277,738</u>	<u>160,254</u>	<u>437,992</u>

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

The Group entered into accounts receivable factoring agreements with banks. As of March 31, 2017 and December 31 and March 31, 2016, except for the amount used under the actual sales amount in accordance with certain agreements, the factoring amount granted by the banks was USD545,000 thousands and EUR9,000 thousands, USD265,000 thousands and EUR9,000 thousands, and USD2,577,000 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 March 31, 2017 and December 31 and March 31, 2016, the factored accounts receivable with no advance amounting to \$37,990, \$36,488 and \$105,030, respectively, are accounted for as other receivables.

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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 March 31, 2017, there were no accounts receivable factored. As of December 31 and March 31, 2016, account receivable factored were recovered and derecognized since the conditions of de recognition were met.

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

March 31, 2017					
	Accounts receivable factored (gross)	Advanced amount	Collateral	Amount derecognized	Interest rate
Financial Institution \$	<u>9,796,746</u>	<u>9,758,756</u>	-	<u>9,796,746</u>	0.8%~2.02%
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>	0.8%~1.8%
March 31, 2016					
	Accounts receivable factored (gross)	Advanced amount	Collateral	Amount derecognized	Interest rate
Financial Institution \$	<u>22,064,673</u>	<u>21,959,643</u>	-	<u>22,064,673</u>	0.80%~1.60%

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

(h) Inventories

	March 31, 2017	December 31, 2016	March 31, 2016
Finished goods	\$ 11,256,256	10,495,438	11,976,870
Work in progress	4,879,556	2,974,340	3,175,030
Raw materials	34,743,711	33,353,608	27,766,716
Raw materials in transit	2,009,277	1,281,739	865,299
	<u>\$ 52,888,800</u>	<u>48,105,125</u>	<u>43,783,915</u>

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- (i) During the three months ended March 31, 2017 and 2016, inventory cost recognized as cost of sales amounted to \$179,603,496 and \$169,167,762, respectively.
- (ii) The Company reversed its allowance for inventory valuation loss amounting to \$253,026 due to the sale and disposal of its obsolete inventories in the three months ended March 31, 2017. The write-down of inventories to net realizable value amounted to \$180,812 in the three months ended March 31, 2016.
- (iii) As of March 31, 2017, and December 31 and March 31, 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:

	<u>March 31 2017</u>	<u>December 31 2016</u>	<u>March 31 2016</u>
Associates	\$ 11,272,590	11,804,006	11,764,775
Joint venture	<u>42,760</u>	<u>49,076</u>	<u>56,005</u>
	11,315,350	11,853,082	11,820,780
Less: unrealized profits or losses	<u>(119,378)</u>	<u>(126,712)</u>	<u>(126,464)</u>
	<u><u>\$ 11,195,972</u></u>	<u><u>11,726,370</u></u>	<u><u>11,694,316</u></u>

(i) Associates

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

	<u>March 31, 2017</u>	<u>December 31, 2016</u>	<u>March 31, 2016</u>
Allied Circuit Co., Ltd. ("Allied Circuit")	\$ 634,844	487,408	401,548
Avalue Technology Inc. ("Avalue")	<u>912,826</u>	<u>909,584</u>	<u>1,186,646</u>
	<u><u>\$ 1,547,670</u></u>	<u><u>1,396,992</u></u>	<u><u>1,588,194</u></u>

- 2) For the three months ended March 31, 2017 and 2016, the Group's share of the net gain (loss) of associates was as follows:

	<u>Three months ended March 31, 2017</u>	<u>Three months ended March 31, 2016</u>
The Group's share of the gain (loss) of associates	<u><u>\$ (7,715)</u></u>	<u><u>126,862</u></u>

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

	<u>March 31, 2017</u>	<u>December 31, 2016</u>	<u>March 31, 2016</u>
The carrying amount of individually immaterial associates	\$ <u>11,272,590</u>	<u>11,804,006</u>	<u>11,764,775</u>

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

	<u>Three months ended March 31, 2017</u>	<u>Three months ended March 31, 2016</u>
Profit (loss) from continuing operations	\$ (7,715)	126,862
Other comprehensive income	(257,448)	(126,860)
Total comprehensive income	\$ <u>(265,163)</u>	<u>2</u>

- (ii) Joint venture

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

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

	<u>March 31, 2017</u>	<u>December 31, 2016</u>	<u>March 31, 2016</u>
The carrying amount of the Group's interests in all individually immaterial joint ventures	\$ <u>42,760</u>	<u>49,076</u>	<u>56,005</u>

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

	<u>Three months ended March 31, 2017</u>	<u>Three months ended March 31, 2016</u>
Losses from continuing operations (also the total comprehensive losses)	\$ <u>(3,357)</u>	<u>(7,280)</u>

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

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(j) Business combination

There were no significant transactions for the three months ended March 31, 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

There were no significant transactions for the three months ended March 31, 2017 and 2016. Please refer to note (6)(k) of the consolidated financial statement for the year ended December 2016.

(l) Loss control of subsidiaries

There were no significant transactions for the three months ended March 31, 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 three months ended March 31, 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 three months ended March 31, 2017 and 2016, were as follows:

	<u>Land</u>	<u>Buildings and building improvement</u>	<u>Machinery</u>	<u>Other equipment</u>	<u>Under construction and prepayment for purchase of equipment</u>	<u>Total</u>
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	-	24,017	471,663	305,538	96,256	897,474
Disposals and derecognitions	-	(16,454)	(101,484)	(876,458)	-	(994,396)
Reclassifications	-	(862)	3,983	6,230	(9,351)	-
Effect of changes in exchange rates	(5,807)	(694,803)	(1,384,327)	(192,456)	(127,085)	(2,404,478)
Balance on March 31, 2017	<u>\$ 1,771,050</u>	<u>14,928,208</u>	<u>22,990,461</u>	<u>9,700,404</u>	<u>1,019,143</u>	<u>50,409,266</u>
Balance on January 1, 2016	\$ 1,985,448	15,982,036	23,694,268	10,119,725	2,426,146	54,207,623
Additions	-	86,685	234,190	388,970	197,252	907,097
Disposal and derecognitions	(2,108)	(9,396)	(25,893)	(402,088)	-	(439,485)
Reclassifications	-	27,652	64,161	12,542	(104,355)	-
Effect of changes in exchange rates	(5,928)	(231,395)	(274,917)	(177,553)	(110,789)	(800,582)
Balance on March 31, 2016	<u>\$ 1,977,412</u>	<u>15,855,582</u>	<u>23,691,809</u>	<u>9,941,596</u>	<u>2,408,254</u>	<u>53,874,653</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	-	174,291	612,815	517,018	-	1,304,124
Disposals and derecognitions	-	(9,231)	(70,115)	(798,050)	-	(877,396)
Effect of changes in exchange rates	-	(380,905)	(353,583)	(530,136)	-	(1,264,624)
Balance on March 31, 2017	<u>\$ -</u>	<u>8,900,418</u>	<u>15,971,292</u>	<u>6,248,383</u>	<u>-</u>	<u>31,120,093</u>

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	Land	Buildings and building improvement	Machinery	Other equipment	Under construction and prepayment for purchase of equipment	Total
Balance on January 1, 2016	\$ -	9,498,441	14,761,422	5,639,129	-	29,898,992
Depreciation for the period	-	208,086	647,334	573,901	-	1,429,321
Disposals and derecognitions	-	(9,393)	(19,326)	(393,837)	-	(422,556)
Effect of changes in exchange rates	-	(128,552)	(140,715)	(211,793)	-	(481,060)
Balance on March 31, 2016	<u>\$ -</u>	<u>9,568,582</u>	<u>15,248,715</u>	<u>5,607,400</u>	<u>-</u>	<u>30,424,697</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 March 31, 2017	<u>\$ 1,771,050</u>	<u>6,027,790</u>	<u>7,019,169</u>	<u>3,452,021</u>	<u>1,019,143</u>	<u>19,289,173</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 March 31, 2016	<u>\$ 1,977,412</u>	<u>6,287,000</u>	<u>8,443,094</u>	<u>4,334,196</u>	<u>2,408,254</u>	<u>23,449,956</u>

As of March 31, 2017, and December 31 and March 31, 2016, part of the Group's property, plant and equipment were provided as collateral for long-term borrowings. Please refer to note (8).

(o) Short-term borrowings

The details of short-term borrowings were as following:

	March 31, 2017	December 31, 2016	March 31, 2016
Credit loans	\$ 39,545,382	43,480,777	24,004,047
Secured bank loans	-	-	162,180
	<u>\$ 39,545,382</u>	<u>43,480,777</u>	<u>24,166,227</u>
Unused credit line for short-term borrowings	<u>\$ 96,665,000</u>	<u>98,320,000</u>	<u>128,110,000</u>
Annual range of interest rates	<u>0.60%~4.35%</u>	<u>0.67%~13.90%</u>	<u>0.70%~17.04%</u>

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

For Group pledges accounts receivable as collaterals for partial short-term borrowings, please refer to note (8).

(p) Long-term borrowings

The details of long-term borrowings were as follows:

	March 31, 2017	December 31, 2016	March 31, 2016
Credit loans	\$ 31,335,000	31,335,000	24,345,463
Secured bank loans	514,219	586,563	743,594
Less: current portion	<u>(8,653,125)</u>	<u>(7,966,875)</u>	<u>(10,084,838)</u>
	<u>\$ 23,196,094</u>	<u>23,954,688</u>	<u>15,004,219</u>

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COMPAL ELECTRONICS, INC. AND ITS SUBSIDIARIES
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	March 31, 2017	December 31, 2016	March 31, 2016
Unused credit line for long-term borrowings	\$ 4,753,800	5,069,800	4,637,000
Annual range of interest rates	1.08%~1.92%	1.08%~1.92%	1.20%~2.37%

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

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

(q) Provisions

	March 31, 2017	December 31, 2016	March 31, 2016
Warranties	\$ 341,204	309,844	367,333
Sales returns and allowances	1,550,033	1,532,250	1,778,604
	\$ 1,891,237	1,842,094	2,145,937

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

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COMPAL ELECTRONICS, INC. AND ITS SUBSIDIARIES
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The pension costs of the defined benefit plans were as follows:

	Three months ended March 31, 2017	Three months ended March 31, 2016
Cost of sales	\$ 326	368
Selling expenses	313	306
Administrative expenses	1,054	1,056
Research and development expenses	<u>2,972</u>	<u>2,792</u>
Total	<u>\$ 4,665</u>	<u>4,522</u>

(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 \$87,081 and \$85,492 for the three months ended March 31, 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 \$273,607 and \$288,243 for the three months ended March 31, 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 March 31, 2017	Three months ended March 31, 2016
Current tax expense	<u>\$ 346,939</u>	<u>552,518</u>

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COMPAL ELECTRONICS, INC. AND ITS SUBSIDIARIES
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- (ii) The amount of income tax recognized in other comprehensive income were as follows:

	<u>Three months ended March 31, 2017</u>	<u>Three months ended March 31, 2016</u>
Items that will be reclassified subsequently to profit or loss:		
Foreign currency translation differences for foreign operations	\$ (10,529)	(3,122)
Unrealized gains (losses) on available-for-sale financial assets	<u>16,890</u>	<u>7,581</u>
	<u><u>\$ 6,361</u></u>	<u><u>4,459</u></u>

- (iii) Examination and approval

The ROC tax authorities have assessed the Company's income tax returns through 2014.

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

	<u>March 31, 2017</u>	<u>December 31, 2016</u>	<u>March 31, 2016</u>
Unappropriated earnings retained after January 1, 1998	<u>\$ 35,726,751</u>	<u>34,649,963</u>	<u>33,769,059</u>
Balance of the imputation credit account	<u>\$ 4,711,222</u>	<u>4,694,945</u>	<u>3,089,423</u>
		<u>2017</u>	<u>2016</u>
Creditable ratio for earnings distribution to R.O.C residents		<u>12.15 %</u> (expected)	<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 three months ended March 31, 2017 and 2016. Please refer to note (6)(u) of the consolidated financial statement for the year ended December 31, 2016.

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(i) Ordinary shares

In 2015, the Company issued its employee restricted shares amounting to \$493,600, wherein the amount of \$17,260 and \$6,400 had been cancelled due to failure in meeting the vested requirements in the three months ended March 31, 2017 and 2016. As of March 31, 2017, except \$300, the registration procedure had been completed.

(ii) Capital surplus

The balances of capital surplus were as follows:

	March 31, 2017	December 31, 2016	March 31, 2016
Additional paid-in capital	\$ 8,780,936	8,561,027	9,529,585
Treasury share transactions	2,301,816	2,301,816	2,351,157
Difference between consideration and carrying amount arising from acquisition or disposal of subsidiaries	3,750	3,750	3,750
Recognition of changes in ownership interests in subsidiaries	49,010	48,206	48,196
Employee restricted shares	361,989	603,990	638,881
Changes in equity of associates and joint ventures accounted for using equity method	<u>272,185</u>	<u>260,485</u>	<u>258,740</u>
	<u>\$ 11,769,686</u>	<u>11,779,274</u>	<u>12,830,309</u>

The Company's Board of Directors' meeting held on May 10, 2017 and the shareholder's meeting held on June 24, 2016, approved to distribute the cash dividend of \$884,431 (representing 0.2 New Taiwan Dollars per share, yet to be approved in shareholders' meeting) 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.

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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.

Distribution for the earnings of 2016 and 2015 was approved by the Board of Directors and the shareholders during their annual meeting held on May 10, 2017, and June 24, 2016, respectively. The relevant information was as follows:

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

The earnings distribution for the year ended December 31, 2016 had not yet been approved by the shareholders. The related information can be accessed through the Market Observation Post System website after the shareholders' meeting.

(iv) Treasury stock

The subsidiaries of the Company did not sell the ordinary shares of the Company in the three months ended March 31, 2017 and 2016. As of March 31, 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 19.80, 18.45 and 20.20 New Taiwan dollars per share as of March 31, 2017 and December 31 and March 31, 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.

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(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	(3,644,248)	268,706	47,471	(3,328,071)
Associates	(292,081)	34,633	-	(257,448)
Balance on March 31, 2017	<u>\$ (2,612,047)</u>	<u>(5,360,491)</u>	<u>(237,634)</u>	<u>(8,210,172)</u>
Balance on January 1, 2016	\$ 2,803,061	(6,010,432)	(719,510)	(3,926,881)
The Group	(1,112,138)	449,640	105,689	(556,809)
Associates	(76,404)	(50,456)	-	(126,860)
Balance on March 31, 2016	<u>\$ 1,614,519</u>	<u>(5,611,248)</u>	<u>(613,821)</u>	<u>(4,610,550)</u>

(v) Share-based payment

There were no significant changes in share-based payment during the three months ended March 31, 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 March 31, 2017	Three months ended March 31, 2016
Basic earnings per share:		
Profit attributable to ordinary shareholders of the Company	\$ <u>1,073,335</u>	<u>1,601,242</u>
Weighted-average number of outstanding ordinary shares (in thousands)	<u>4,341,772</u>	<u>4,329,404</u>
Diluted earnings per share:		
Profit attributable to ordinary shareholders of the Company (after adjustment of potential diluted ordinary shares)	\$ <u>1,073,335</u>	<u>1,601,242</u>

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	Three months ended March 31, 2017	Three months ended March 31, 2016
Weighted-average number of outstanding ordinary shares of potential diluted ordinary shares		
Weighted-average number of outstanding ordinary shares (in thousands)	4,341,772	4,329,404
Employee compensation (in thousands)	47,597	55,471
Employee restricted shares (in thousands)	<u>18,780</u>	<u>15,218</u>
Weighted-average number of ordinary shares (in thousands) (after adjustment of potential diluted ordinary shares)	<u>4,408,149</u>	<u>4,400,093</u>

(x) Revenue

The revenue of the Group were as follows:

	Three months ended March 31, 2017	Three months ended March 31, 2016
Sale of goods	\$ 187,014,182	175,703,959
Rendering of services and other	<u>413,739</u>	<u>945,849</u>
	<u>\$ 187,427,921</u>	<u>176,649,808</u>

(y) Employees' and directors' compensations

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

The Company accrued and recognized its employee compensation of \$116,584 and \$172,178, and directors' compensation of \$6,165 and \$9,105 for the three months ended March 31, 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.

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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. 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 ended March 31, 2017 and 2016, were as follows:

	Three months ended March 31, 2017	Three months ended March 31, 2016
Interest income		
Bond investment without an active market	\$ 5,178	6,904
Bank deposits and others	192,233	110,615
Overdue payable reversed as other income	152,074	167,249
Other revenue	<u>66,123</u>	<u>183,870</u>
	<u>\$ 415,608</u>	<u>468,638</u>

(ii) Other gains and losses

The other gains and losses for the three months ended March 31, 2017 and 2016, were as follows:

	Three months ended March 31, 2017	Three months ended March 31, 2016
Losses on disposal of investments	\$ (4,252)	-
Losses on financial assets and liabilities at fair value through profit or loss, net	(182,597)	(12,782)
Foreign currency exchange losses, net	(1,457,495)	(837,787)
Gains (losses) on disposal of fixed assets	<u>13,805</u>	<u>(3,732)</u>
	<u>\$ (1,630,539)</u>	<u>(854,301)</u>

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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 ended March 31, 2017 and 2016, were as follows:

	<u>Three months ended March 31, 2017</u>	<u>Three months ended March 31, 2016</u>
Cash flow hedge:		
Loss recognized (net of tax)	\$ (28,577)	(16,877)
Less: reclassified to profit or loss	<u>-</u>	<u>5,724</u>
Loss recognized in other comprehensive income (net of tax)	<u>\$ (28,577)</u>	<u>(22,601)</u>
Available-for-sale financial assets:		
Net change in fair value (net of tax)	\$ 268,706	449,640
Net change in fair value reclassified to profit or loss (net of tax)	<u>-</u>	<u>-</u>
Net change in fair value recognized in other comprehensive income (net of tax)	<u>\$ 268,706</u>	<u>449,640</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.

(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>
March 31, 2017					
Non-derivative financial liabilities					
Secured loans	\$ 514,219	(514,219)	(255,625)	(130,625)	(127,969)
Unsecured loans	70,880,382	(70,880,382)	(47,942,882)	(5,390,000)	(17,547,500)
Accounts payable	123,752,326	(123,752,326)	(123,752,326)	-	-
Other payables	10,973,741	(10,973,741)	(10,973,741)	-	-
Derivative financial liabilities					
Forward exchange contracts:	78,377				
Outflow		(2,775,437)	(2,775,437)	-	-
Inflow		2,702,392	2,702,392	-	-

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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>
Currency swap contracts:	19,910				
Outflow		(916,056)	(916,056)	-	-
Inflow		897,768	897,768	-	-
Forward exchange for hedging	33,068				
Outflow		(647,256)	(647,256)	-	-
Inflow		606,100	606,100	-	-
	<u>\$ 206,252,023</u>	<u>(206,253,157)</u>	<u>(183,057,063)</u>	<u>(5,520,625)</u>	<u>(17,675,469)</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>
March 31, 2016					
Non-derivative financial liabilities					
Secured loans	\$ 905,774	(905,774)	(391,555)	(255,625)	(258,594)
Unsecured loans	48,349,510	(48,349,510)	(33,859,510)	(889,750)	(13,600,250)
Accounts payable	107,370,936	(107,370,936)	(107,370,936)	-	-
Other payables	12,282,482	(12,282,482)	(12,282,482)	-	-
Derivative financial liabilities					
Forward exchange contracts:	129,734				
Outflow		(4,999,983)	(4,999,983)	-	-
Inflow		4,866,019	4,866,019	-	-
Forward exchange for hedging:	5,454				
Outflow		(925,031)	(925,031)	-	-
Inflow		915,503	915,503	-	-
	<u>\$ 169,043,890</u>	<u>(169,052,194)</u>	<u>(154,047,975)</u>	<u>(1,145,375)</u>	<u>(13,858,844)</u>

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

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(ii) Currency risk

1) Exposure to foreign currency risk

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

	March 31, 2017			December 31, 2016			March 31, 2016		
	Foreign Currency	Exchange rate	TWD	Foreign Currency	Exchange rate	TWD	Foreign Currency	Exchange rate	TWD
Financial assets									
Monetary items									
USD to TWD	\$ 6,275,178	30.33	190,326,149	6,593,457	32.25	212,638,988	5,071,367	32.185	163,221,947
USD to CNY	10,413	6.8903	316,196	17,842	6.9563	573,036	5,354	6.4607	171,984
EUR to TWD	75,273	32.43	2,441,103	65,103	33.9	2,206,992	55,103	36.51	2,011,811
CNY to USD	2,051,348	0.1451	9,027,743	2,081,236	0.1438	9,651,836	2,192,320	0.1548	10,922,660
Non-monetary items									
THB to TWD	729,288	0.8806	642,211	647,743	0.8990	582,303	756,647	0.9216	697,326
Financial liabilities									
Monetary items									
USD to TWD	5,259,473	30.33	159,519,816	5,595,654	32.25	180,459,842	3,190,116	32.185	102,673,883
USD to CNY	11,610	6.8903	352,544	15,092	6.9563	484,713	5,798	6.4607	186,247
CNY to USD	1,591,108	0.1451	7,002,280	2,166,955	0.1438	10,049,362	2,495,635	0.1548	12,433,848

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 March 31, 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>March 31, 2017</u>	<u>March 31, 2016</u>
USD (against the TWD)		
Strengthening 5%	\$ 1,540,317	3,027,403
Weakening 5%	(1,540,317)	(3,027,403)
USD (against the CNY)		
Strengthening 5%	(1,817)	(713)
Weakening 5%	1,817	713

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	<u>March 31, 2017</u>	<u>March 31, 2016</u>
EUR (against the TWD)		
Strengthening 5%	\$ 122,055	100,591
Weakening 5%	(122,055)	(100,591)
CNY (against the USD)		
Strengthening 5%	101,273	(75,559)
Weakening 5%	(101,273)	75,559

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 ended March 31, 2017 and 2016, the foreign exchange losses, including both realized and unrealized, amounted to a loss of \$1,457,495 and \$837,787, respectively.

(iii) Interest rate analysis

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

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

Assuming all other variable factors remaining constant, if the interest rate had increased or decreased by 0.25%, the impact to the net profit before tax would be as follows for the three months ended March 31, 2017 and 2016, which would be mainly resulted from the bank savings and borrowings with variable interest rates.

	<u>Three months ended March 31, 2017</u>	<u>Three months ended March 31, 2016</u>
Interest increased by 0.25%	\$ (11,047)	7,751
Interest decreased by 0.25%	11,047	(7,751)

(Continued)

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

(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.

	March 31, 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	\$ 5,844	-	5,844	-	5,844
Derivative financial assets for hedging	<u>4,490</u>	-	4,490	-	4,490
Available-for-sale financial assets					
Stocks listed on domestic markets	4,691,813	4,691,813	-	-	4,691,813
Stocks listed on foreign markets	642,211	642,211	-	-	642,211
Stocks unlisted on domestic markets	2,217,869	-	-	2,217,869	2,217,869
Stocks unlisted on foreign markets	<u>68,796</u>	-	-	68,796	68,796
	<u>7,620,689</u>				
Financial assets at cost (non-current)	<u>71,820</u>	-	-	-	-
Loans and receivables					
Cash and cash equivalents	72,712,446	-	-	-	-
Bond investment without active market-including current and non-current	1,050,000	-	-	-	-
Notes and accounts receivable, net	159,957,792	-	-	-	-
Notes and accounts receivable due from related parties, net	61,484	-	-	-	-
Other receivables	1,449,059	-	-	-	-
Guarantee deposits	<u>263,830</u>	-	-	-	-
	<u>235,494,611</u>				
Total	<u>\$ 243,197,454</u>				
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities for non-hedging	\$ 98,287	-	98,287	-	98,287
Derivative financial assets for hedging	<u>33,068</u>	-	33,068	-	33,068
Financial liabilities at amortized cost through profit or loss					
Short-term borrowings	39,545,382	-	-	-	-
Notes and accounts payable	122,397,774	-	-	-	-
Notes and accounts payable to related parties	1,354,552	-	-	-	-
Other payable	10,973,741	-	-	-	-
Long-term borrowings current portion	8,653,125	-	-	-	-
Long-term borrowings	<u>23,196,094</u>	-	-	-	-
	<u>206,120,668</u>				
Total	<u>\$ 206,252,023</u>				

(Continued)

COMPAL ELECTRONICS, INC. AND ITS SUBSIDIARIES
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	December 31, 2016				
	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	\$ <u>86,440</u>	-	86,440	-	86,440
Available-for-sale financial assets					
Stocks listed on domestic markets (including stocks acquired via private placement)	6,781,745	4,511,745	-	2,270,000	6,781,745
Stocks listed on foreign markets	582,303	582,303	-	-	582,303
Stocks unlisted on domestic markets	2,172,000	-	-	2,172,000	2,172,000
Stocks unlisted on foreign markets	<u>69,044</u>	-	-	69,044	69,044
	<u>9,605,092</u>				
Financial assets at cost (non-current)	<u>71,820</u>	-	-	-	-
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	<u>280,404</u>	-	-	-	-
	<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	\$ <u>137,489</u>	-	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	<u>23,954,688</u>	-	-	-	-
	<u>217,614,461</u>				
Total	<u>\$ 217,751,950</u>				

(Continued)

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

	March 31, 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	\$ 132,860	-	132,860	-	132,860
Derivative financial assets for hedging	<u>4,213</u>	-	4,213	-	4,213
Available-for-sale financial assets					
Stocks listed on domestic markets (including stocks acquired via private placement)	6,665,057	4,395,057	-	2,270,000	6,665,057
Stocks listed on foreign markets	697,326	697,326	-	-	697,326
Stocks unlisted on domestic markets	2,099,679	-	-	2,099,679	2,099,679
Stocks unlisted on foreign markets	87,134	-	-	87,134	87,134
	<u>9,549,196</u>				
Financial assets at cost (non-current)	<u>103,680</u>	-	-	-	-
Loans and receivables					
Cash and cash equivalents	68,864,803	-	-	-	-
Bond investment without active market-including current and non-current	1,400,000	-	-	-	-
Notes and accounts receivable, net	132,120,524	-	-	-	-
Notes and accounts receivable due from related parties, net	64,491	-	-	-	-
Other receivables	640,875	-	-	-	-
Guarantee deposits	255,852	-	-	-	-
	<u>203,346,545</u>				
Total	<u>\$ 213,136,494</u>				
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities held for non-hedging	\$ 129,734	-	129,734	-	129,734
Derivative financial liabilities held for hedging	<u>5,454</u>	-	5,454	-	5,454
Financial liabilities at amortized cost through profit or loss					
Short-term borrowings	24,166,227	-	-	-	-
Notes and accounts payable	105,863,515	-	-	-	-
Notes and accounts payable to related parties	1,507,421	-	-	-	-
Other payable	12,282,482	-	-	-	-
Long-term borrowings current portion	10,084,838	-	-	-	-
Long-term borrowings	15,004,219	-	-	-	-
	<u>168,908,702</u>				
Total	<u>\$ 169,043,890</u>				

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

- 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.

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.

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

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 three months ended March 31, 2017 and 2016.

5) Changes in level 3

The changes in level 3 at fair value in the three months ended March 31, 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		45,621
Disposal costs		(2,270,000)
Balance on March 31, 2017	\$	<u>2,286,665</u>
Balance on January 1, 2016	\$	4,406,906
Total gains and losses recognized:		
In other comprehensive income		50,407
Proceeds of capital reduction of liquidation		(500)
Balance on March 31, 2016	\$	<u>4,456,813</u>

The aforementioned total gains and losses related to the assets held during the three months ended March 31, 2017 and 2016, were as follows:

	Three months ended March 31, 2017	Three months ended March 31, 2016
Total gains and losses recognized:		
In other comprehensive income, before tax (as "unrealized gains and losses on available-for-sale financial assets")	\$ 45,621	50,407

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

- 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. (1.7671~2.33, 1.7671~2.16 and 1.53~1.77, respectively, on March 31, 2017 and December 31 and March 31, 2016)	The higher the multiples are, the higher the fair value will be.
		Lack-of-Marketability discount rate (45%~65%, 45%~65% and 45%~55%, respectively, on March 31, 2017 and December 31 and March 31, 2016)	The higher the Lack-of-Marketability Discount rate is, the lower the fair value will be.
	Earnings multiplier method	Multiples of earnings (15, 12.9 and 13.3, respectively, on March 31, 2017 and December 31 and March 31, 2016)	The higher the multiples are, the higher the fair value will be.
Available-for-sale financial assets— investment in privately equity fund	Net asset value method	Lack-of-Marketability discount rate (20%, 20% and 10%, respectively, on March 31, 2017 and December 31 and March 31, 2016)	The higher the Lack-of-Marketability Discount rate is, the lower the fair value will be.
		Net asset value	Inapplicable

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

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:

		Move up or down	Other comprehensive income	
Input			Favorable change	Unfavorable change
March 31, 2017				
Available-for-sale financial assets	Price-Book ratio multiples.	5%	\$ <u>2,441</u>	<u>2,520</u>
	Multiples of earnings	5%	\$ <u>5,112</u>	<u>5,097</u>
	Lack-of-Marketability discount rate	5%	\$ <u>5,526</u>	<u>5,591</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>
March 31, 2016				
Available-for-sale financial assets	Price-Book ratio multiples.	5%	\$ <u>2,821</u>	<u>2,969</u>
	Multiples of earnings	5%	\$ <u>4,570</u>	<u>4,601</u>
	Lack-of-Marketability discount rate	5%	\$ <u>3,833</u>	<u>4,012</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.

(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.

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COMPAL ELECTRONICS, INC. AND ITS SUBSIDIARIES
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(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 and its subsidiaries ("LCFC")	"
Avalue Technology Inc.	"
Crownpo Technology Inc ("Crownpo")	"
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
ShengBao Precision Electronics (Taicang) Co., Ltd.	A joint venture company
AcBel Polytech Inc. ("AcBel") and its subsidiaries	Same chairman with the Company

(b) Transactions with key management personnel

Key management personnel remunerations comprised:

	Three months ended March 31, 2017	Three months ended March 31, 2016
Short-term employee benefits	\$ 84,814	139,223
Post-employment benefits	2,096	3,475
Share-based payments	34,469	61,241
	\$ 121,379	203,939

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

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 March 31, 2017	Three months ended March 31, 2016
Associates	<u>\$ 115,049</u>	<u>90,901</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.

(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 March 31, 2017	Three months ended March 31, 2016
Associates	\$ 895,489	1,045,933
Other related parties	156,915	131,059
Joint venture	<u>10,859</u>	<u>5,633</u>
	<u>\$ 1,063,263</u>	<u>1,182,625</u>

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

(iii) Receivables due from relate parties

The receivables arising from the transactions mentioned above and others on behalf of related parties were as follows:

Account	Category of related party	March 31, 2017	December 31, 2016	March 31, 2016
Notes and accounts receivable	Associates	\$ 61,484	70,972	64,491
Other receivables	Joint venture	<u>387</u>	<u>223</u>	<u>439</u>
		<u>\$ 61,871</u>	<u>71,195</u>	<u>64,930</u>

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

(iv) Payables to related parties

The payables to related parties were as follows:

<u>Account</u>	<u>Category of related party</u>	<u>March 31, 2017</u>	<u>December 31, 2016</u>	<u>March 31, 2016</u>
Notes and accounts payable	Associates	\$ 1,059,804	1,586,829	1,272,620
Notes and accounts payable	Other related parties	278,663	350,199	224,455
Notes and accounts payable	Joint venture	<u>16,085</u>	<u>21,183</u>	<u>10,346</u>
		<u>\$ 1,354,552</u>	<u>1,958,211</u>	<u>1,507,421</u>

(8) Pledged assets:

The carrying values of pledged assets were as follows:

<u>Pledged Assets</u>	<u>Subject</u>	<u>March 31, 2017</u>	<u>December 31, 2016</u>	<u>March 31, 2016</u>
Accounts receivable	Guarantee for short-term borrowings	\$ -	-	162,180
Other current assets – time deposits	Guarantee of administrative litigation	212,920	220,097	201,147
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' limit (note)	1,371,394	1,410,724	1,070,991
Other non-current assets	Guarantee of post-release duty payment to the customs and guarantee of the customs	<u>13,722</u>	<u>15,086</u>	<u>518</u>
		<u>\$ 1,624,546</u>	<u>1,672,417</u>	<u>1,461,346</u>

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

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

(9) Commitments and contingencies:

The details of commitments and contingencies were as follows:

- (a) The Group entered into various patent license agreements with third parties, and was required to make royalty payments of a predetermined amount periodically.
- (b) As of March 31, 2017 and December 31 and March 31, 2016, the Group's signed commitments to purchase property, plant and equipment amounted to \$986,372, \$880,942 and \$1,547,570, respectively.

(10) Losses due to major disasters: None

(11) Subsequent events: None

(12) Other:

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

By item	By function			By function		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salary	3,369,668	2,269,592	5,639,260	3,769,147	2,681,450	6,450,597
Labor and health insurance	182,606	178,519	361,125	204,762	186,679	391,441
Pension	254,094	111,259	365,353	267,879	110,378	378,257
Others	669,939	123,662	793,601	361,327	121,426	482,753
Depreciation	1,192,480	111,644	1,304,124	1,303,388	125,933	1,429,321
Amortization	4,563	89,622	94,185	4,688	90,433	95,121

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

(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:

(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	HengHao	Other receivables	Yes	203,712	197,116	197,116	1.50%	Short-term financing	-	Operating demand	-	-	-	1,064,546	41,307,524 (Note 1)
1	CIH	CEP	"	Yes	109,708	106,155	60,660	2.50%	"	-	"	-	-	-	31,760,261	31,760,261 (Note 2)
2	CPI	CEB	"	Yes	470,175	454,950	454,950	2.50%	"	-	"	-	-	-	945,164	945,164 (Note 3)
3	CEC	CCI Nanjing	"	Yes	2,194,150	2,123,100	-	2.50%	"	-	"	-	-	-	3,596,144	3,596,144 (Note 4)
4	CIT	CCI Nanjing	"	Yes	2,194,150	2,123,100	2,123,100	2.50%	"	-	"	-	-	-	18,478,884	18,478,884 (Note 5)
5	Arcadyan	Arcadyan Brasil	"	Yes	242,440	242,440	48,488	1.00%	Transaction for business between two parties	303,050	-	-	-	-	242,440	3,468,087 (Note 6)

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

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

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

Note 4: According to 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 5: 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 6: 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 7: The transactions had been eliminated in the consolidated financial statements.

(ii) Guarantees and endorsements for other parties:

(In Thousands of New Taiwan Dollars)

No.	Name of guarantor	Counter-party of guarantee and endorsement		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)	25,817,202	62,690	60,660	60,660	-	0.06 %	51,634,405 (Note 1)	Y	-	-
0	"	CEP	(Note 2)	25,817,202	64,299	58,229	58,229	-	0.06 %	51,634,405 (Note 1)	Y	-	-
1	Arcadyan	Arcadyan Brasil	(Note 2)	1,156,029	242,440	242,440	-	-	2.80 %	3,468,087 (Note 4)	Y	-	-

(Continued)

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

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

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

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

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

(iii) Securities held as of March 31, 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>1,050,000</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	1,469,919	9 %	1,469,919		
	Cal Comp Electronics (Thailand) Public Co., Ltd.	"	"	239,631	642,211	5 %	642,211		
	Innolux Corporation ("Innolux")	-	"	134,877	1,692,711	1 %	1,692,711		
	Chipbond Technology Corp.	-	"	13,542	656,789	2 %	656,789		
	HWA VI Venture Capital Corp.	-	"	290	29,119	10 %	29,119		
	HWA Chi Venture Capital Corp.	-	"	1,053	28,200	11 %	28,200		
	Global BioPharma, Inc.	-	"	2,000	40,000	3 %	40,000		
	Chen Feng Optoelectronics	-	"	5,829	53,278	13 %	53,278		
	PrimeSensor Technology Inc.	-	"	233	2,333	1 %	-	(Note 1)	
	Macroblock, Inc.	-	"	682	49,927	2 %	49,927		
	Others				<u>173,925</u>				
	Total				<u>5,818,877</u>				
	Panpal	Compal Electronics, Inc.	The parent company	Available- for-sale financial assets— non-current	31,648	626,632	1 %	626,632	(Note 2)
		Kinpo	With the same chairman of the board	"	23,172	274,594	2 %	274,594	
CDIB Partners Investment Holding Corp.		-	"	54,000	753,840	5 %	753,840		
Innolux		-	"	11,836	148,540	-	148,540		
AcBel Polytech Inc. ("AcBel")		With the same chairman of the board	"	5,677	135,389	1 %	135,389		
Chipbond		-	"	5,251	254,672	1 %	254,672		
Taiwan Biotech Co., Ltd.		-	"	4,897	46,537	3 %	46,537		
Others		-	"		<u>108,316</u>				
Total					<u>2,348,520</u>				
Gempal	Compal Electronics, Inc.	The parent company	Available- for-sale financial assets— non-current	18,369	363,713	-	363,713	(Note 2)	
	Lian Hong Art. Co., Ltd.	-	"	2,140	38,944	8 %	38,944		
	Global BioPharma, Inc.	-	"	2,000	40,000	3 %	40,000		
	Others				<u>2,971</u>				
Total				<u>445,628</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		

(Continued)

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	
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	Amount	Shares	Amount	Shares	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 – non-current	Tatung	-	315,269	648,000	-	-	315,269	649,172	648,000	(644)	-	-	-	-
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.

- (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

(Continued)

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

(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	(567,154)	(0.3)%	120 days	Similar to non-related parties	There is no significant difference, and adjustments will be made based on demand for funding if necessary	151,435	0.1%	(Note 2)
	CBN	The Company's subsidiary	Sale	(1,847,731)	(1.0)%	90 days	"	There is no significant difference	1,912,431	1.5%	"
	CIH and its subsidiaries	Subsidiary wholly owned by the Company	Purchase	26,054,987	14.8 %	120 days	"	There is no significant difference, and adjustments will be made based on demand for funding if necessary	(42,337,969)	(33.8)%	"
	BCI and its subsidiaries	"	Purchase	125,975	0.1 %	"	"	"	(228,239)	(0.2)%	"
	Webtek	"	Purchase	8,833,165	5.0 %	Net 60 days from purchase	Markup based on Webtek's cost	"	(3,176,106)	(2.5)%	"
	Forever	"	Purchase	10,203,247	5.8 %	"	Markup based on Forever's cost	"	(6,316,553)	(5.0)%	"
Just and its subsidiaries	Forever	With the same ultimate parent company	Sale	(5,011,838)	(100.0)%	Net 60 days from delivery	"	Adjustments will be made based on demand for funding	1,788,226	76.9%	"
CIH and its subsidiaries	Compal Electronic, Inc.	Parent company	Sale	(26,220,584)	(83.9)%	120 days	Similar to non-related parties	There is no significant difference, and adjustments will be made based on demand for funding if necessary	42,337,969	91.3%	"
	Forever	With the same ultimate parent company	Sale	(5,106,638)	(16.1)%	Net 60 days from delivery	According to markup pricing	Adjustments will be made based on demand for funding	2,436,227	4.1%	"
CBN	Compal Electronic, Inc.	Parent company	Purchase	1,847,533	63.0 %	90 days	Similar to non-related parties	There is no significant difference	(1,895,986)	(77.0)%	"
BCI and its subsidiaries	Compal Electronic, Inc.	"	Sale	(126,417)	(5.6)%	120 days	Similar to non-related parties	There is no significant difference, and adjustments will be made based on demand for funding if necessary	228,239	4.3%	"
	CIH and its subsidiaries	With the same ultimate parent company	Sale	(1,939,847)	(86.1)%	"	"	"	4,171,308	79.0%	"
	CEB	"	Sale	(130,186)	(8.3)%	"	"	"	281,705	16.7%	"
Webtek	Compal Electronic, Inc.	Parent company	Sale	(8,833,165)	(100.0)%	Net 60 days from delivery	According to markup pricing	Adjustments will be made based on demand for funding	3,176,127	100.0%	"
	CWCN	With the same ultimate parent company	Purchase	8,833,165	100.0 %	Net 60 days from delivery	"	"	(2,585,178)	(100.0)%	"

(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)	
CEB	BCI and its subsidiaries	With the same ultimate parent company	Purchase	137,541	12.0 %	120 days	Similar to non-related parties	There is no significant difference	(271,479)	32.3%	(Note 2)
CIH and its subsidiaries	Compal Electronic, Inc.	Parent company	Purchase	563,736	2.2 %	"	"	"	(150,220)	0.4%	"
	BCI and its subsidiaries	With the same ultimate parent company	Purchase	1,939,847	7.7 %	120 days	"	"	(4,171,308)	(12.3)%	"
	AcBel and its subsidiaries	The same chairman of the board of the ultimate parent company	Purchase	140,394	0.6 %	Net 60 days from purchase	"	"	(255,136)	(0.8)%	"
	Wan Yuen Technology Holding Ltd. and its subsidiaries	Investee which FGH accounted for using equity method	Purchase	831,692	3.3 %	"	"	"	(809,872)	(2.4)%	"
CWCN	Webtek	With the same ultimate parent company	Sale	(8,833,165)	(100.0)%	Net 60 days from delivery	According to markup pricing	Adjustments will be made based on demand for funding	2,585,178	100.0%	"
Forever	Compal Electronic, Inc.	Parent company	Sale	(10,203,247)	(83.2)%	"	"	"	7,763,661	79.3%	"
	CIH and its subsidiaries	With the same ultimate parent company	Purchase	5,106,638	41.9 %	Net 60 days from purchase	Similar to non-related parties	"	(2,441,140)	(31.1)%	"
	Just and its subsidiaries	"	Purchase	5,011,838	41.2 %	"	"	"	(1,788,226)	(22.8)%	"
THAC	TTI	With the same ultimate parent company	Sale	(127,511)	(97.0)%	Net 60 days from invoice date	According to markup pricing	-	30,641	93.0%	"
TTI	THAC	"	Purchase	127,511	13.0 %	"	-	-	(30,641)	(5.0)%	"
Arcadyan	Arcadyan Germany	Arcadyan's subsidiaries	Sale	(754,958)	(21.0)%	Net 120 days from delivery	-	-	987,618	39.0%	"
	Arcadyan USA	"	Sale	(261,702)	(7.0)%	Net 60 days from the end of the month of delivery	-	-	179,308	7.0%	"
Sinoprime	Arcadyan	The Company's subsidiaries	Sale	(1,284,062)	(100.0)%	Net 45 days from the end of the month of delivery	According to markup pricing	-	677,882	40.0%	(Note 1 & 2)
Arcadyan	CNC	Arcadyan's subsidiaries	Purchase	128,868	3.0 %	"	-	-	(128,868)	-	"
CNC	Sinoprime	With the same ultimate parent company	Sale	(1,284,062)	(100.0)%	"	-	-	620,244	33.0%	"
Arcadyan Germany	Arcadyan	The Company's subsidiaries	Purchase	754,958	100.0 %	Net 120 days from delivery	-	-	(987,618)	(100.0)%	(Note 2)
Arcadyan USA	Arcadyan	"	Purchase	261,702	100.0 %	Net 60 days from delivery	-	-	(179,308)	(100.0)%	"

(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)	
CNC	Sinoprime	Arcadyan's subsidiaries	Purchase	1,284,062	25.0 %	Net 45 days from the end of the month of delivery	-	-	(677,882)	(40.0)%	(Note 1 + 2)
Sinoprime	CNC	With the same ultimate parent company	Purchase	1,284,062	100.0 %	"	-	-	(620,244)	(100.0)%	"
CNC	Arcadyan	The Company's subsidiaries	Sale	(128,868)	(4.0)%	"	According to markup pricing	-	128,868	7.0%	"

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	1,912,431	3.92	-	-	570,932 (Note 1)	-	
"	CIH and its subsidiaries	The Company's subsidiary	151,435	14.49	-	-	- (Note 1)	-	
"	UCGI	The Company's subsidiary	104,231	1.13	-	-	- (Note 1)	-	
Just and its subsidiaries	Forever	With the same ultimate parent company	1,788,226	12.18	-	-	1,343,680 (Note 1)	-	
CIH and its subsidiaries	Compal Electronic, Inc.	Parent company	42,337,969	2.14	-	-	12,621,272 (Note 1)	-	
"	Forever	With the same ultimate parent company	2,436,227	4.39	-	-	2,301,046 (Note 1)	-	
BCI and its subsidiaries	Compal Electronic, Inc.	Parent company	228,239	2.57	-	-	- (Note 1)	-	
"	CIH and its subsidiaries	With the same ultimate parent company	4,171,308	1.77	-	-	539,532 (Note 1)	-	
"	CEB	With the same ultimate parent company	281,705	2.10	-	-	76,140 (Note 1)	-	
Forever	Compal Electronic, Inc.	Parent company	7,763,661	3.51	-	-	4,011,476 (Note 1)	-	
CWCN	Webtek	With the same ultimate parent company	2,585,178	10.83	-	-	2,585,178 (Note 1)	-	
Webtek	Compal Electronic, Inc.	Parent company	3,176,127	9.12	-	-	3,176,127 (Note 1)	-	
Arcadyan	Arcadyan Germany	Arcadyan's subsidiaries	987,618	1.08	-	-	- (Note 2)	-	
"	Arcadyan USA	Arcadyan's subsidiaries	179,308	1.46	-	-	31,063 (Note 2)	-	
"	TTI	Arcadyan's subsidiaries	110,592	0.01	-	-	- (Note 2)	-	
Sinoprime	Arcadyan	The Company's subsidiary	677,882	1.17	-	-	167,132 (Note 2)	-	
CNC	Arcadyan	The Company's subsidiary	128,868	-	-	-	- (Note 2)	-	
"	Speedlink	With the same ultimate parent company	620,244	1.25	-	-	167,132 (Note 2)	-	
CBN	Speedlink	With the same ultimate parent company	808,050	-	364,500	-	343,025 (Note 1)	-	
Speedlink	Just and its subsidiaries	With the same ultimate parent company	808,050	-	364,500	Enhanced the collection	343,025 (Note 1)	-	

Note 1: Balance as of May 5, 2017.

Note 2: Balance as of April 21, 2017

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

- (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. (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	CIH and its subsidiaries	1	Sales Revenue	567,154	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.	0.3%
				Accounts Receivable	151,435	"	0.1%
0	The Company	CEP	1	Product warranty service expenses	65,142	There is no significant difference of price to non-related parties. The credit period is net 120 days from delivery, and will be adjusted if necessary.	-
0	The Company	Auscom	1	Technical service expense	31,464	The price is based on the operating cost of Auscom. The credit period is net 120 days from invoice date, and will be adjusted if necessary.	-
				Accrued expenses payable	129,633	"	-
0	The Company	CBN	1	Sales Revenue	1,847,731	There is no significant difference of price to non-related parties. The credit period is net 90 days from delivery.	1.0%
				Accounts Receivable	1,912,431	"	0.6%
1	CIH and its subsidiaries	The Company	2	Sales Revenue	26,220,584	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.	14.0%
				Accounts Receivable	42,337,969	"	12.8%
1	CIH and its subsidiaries	Forever	3	Sales Revenue	5,106,638	The price is based on the operating cost. The credit period is net 60 days from invoice date, and will be adjusted if necessary.	2.7%
				Accounts Receivable	2,436,227	"	0.7%
2	Just and its subsidiaries	Forever	3	Sales Revenue	5,011,838	There is no significant difference of price to non-related parties. The credit period is net 60 days from delivery, and will be adjusted if necessary.	2.7%
				Accounts Receivable	1,788,226	"	0.5%
3	BCI and its subsidiaries	The Company	2	Sales Revenue	126,417	There is no significant difference of price to non-related parties. The credit period is net 120 days from delivery, and will be adjusted if necessary.	0.1%
				Accounts Receivable	228,239	"	0.1%
3	BCI and its subsidiaries	CIH and its subsidiaries	3	Sales Revenue	1,939,847	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.	1.0%
				Accounts Receivable	4,171,308	"	1.3%

(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	CEB	3	Sales Revenue	130,186	There is no significant difference of price to non-related parties. The credit period is net 120 days from delivery, and will be adjusted if necessary.	0.1%
				Accounts Receivable	281,705		"
4	Arcadyan	Arcadyan Germany	3	Sales Revenue	754,958	There is no significant difference of price to non-related parties. The credit period is net 120 days from delivery, and will be adjusted if necessary.	0.4%
				Accounts Receivable	987,618		"
4	Arcadyan	TTI	3	Accounts Receivable	110,592	There is no significant difference of price to non-related parties. The credit period is net 90 days from delivery.	-
4	Arcadyan	Arcadyan USA	3	Sales Revenue	261,702		0.1%
5	Sinoprime	Arcadyan	3	Accounts Receivable	179,308	There is no significant difference of price to non-related parties. The credit period is net 60 days from the end of the month of delivery.	0.1%
				Sales Revenue	1,284,062		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.
6	CNC	Sinoprime	3	Accounts Receivable	677,882	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.	0.2%
				Processing Revenue	1,284,062		"
6	CNC	Arcadyan	3	Accounts Receivable	620,244	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.	0.2%
				Processing Revenue	128,868		"
7	TCH(THAC)	TTI	3	Accounts Receivable	128,868	The price is based on the operating cost. The credit period is net 60 days from invoice date	-
				Processing Revenue	127,511		"
8	Forever	The Company	2	Accounts Receivable	30,641	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 and depended on funding demand.	-
				Sales Revenue	10,203,247		"
9	Webtek	The Company	2	Accounts Receivable	7,763,661	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 and depended on funding demand.	2.3%
				Sales Revenue	8,833,165		"
				Accounts Receivable	3,176,127	"	1.0%

(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	
10	CWCN	Webtek	3	Sales Revenue	8,833,165	The price is based on the operating cost. The credit period is net 60 days from the end of the month of delivery and depended on funding demand.	4.7%
				Accounts Receivable	2,585,178	"	0.8%
11	CBN	Speedlink	3	Other Accounts Receivable	808,050	The credit period is net 60 days	0.2%
12	Speedlink	Just and its subsidiaries	3	Other Accounts Receivable	808,050	The credit period is net 60 days	0.2%

Note 1: The numbers filled in as follows:

- 1.0 represents the Company.
2. Subsidiaries are sorted in a numerical order starting from 1.

Note 2: Transactions labeled as follows:

- 1 represents transactions between the parent company and its subsidiaries.
- 2 represents transactions between the subsidiaries and the parent company.
- 3 represents transactions between subsidiaries.

(b) Information on investees:

The following is the information on investees for the three months ended March 31, 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 March 31, 2017			Net income (losses) of investee	Share of profits/ losses of investee	Note
				March 31, 2017	December 31, 2016	Shares (thousands)	Percentage of ownership	Carrying Value			
The Company	Bizcom	Milpitas, USA	Warranty services and marketing of LCD TV s and notebook PCs	36,369	36,369	100	100 %	420,077	3,683	3,683	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 %	8,443,907	351,006	351,006	"
	CIH	British Virgin Islands	Sales and manufacturing of notebook PCs and investments	1,606,780	1,606,780	47,001	100 %	30,941,931	1,087,661	1,087,661	"
	Panpal	Taipei City	Investment	5,171,837	5,171,837	500,000	100 %	4,857,669 (Note 1)	(130,291)	(130,291)	"
	Gempal	Taipei City	Investment	900,036	900,036	90,000	100 %	1,583,836 (Note 1)	5,632	5,632	"
	Kinpo Group management	Taipei City	Consultation, training services, etc.	3,000	3,000	300	38 %	4,437	390	148	
	Ripal	Tainan City	Manufacturing of electric appliance and audiovisual electric products	60,000	60,000	6,000	100 %	21,543	55	55	Note 2
	Avalue Technology, Inc.	New Taipei City	Manufacturing, processing, and import and export business of industrial motherboards	553,786	522,361	15,138	22 %	583,158	27,922	6,927	
	Unicore BioMedical Co., Ltd.	Taipei City	Animal medication retail and wholesale	100,000	-	10,000	100 %	98,434	(1,566)	(1,566)	Note 2
	CEH Allied Circuit Maxima Ventures I, Inc. ("Maxima")	British Virgin Islands Taoyuan City Taipei City	Investment Production and sales of PCB boards Investment	34 395,388 1,260	34 395,388 1,260	1 10,158 126	100 % 20 % 23 %	3,574,468 286,815 13,877	- 36,473 6,041	- 7,446 1,362	Note 2

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Notes to Consolidated Financial Statements

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of March 31, 2017			Net income (losses) of investee	Share of profits/ losses of investee	Note
				March 31, 2017	December 31, 2016	Shares (thousands)	Percentage of ownership	Carrying Value			
	Lipo Holding Co., Ltd. ("Lipo")	Cayman Islands	Investment	489,450	489,450	98	49 %	337,119	5,419	1,470	
	CPE ATK	Netherlands Hsinchu City	Investment Design, research & development, and selling of DVD, Combo, CD RW Drives	197,463 202,908	197,463 202,908	6,427 899	100 % 28 %	679,931 10,324	1,229 60	1,229 17	Note 2 "
	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 %	47,839	(6,176)	(2,052)	
	Hong Ji	Taipei City	Investment	1,000,000	1,000,000	100,000	100 %	1,034,127	3,532	3,532	Note 2
	Hong Jin	Taipei City	Investment	295,000	295,000	29,500	100 %	337,909	1,194	1,194	"
	Auscom	Austin, TX USA	R&D of notebook PC related products and components	101,747	101,747	3,000	100 %	109,895	(986)	(986)	"
	Arcadyan	Hsinchu City	R&D, manufacturing and sales of wireless network, integrated household electronics, and mobile office products	1,325,132	1,325,132	41,305	22 %	2,022,050	49,524	10,816	"
	FGH	British Virgin Islands	Investment	2,754,741	2,754,741	89,755	100 %	3,869,971	38,640	38,640	"
	HSI	British Virgin Islands	Investment	1,346,814	1,346,814	42,700	100 %	792,672	(9,640)	(9,640)	"
	CEP	Poland	Maintenance and warranty services of notebook PCs	90,156	90,156	136	100 %	14,478	17,097	13,106	"
	Zhaopal	Taipei City	Investment	2,001,000	2,001,000	200,100	100 %	647,771	(279)	(279)	"
	Yongpal	Taipei City	Investment	1,751,000	1,751,000	175,100	100 %	566,832	(1,275)	(1,275)	"
	Kaipal	Taipei City	Investment	751,000	751,000	75,100	100 %	243,236	(98)	(98)	"
	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 %	23,900	(7,507)	(2,250)	"
	HengHao	Taipei City	Manufacturing of PCs, computer periphery devices, and electronic components	5,304,554	5,304,554	205,795	97 %	1,048,177	(211,349)	(220,787)	Note 2
	Mactech	Taichung City	Manufacturing of equipment and lighting, retailing of equipment and international trading	219,601	219,601	21,756	53 %	195,134	15,954	8,436	"
	BCI	British Virgin Islands	Investment	2,636,051	2,636,051	90,820	100 %	5,318,611	86,768	86,768	"
	CBN	Hsinchu County	R&D and sales of communication and electronic components	284,827	284,827	26,418	49 %	684,850	41,363	20,505	"
	Rayonnant	Taipei City	Manufacturing and sales of PCs, computer periphery devices, and electronic components	295,000	295,000	29,500	100 %	121,561	(4,488)	(4,488)	"
	CRH	British Virgin Islands	Investment	377,328	377,328	12,500	100 %	214,939	(6,331)	(6,331)	"
	Ascendant Private Equity Investment Ltd. ("APE")	British Virgin Islands	Investment	943,922	943,922	31,253	35 %	1,047,321	(11,332)	(3,935)	"
	CORE	British Virgin Islands	Investment	4,318,860	4,318,860	147,000	100 %	4,783,422	(59,252)	(59,252)	Note 2
	Etrade	British Virgin Islands	Investment	1,532,029	1,532,029	46,900	90 %	(621,726)	(323,985)	(291,422)	"
	Webtek	British Virgin Islands	Selling of mobile phones	3,340	3,340	100	100 %	1,279,140	(32,563)	(32,563)	"

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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 March 31, 2017			Net income (losses) of investee	Share of profits/ losses of investee	Note
				March 31, 2017	December 31, 2016	Shares (thousands)	Percentage of ownership	Carrying Value			
	Forever UCGI	British Virgin Islands Taipei City	Selling of mobile phones Manufacturing and retail sale of computers and electronic components	1,575 100,000	1,575 100,000	50 10,000	100 % 100 %	1,469,460 (163,048)	4,255 (40,371)	4,255 (40,371)	Note 2 "
	Palcom GLB	Taipei City New Taipei City	Selling of mobile phones Manufacturing and wholesale of medical equipment	100,000 246,860	100,000 246,860	10,000 15,000	100 % 50 %	113,019 232,171	2,182 (9,219)	2,182 (4,571)	" "
								<u>77,291,237</u>		<u>843,913</u>	
Webtek	Etrade	British Virgin Islands	Investment	151,650 (US\$5,000)	151,650 (US\$5,000)	5,000	10 %	(65,052) (US\$2,145)	(323,985) (US\$10,865)	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 %	382,412	49,524	Investment gain(losses) recognized by Panpal	"
	Allied Circuit Others	Taoyuan City	Production and selling of PCB boards	148,263	148,263	2,927	6 %	82,648	36,473	"	"
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 %	463,400	49,524	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 %	90,913	36,473	"	"
Just	CDH (HK)	Hong Kong	Investment	1,889,483 (US\$62,298)	1,889,483 (US\$62,298)	62,298	100 %	3,850 6,106,881 (US\$201,348)	- 345,180 (US\$11,091)	Investment gain(losses) recognized by Just	Note 2
	CII	British Virgin Islands	Investment	280,401 (US\$9,245)	280,401 (US\$9,245)	9,245	100 %	262,685 (US\$8,661)	(2,215) (US\$71)	"	"
	CPI	British Virgin Islands	Sales of monitors, LCD TVs and related components.	15,165 (US\$500)	15,165 (US\$500)	500	100 %	889,395 (US\$29,324)	3,469 (US\$111)	"	"
CII	AEI	U.S.A	Sales and maintenance of LCD TVs	30,330 (US\$1,000)	30,330 (US\$1,000)	1,000	100 %	57,712 (US\$1,903)	(5,718) (US\$184)	Investment gain (losses) recognized by CII	"
	MEL	U.S.A	Investment	249,737 (US\$8,234)	249,737 (US\$8,234)	-	100 %	276,913 (US\$9,130)	6,830 (US\$219)	"	"
	MTL	U.S.A	Investment	30 (US\$1)	30 (US\$1)	-	100 %	30 (US\$1)	- (US\$-)	"	"
	Smart	British Virgin Islands	Sales of electronic products and related components	30 (US\$1)	30 (US\$1)	1	100 %	413 (US\$14)	(3) (US\$-)	"	"
MEL and MTL	CMX	Mexico	Manufacturing, sales and maintenance of LCD TVs	244,157 (US\$8,050)	244,157 (US\$8,050)	32,903	100 %	276,913 (US\$9,130)	6,830 (US\$219)	Investment gain(losses) recognized by MEL and MTL	"
CIH	CIH (HK)	Hong Kong	Investment	2,268,760 (US\$74,803)	2,268,760 (US\$74,803)	74,803	100 %	29,224,796 (US\$963,561)	1,083,401 (US\$34,811)	Investment gain(losses) recognized by CIH	"
	Jenpal	British Virgin Islands	Investment	222,926 (US\$7,350)	222,926 (US\$7,350)	7,350	100 %	99,932 (US\$3,295)	395 (US\$13)	"	"
	CCM	British Virgin Islands	Investment	154,683 (US\$5,100)	154,683 (US\$5,100)	5,100	51 %	58,586 (US\$1,932)	(523) (US\$17)	"	"

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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 March 31, 2017			Net income (losses) of investee	Share of profits/ losses of investee	Note
				March 31, 2017	December 31, 2016	Shares (thousands)	Percentage of ownership	Carrying Value			
	PFG	British Virgin Islands	Sales of notebook PCs and related components	30 (US\$1)	30 (US\$1)	1	100 %	416,513 (US\$13,733)	- (US\$-)	Investment gain(losses) recognized by CIH	Note 2
	FWT	British Virgin Islands	Investment	269,937 (US\$8,900)	269,937 (US\$8,900)	8,900	100 %	269,937 (US\$8,900)	- (US\$-)	"	"
Hong Ji	Arcadyan	Hsinchu City	Telecommunication equipment and apparatus manufacturing, electronic parts and components manufacturing, restrained telecom radio frequency equipments and materials import and manufacturing	203,500	203,500	7,846	4 %	463,400	49,524	Investment gain(losses) recognized by Hong Ji	"
	Allied Circuit	Taoyuan City	Production and selling of PCB boards	12,274	12,274	1,041	2 %	23,433	36,473	"	"
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 %	235,743	49,524	Investment gain(losses) recognized by Hong Jin	Note 2
Arcadyan	Arcadyan Holding	British Virgin Islands	Investment	962,291	962,291	23,780	100 %	732,202	(53,509)	Investment gain(losses) recognized by Arcadyan	"
	Arcadyan USA	U.S.A	Sales of wireless network products	23,055	23,055	1	100 %	57,060	3,376	"	"
	Arcadyan Germany	Germany	Technology support of wireless network products	1,125	1,125	0.5	100 %	47,159	7,508	"	"
	Arcadyan Korea	Korea	Sales of wireless network products	2,879	2,879	20	100 %	2,502	285	"	"
	Zhi pal	Taipei City	Investment	48,000	48,000	30,000	100 %	411,935	12,146	"	"
	TTI	Taipei City	R&D and sales of household digital products	302,782	296,429	24,769	60 %	532,693	9,404	"	"
	AcBel Telecom	Taipei City	Investment	23,000	23,000	3,652	51 %	40,257	2,533	"	"
	Golden Smart Home Technology Corp.	Taipei City	Selling of hardware and software integration of high tech systems	15,692	15,692	1,229	22 %	4,434	(6,005)	"	"
	Arcadyan Brasil	Brazil	Sales of wireless network products	81,265	81,265	965	99 %	59,459	(5,037)	"	Note 2
	Arcadyan UK	UK	Technical support of wireless network products	1,980	1,980	50	100 %	2,062	114	"	"
	CBN	Hsinchu county	R&D and sales of communication and electronic components	214,875	214,875	8,735	16 %	226,659	41,363	"	"
Arcadyan Holding	Sinoprime	British Virgin Islands	Sales of wireless network products	1,515 (US\$50)	1,515 (US\$50)	50	100 %	1,456 (US\$48)	- (US\$-)	Investment gain(losses) recognized by Arcadyan Holding	"
	Arch Holding	British Virgin Islands	Investment	333,688 (US\$11,011)	333,688 (US\$11,011)	35	100 %	645,012 (US\$21,284)	(53,546) (US\$(1,722))	"	"
TTI	Quest	Samoa	Investment	36,366 (US\$1,200)	36,366 (US\$1,200)	1,200	100 %	44,203	(2,852)	Investment gain(losses) recognized by TTI	"
Quest	Exquisite	Samoa	Investment	35,457 (US\$1,170)	35,457 (US\$1,170)	1,170	100 %	43,397 (US\$1,432)	(2,852) (US\$(92))	Investment gain(losses) recognized by Quest	"

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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 March 31, 2017			Net income (losses) of investee	Share of profits/ losses of investee	Note
				March 31, 2017	December 31, 2016	Shares (thousands)	Percentage of ownership	Carrying Value			
AcBel Telecom	Leading Images	British Virgin Islands	Investment	1,515 (US\$50)	1,515 (US\$50)	50	100 %	74,162	2,630	Investment gain(losses) recognized by AcBel Telecom	Note 2
	Great Arch	British Virgin Islands	Sales of wireless network products	1,515 (US\$50)	1,515 (US\$50)	50	100 %	1,505	(32)	"	"
Leading Images	Astoria GmbH	Germany	Sales of wireless network products	814 EUR25)	814 EUR25)	25	100 %	73,823 (US\$2,436)	2,629 (US\$85)	Investment gain(losses) recognized by Leading Images	"
Zhi pal	CBN	Hsinchu county	R&D and sales of communication and electronic components	48,000	48,000	15,650	29 %	406,094	41,363	Investment gain(losses) recognized by Zhi pal	"
	Arcadyan Brasil	Brazil	Sales of wireless network products	328	328	4	1 %	328	(5,037)	"	"
HSI	IUE	British Virgin Islands	Investment	909,900 (US\$30,000)	909,900 (US\$30,000)	30,000	100 %	524,454 (US\$17,292)	(11,641) (US\$374)	Investment gain(losses) recognized by HSI	"
	Goal	British Virgin Islands	Investment	385,191 (US\$12,700)	385,191 (US\$12,700)	12,700	100 %	296,179 (US\$9,765)	2,001 (US\$64)	"	"
IUE	CVC	Vietnam	R&D, manufacturing, sales, and maintenance of notebook PCs, computer monitors, LCD TVs and electronic components	909,900 (US\$30,000)	909,900 (US\$30,000)	30,000	100 %	548,832 (US\$18,095)	(11,641) (US\$374)	Investment gain(losses) recognized by IUE	"
	Goal	Vietnam	Construction of and investment in infrastructure in Ba Thien industrial district of Vietnam	385,191 (US\$12,700)	385,191 (US\$12,700)	12,700	100 %	354,023 (US\$11,672)	2,001 (US\$64)	Investment gain(losses) recognized by Goal	"
Rayonnant	APH	British Virgin Islands	Investment	312,318	312,318	8,651	41 %	142,800	(10,713)	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	379,125 (US\$12,500)	379,125 (US\$12,500)	12,500	59 %	214,939 (US\$7,087)	(10,713) (US\$344)	Investment gain(losses) recognized by CRH	Note 2
HengHao	HHA	British Virgin Islands	Investment	1,429,235	1,429,235	46,882	100 %	650,061	72,137	Investment gain(losses) recognized by HengHao	"
HHA	HHB	British Virgin Islands	Investment	1,421,932 (US\$46,882)	1,421,932 (US\$46,882)	46,882	100 %	667,410 (US\$22,005)	72,202 (US\$2,320)	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 %	320 (US\$11)	2 (US\$-)	Investment gain(losses) recognized by HHB	"
CBN	Speedlink	British Virgin Islands	Import and export business	1,514	1,514	50	100 %	1,585	30	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 %	6,508	-	"	"
FGH	Wah Yuen Technology Holding Ltd. and its subsidiaries	Mauritius	Investment	2,722,284 (US\$89,755)	2,722,284 (US\$89,755)	95,862	37 %	3,939,853 (US\$129,900)	105,408 (US\$3,387)	Investment gain(losses) recognized by FGH	"

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Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of March 31, 2017			Net income (losses) of investee	Share of profits/ losses of investee	Note
				March 31, 2017	December 31, 2016	Shares (thousands)	Percentage of ownership	Carrying Value			
CORE	BSH	British Virgin Islands	Investment	4,458,510 (US\$147,000)	4,458,510 (US\$147,000)	147,000	100 %	4,783,422 (US\$157,713)	(59,252) (US\$(1,904))	Investment gain(losses) recognized by CORE	Note 2
BSH	LCFC	Hong Kong	Investment and trading	4,354,478 (US\$143,570)	4,354,478 (US\$143,570)	147,000	49 %	4,783,422 (US\$157,713)	(162,457) (US\$(5,220))	Investment gain(losses) recognized by BSH	
APH	PEI	British Virgin Islands	Investment	95,570 (US\$3,151)	95,570 (US\$3,151)	3,151	100 %	64,896 (US\$2,140)	12,192 (US\$392)	Investment gain(losses) recognized by APH	Note 2
	Rayonnant (HK)	Hong Kong	Investment	545,940 (US\$18,000)	545,940 (US\$18,000)	18,000	100 %	284,667 (US\$9,386)	(22,905) (US\$(736))	"	"
BCI	CMI	British Virgin Islands	Investment	2,451,271 (US\$80,820)	2,451,271 (US\$80,820)	80,820	100 %	3,430,820 (US\$113,116)	18,857 (US\$606)	Investment gain(losses) recognized by BCI	"
	PRI	British Virgin Islands	Investment	303,300 (US\$10,000)	303,300 (US\$10,000)	10,000	100 %	1,887,791 (US\$62,242)	67,911 (US\$2,182)	"	"
GLB	Rapha	New Taipei City	Detectors and test strip	15,000	15,000	1,275	100 %	13,123	(42)	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 March 31, 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	1,122,210 (US\$37,000)	(Note 1)	1,122,210 (US\$37,000)	-	-	1,122,210 (US\$37,000)	4,549 (US\$146)	100%	4,549 (US\$146)	2,587,936 (US\$85,326)	-
CDT	Manufacturing and sales of notebook PCs, mobile phones, and Digital products	606,600 (US\$20,000)	(Note 2)	606,600 (US\$20,000)	-	-	606,600 (US\$20,000)	1,034 (US\$33)	100%	1,034 (US\$33)	254,220 (US\$8,382)	-
CET	Manufacturing of notebook PCs	363,960 (US\$12,000)	(Note 2)	363,960 (US\$12,000)	-	-	363,960 (US\$12,000)	46,261 (US\$1,486)	100%	42,931 (US\$1,379)	4,279,375 (US\$141,094)	-
BT	Manufacturing of notebook PCs	30,330 (US\$1,000)	(Note 2)	30,330 (US\$1,000)	-	-	30,330 (US\$1,000)	(3,491) (US\$112)	100%	(3,491) (US\$112)	(34,202) (US\$(1,128))	-
CGS	Maintenance and warranty service of notebook PCs	8,804 (RMB2,000)	(Note 2)	(Note 3)	-	-	-	17,372 (US\$558)	100%	17,372 (US\$558)	(14,041) (US\$(463))	-
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	970,560 (US\$32,000)	(Note 1)	404,299 (US\$13,330)	-	-	404,299 (US\$13,330)	9,070 (US\$291)	43%	3,916 (US\$126)	297,113 (US\$9,796)	-

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COMPAL ELECTRONICS, INC. AND ITS SUBSIDIARIES
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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 March 31, 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 (Nantong) Co., Ltd.	Research & development, and manufacturing chip components(chip resistors, ceramic chip diode ; selling self-produced products and providing after sales service. Performing wholesale and trading business of electronic components, semiconductors, special materials for electronic components, and spare parts	318,708 (US\$10,508)	(Note 1)	44,585 (US\$1,470)	-	-	44,585 (US\$1,470)	(9,188) (US\$295)	48%	(4,397) (US\$141)	139,366 (US\$4,595)	-
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	69,444 (RMB15,776)	(Note 2)	(Note 3)	-	-	-	(6,060) (RMB(1,342))	51%	(3,091) (RMB(684))	(15,826) (RMB(3,595))	-
CIC	Manufacturing of notebook PCs	363,960 (US\$12,000)	(Note 2)	363,960 (US\$12,000)	-	-	363,960 (US\$12,000)	258,887 (US\$8,318)	100%	249,220 (US\$8,008)	6,428,149 (US\$211,940)	-
CPO	Manufacturing and sales of LCD TVs	366,993 (US\$12,100)	(Note 1)	366,993 (US\$12,100)	-	-	366,993 (US\$12,100)	(1,286) (US\$41)	100%	(1,286) (US\$41)	2,691,119 (US\$88,728)	-
CIT	Manufacturing of notebook PCs	727,920 (US\$24,000)	(Note 2)	727,920 (US\$24,000)	-	-	727,920 (US\$24,000)	695,653 (US\$22,352)	100%	684,099 (US\$21,981)	18,045,420 (US\$594,969)	-
LCFC (HeFei) Electronics Technology Co., Ltd.	Manufacturing and selling of personal computers and related components, and providing related maintenance and after sales service	8,037,450 (US\$265,000)	(Note 1)	3,938,351 (US\$129,850)	-	-	3,938,351 (US\$129,850)	(235,573) (US\$7,569)	49%	(115,431) (US\$3,709)	4,141,716 (US\$136,555)	-
CST	International trade and distribution of computers and electronic components	42,462 (US\$1,400)	(Note 2)	42,462 (US\$1,400)	-	-	42,462 (US\$1,400)	1,842 US\$ 59)	100%	1,842 (US\$ 59)	49,167 (US\$1,621)	-
CIN	Software and hardware R&D of computers, mobile phones and electronic components	60,660 (US\$2,000)	(Note 2)	60,660 (US\$2,000)	-	-	60,660 (US\$2,000)	(3) (US\$ -)	100%	(3) (US\$ -)	860 (US\$ 28)	-

(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 March 31, 2017	Net income (losses) of the investee	Percentage of ownership	Investment income (losses)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow						
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	303,300 (US\$10,000)	(Note 2)	154,683 (US\$5,100)	-	-	154,683 (US\$5,100)	(255) (US\$8)	51%	(130) (US\$4)	57,487 (US\$1,895)	-
CIJ	Investment and consulting services	473,148 (US\$15,600)	(Note 2)	473,148 (US\$15,600)	-	-	473,148 (US\$15,600)	449,685 (US\$14,449)	100%	449,685 (US\$14,449)	1,029,633 (US\$33,948)	-
CDE	Manufacturing and sales of LCD TVs	454,950 (US\$15,000)	(Note 2)	(Note 3)	-	-	-	478,342 (US\$15,370)	100%	478,342 (US\$15,370)	795,230 (US\$26,219)	-
CIS	Outward investment and consulting services	2,451,271 (US\$80,820)	(Note 1)	2,451,271 (US\$80,820)	-	-	2,451,271 (US\$80,820)	18,857 (US\$606)	100%	18,857 (US\$606)	3,430,820 (US\$113,116)	-
CEC	R&D and manufacturing of notebook PCs, tablet PCs, digital products, network switches, wireless AP, and automobile electronic products	2,426,400 (US\$80,000)	(Note 2)	(Note 3)	-	-	-	(3,755) (US\$121)	100%	(3,755) (US\$121)	3,387,473 (US\$111,687)	-
CMC	Corporate management consulting, financial and tax consulting, investment consulting, and investment management consulting services	24,264 (US\$800)	(Note 2)	(Note 3)	-	-	-	(219) (US\$7)	100%	(219) (US\$7)	23,917 (US\$789)	-
CEQ	R&D, manufacturing and sales of notebook PCs and related components. Also provides related maintenance and warranty services	303,300 (US\$10,000)	(Note 1)	303,300 (US\$10,000)	-	-	303,300 (US\$10,000)	67,911 (US\$2,182)	100%	67,911 (US\$2,182)	1,887,791 (US\$62,242)	-
Compal Precision Module (Jiangsu) Co., Ltd.	Manufacturing and selling of magnesium alloy injection molding	12,435,300 (US\$410,000)	(Note 2)	2,506,077 (US\$82,627)	-	-	2,506,077 (US\$82,627)	23,466 (US\$754)	37%	8,593 (US\$276)	5,103,888 (US\$168,279)	-
Changbao Electronic Technology (Chongqing) Co., Ltd.	Production and marketing of magnesium alloy molding	1,819,800 (US\$60,000)	(Note 2)	347,460 (US\$11,456)	-	-	347,460 (US\$11,456)	36,524 (US\$1,174)	37%	13,375 (US\$430)	836,914 (US\$27,594)	-
Rayonnant (Taicang)	Manufacturing and sales of aluminum alloy and magnesium alloy products	545,940 (US\$18,000)	(Note 2)	379,125 (US\$12,500)	-	-	379,125 (US\$12,500)	(22,906) (US\$736)	100%	(22,906) (US\$736)	285,257 (US\$9,405)	-
CCI Nanjing	Manufacturing and processing of mobile phones and tablet PCs	667,260 (US\$22,000)	(Note 1)	667,260 (US\$22,000)	-	-	667,260 (US\$22,000)	(10,146) (US\$326)	100%	(10,146) (US\$326)	(938,501) (US\$30,943)	-

(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 March 31, 2017	Net income (losses) of the investee	Percentage of ownership	Investment income (losses)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow						
CDCN	Manufacturing and processing of mobile phones and tablet PCs	175,914 (US\$5,800)	(Note 1)	175,914 (US\$5,800)	-	-	175,914 (US\$5,800)	(218) (US\$(7))	100%	(218) (US\$(7))	78,646 (US\$2,593)	-
CWCN	Manufacturing and processing of mobile phones and tablet PCs	879,570 (US\$29,000)	(Note 1)	576,270 (US\$19,000)	-	-	576,270 (US\$19,000)	(327,909) (US\$(10,536))	100%	(327,909) (US\$(10,536))	137,789 (US\$4,543)	-
Hanhelt	R&D and manufacturing of electronic communication equipment	60,660 (US\$2,000)	(Note 1)	60,660 (US\$2,000)	-	-	60,660 (US\$2,000)	4,170 (US\$134)	100%	4,170 (US\$134)	3,185 (US\$105)	-
Arcadyan												
SVA Arcadyan	R&D and sales of wireless network products	396,996 (US\$13,100)	(Note 1)	558,218 (US\$18,420) (Note 7)	-	-	558,218 (US\$18,420)	808 (US\$26)	100%	808 (US\$26)	112,795 (US\$3,722)	-
CNC	Manufacturing and wireless network products	377,297 (US\$12,450)	(Note 1)	333,688 (US\$11,011) (Note 8)	-	-	333,688 (US\$11,011)	(53,546) (US\$(1,722))	100%	(53,546) (US\$(1,722))	645,012 (US\$21,284)	-
THAC	Manufacturing of household electronics products	101,522 (US\$3,350)	(Note 1、10)	34,851 (US\$1,150)	-	-	34,851 (US\$1,150)	(2,861) (US\$(92))	100%	(2,861) (US\$(92))	42,882 (US\$(1,415))	-
HengHao												
HengHao Technology (Kunshan) Co., Ltd. ("Heng Hao Kunshan")	Production of touch panels and related components	1,213,200 (US\$40,000)	(Note 1)	1,207,225 (US\$39,803)	-	-	1,207,225 (US\$39,803)	72,134 (US\$2,318)	100%	72,134 (US\$2,318)	516,905 (US\$17,043)	-
Lucom Display Technology (Kunshan) Limited ("Lucom")	Manufacturing of notebook PCs and related modules	454,950 (US\$15,000)	(Note 2)	197,115 (US\$6,499) (Note 12)	-	-	197,115 (US\$6,499)	65 (US\$2)	100%	65 (US\$2)	133,138 (US\$4,390)	-

(ii) Limitation on investment in Mainland China:

	Accumulated Investment in Mainland China as of March 31, 2017	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
The Company	16,515,807 (US\$544,537) (Note 5)	22,589,966 (US\$744,806)	Note 6
Arcadyan	926,757 (US\$30,581)	926,757 (US\$30,581)	5,202,131
HHT	1,421,628 (US\$46,872)	1,512,618 (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"), Compal Electronics Technology (Kunshan) Co., Ltd. ("CET"), 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 Module (Jiansu) Co., Ltd., were determined based on the financial report reviewed by CPA.

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

- 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 three months ended March 31, 2017, the significant inter-company transactions with the subsidiary in Mainland China, which were eliminated in the preparation of consolidated financial statements, are disclosed in "Information on significant transactions and "Business relationships and significant intercompany transactions".

(14) Segment information:

The operating segment information was as follows:

	For the three months ended in March 31, 2017			
	IT Product Segment	Strategically Integrated Product Segment	Adjustment & Elimination	Total
Revenue				
Revenue from external customers	\$ 182,673,929	4,753,992	-	187,427,921
Revenue from segments	-	-	-	-
Total revenue	\$ 182,673,929	4,753,992	-	187,427,921
Reportable segment profit	\$ 1,415,513	39,572	-	1,455,085

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

	For the three months ended in March 31, 2016			
	IT Product Segment	Strategically Integrated Product Segment	Adjustment & Elimination	Total
Revenue				
Revenue from external customers	\$ 170,919,389	5,730,419	-	176,649,808
Revenue from segments	-	-	-	-
Total revenue	\$ 170,919,389	5,730,419	-	176,649,808
Other significant non-cash items:				
Reportable segment profit	\$ 1,986,858	311,923	-	2,298,781